

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of The Empire District Electric)
Company's Submission of Its Interim Report) File No. _____
Regarding Participation in the Southwest Power)
Pool, Inc.)

**EMPIRE'S SUBMISSION OF ITS INTERIM REPORT REGARDING
PARTICIPATION IN THE SOUTHWEST POWER POOL**

COMES NOW The Empire District Electric Company (Empire), and states as follows to
the Missouri Public Service Commission (Commission):

EMPIRE

1. Empire is a Kansas corporation with its principal office and place of business at
602 South Joplin Avenue (P.O. Box 127), Joplin, Missouri 64801 (64802). Empire is engaged in
the business of providing electric and water utility services in Missouri to customers in its
service areas and has a certificate of service authority to provide certain telecommunications
services.

2. Empire is an "electrical corporation," a "water corporation," a
"telecommunications company" and a "public utility" as those terms are defined in Section
386.020 RSMo, and is subject to the jurisdiction and supervision of the Commission as provided
by law. Empire also has a wholly owned subsidiary that is a "gas corporation."

3. Empire has no pending or final judgments or decisions against it from state or
federal regulatory agencies or courts which involve customer service occurring within the three
(3) years immediately preceding the filing of this application. Empire has no overdue
Commission annual reports or assessment fees.

4. Empire's documents of incorporation were filed with the Commission in Case No. EF-94-39 and said documents are incorporated herein by reference in accordance with 4 CSR 240-2.060(1)(G). A Certificate of Authority from the Missouri Secretary of State to the effect that Empire, a foreign corporation, is authorized to do business in the State of Missouri, was filed with the Commission in Case No. EM-2000-369 and is also incorporated by reference.

5. Pleadings, notices, orders and other correspondence and communications concerning this application should be addressed to the undersigned counsel and:

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BACKGROUND

6. Empire obtained the Commission's authority to transfer to the Southwest Power Pool, Inc. (SPP), conditional and interim functional control of certain transmission assets, in File No. EO-2006-0141. The authority was granted by the Commission as a result of its approval of a Stipulation and Agreement (Stipulation).

7. The Stipulation stated as follows in regard to the interim approval:

Empire, Staff and Public Counsel further agree and SPP acknowledges that the approval is interim and conditional during a term of seven (7) years following the Effective Date ("Interim Period"), as the Effective Date is determined in Section II.A.(2)(g) herein, unless extended pursuant to Section II.E(2) herein. If the MoPSC does not issue an order to terminate or extend its interim approval prior to the end of the Interim Period, approval of such participation shall no longer be deemed to be interim.

Stipulation, II.A.(1).

8. The effective date as referenced in the stipulation (and defined by II.A(2)(g) in the Stipulation) was February 1, 2007, a date “90 days after the later of: i) the issue date of the last state regulatory approval(s) required for Empire’s transfer of functional control; and ii) the date the Service Agreement has been accepted or approved by the FERC.”¹ Thus, Empire’s Interim Period extends until January 31, 2014.

9. The Stipulation further indicated as follows in regard to the Commission’s options during the Interim Period:

Empire, Staff and Public Counsel acknowledge that 1) prior to the end of the Interim Period, the MoPSC has the jurisdiction to order that Empire’s approval for participation in SPP be terminated, modified, or further conditioned; and 2) if the MoPSC rescinds its approval of Empire participation in SPP, the MoPSC has the jurisdiction to require Empire to timely initiate any notices, filings and actions necessary to seek withdrawal.

Stipulation, II.D.(1).

10. To assist the Commission in determining how to proceed, the Stipulation required the following:

Empire will file, two years prior to the conclusion of the Interim Period, a pleading with the MoPSC regarding the matter of its continued participation beyond the Interim Period. This filing will address, among other things, whether a service agreement or similar mechanism for the provision of transmission service to Missouri Bundled Retail Load would be in effect between Empire and any Transmission Organization in which Empire may participate. Concurrently with the filing of its pleading, Empire will file with the MoPSC a completed Interim Report in which it presents the costs and estimated benefits from having participated in the SPP EIS markets.

Stipulation, II.D.

11. Empire was directed to collaborate with the Staff of the Commission (Staff) and the Office of the Public Counsel (Public Counsel) as to the nature and scope of analysis to be used for the Interim Report. Stipulation, II.D.

¹ See Notice of Exercise of Authority, File No. EO-2006-0141, filed February 5, 2007.

INTERIM REPORT

12. Empire personnel met with Staff and Public Counsel representatives on several occasions beginning in the fall of 2011 to discuss the nature and scope of the Interim Report. Attached hereto as **Appendix A** is the Interim Report that has been produced as a result of those conversations.

13. The Interim Report describes a historical and future benefit-cost analysis for a range of SPP RTO activities. As a result of the implementation of SPP's EIS market in February of 2007, Empire estimates that its total company 2007 through 2010 net savings or trade benefits was approximately \$21.6 million. The Report shows a projected net annual benefit for continued participation in SPP of approximately \$12.2 million over the four year study period of 2014 through 2017 for Empire and its customers.

14. The overall benefit-cost results were developed using a combination of existing benefit-cost studies and evaluation by Empire to estimate and project the net benefits associated with the various SPP RTO service and cost categories. The benefits and costs of functioning within the SPP RTO were compared to those associated with operation of Empire on a stand-alone basis without membership in an RTO and without participation in an organized wholesale energy market. The broad categories analyzed in the Report are: (i) reliability services, (ii) power markets, (iii) transmission facility upgrades, (iv) RTO exit fees, (v) administrative costs, and (vi) additional factors.

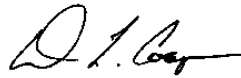
15. These numeric results do not capture the full range of potential benefits that are and can be achieved through SPP membership because certain benefits are not readily quantifiable. One such benefit is the Regional Cost Allocation (RCA) review that was

unanimously approved by the SPP Regional State Committee and Board of Directors on January 30 and 31, 2012, respectively.

16. The Stipulation also requires Empire to state whether an agreement for the provision of transmission service to Missouri bundled retail load (service agreement) between Empire and SPP would be in effect on a going forward basis. At this time, Empire believes that a service agreement similar to the agreement in effect during the Interim Period has served its initial purpose and is no longer necessary as the Commission will have oversight with regard to Empire's RTO participation, ability to participate in SPP's stakeholder processes, and can initiate dockets to address issues and concerns.

WHEREFORE, Empire prays that the Commission accept the attached Interim Report for filing and issue an order approving the continued participation of Empire in SPP beyond January 31, 2014.

Respectfully submitted,



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ATTORNEYS FOR THE EMPIRE DISTRICT
ELECTRIC COMPANY

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on February 3, 2012, to the following:

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