
**Review of Empire District Electric Company
Electric Utility Resource Planning
Compliance Filing
Case No. EO-2013-0547**

Prepared by
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PREFACE OF THE OFFICE OF THE PUBLIC COUNSEL

This report is filed by the Office of the Public Counsel (Public Counsel or OPC) pursuant to 4 CSR 240-22.080(8), which provides that Public Counsel may file a report that identifies deficiencies in a utility's compliance with the provisions of Chapter 22, and any other concerns related to the substantive reasonableness of the utility's preferred plan or its resource acquisition strategy.

4 CSR 240-22.080(9) requires Public Counsel to work with Empire District Electric Company (Empire or the Company) in an attempt to reach an agreement, within sixty days of the date that this report was filed, on a plan to remedy deficiencies. Should Public Counsel and Empire be unable to reach such an agreement, Public Counsel recommends that the Commission find, pursuant to 4 CSR 240-22.080(16), that Empire's filing does not comply with the requirements of Chapter 22 and that Empire's resource acquisition strategy does not meet the fundamental objectives of the planning process as set forth in 4 CSR 240-22.010(2)(A)-(C).

This report is less comprehensive and much shorter than some of the reports that Public Counsel has submitted in past IRP cases. The abbreviated nature of this report should not be construed to reflect any changes in OPC's view that the formal IRP process is important to consumers. Instead, the abbreviated nature of this report is due to the finite resources that OPC has for IRP analysis and the other Commission issues and activities that are currently taking place. The abbreviated nature of this report also reflects OPC's assessment, based on Commission decisions in IRP cases over the last few years, that the Commission is highly unlikely to require remedial actions recommended by stakeholders in IRP cases due to the Commission's practice of directing utilities to address deficiencies in future IPR filings in what has become a seemingly endless process of deferring planning deficiencies to a future time period and never requiring utilities to perform IRP analyses in accordance with the rules that are designed to protect consumers from poor planning and the costly resource decisions associated with inadequate planning. In order to provide limited but meaningful feedback on Empire's IRP filing, we have focused our attention primarily on broad areas where the greatest deficiencies occurred in Empire's filing. In addition, OPC has been actively engaged in the stakeholder meetings that were held with Empire representatives regarding this IRP filing.

Public Counsel's List of Deficiencies

1. 4 CSR 240-22.060 – Empire failed to create alternative resource plans that would fairly address the value of the RAP+ and RAP++ DSM portfolios. The large excess capacity balances for alternative resource plans 5 and 6 shown on pages 127 and 128 of Volume 6 indicate that Empire failed to optimize the supply-side portion of these plans by reducing the amount of supply-side resources in order to bring the excess capacity balance closer to zero in most years of the planning horizon. Supply-side resources could have been reduced by eliminating the 100 MWs of capacity that would be added by the proposed Riverton 12 combined cycle conversion in 2015 and/or by considering retirement of the Asbury 1 unit instead of adding costly environmental compliance controls to this generating unit. Empire asserts in its filing that these supply side resources are considered to be part of its “existing unit parameters for the 2013 IRP.” However, the treatment of these resources as “existing unit parameters” prevented Empire from fairly assessing the potential cost and risk reduction benefits of the RAP+ and RAP++ DSM portfolios.

Suggested Remedy: Additional IRP analysis of the revised alternative resource plans described above should be performed immediately to determine whether Empire should continue moving forward with its plans for: (1) the proposed Riverton 12 combined cycle conversion in 2015 and (2) the life extension of the Asbury 1 unit which requires the addition of costly environmental compliance controls. The risk analysis and plan selection portion of Empire’s filing should be re-done once the new revised resource plan modeling is completed.

2. 4 CSR 240-22.010 (2)(A) – Empire failed to analyze demand-side resources, renewable energy, and supply side resources on an equivalent basis. The large excess capacity balances for alternative resource plans 5 and 6 shown on pages 127 and 128 of Volume 6 indicate that Empire failed to analyze demand-side resources, renewable energy, and supply side resources on an equivalent basis. This lack of equivalent analysis occurred because Empire failed to optimize the supply-side portion of these plans by reducing the amount of supply-side resources in order to bring the excess capacity balance closer to zero in most years of the planning horizon. Supply-side resources could have been reduced by eliminating the 100 MWs of capacity that would be added by the proposed Riverton 12 combined cycle conversion in 2015 and/or by considering retirement of the Asbury 1 unit instead of adding costly environmental compliance controls to this generating unit. Empire asserts in its filing that these supply side resources are considered to be part of its “existing unit parameters for the 2013 IRP.” However, the treatment of these resources as “existing unit parameters” prevented Empire from fairly assessing the potential cost and risk reduction benefits of the RAP+ and RAP++ DSM portfolios.

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3. Failure to model increased levels of DSM (especially 2013) in a manner consistent with the timing of a MEEIA filing that would be needed to achieve the projected levels of DSM in the RAP, RAP+, and RAP++ DSM portfolios. Empire's modeling of these portfolios had MEEIA level DSM impacts beginning in early 2013 when, realistically, impacts at this level would occur sometime in the second half of 2014, at the earliest. This deficiency led to selection of a preferred plan that is not achievable and which will require major adjustments before it can be used as the basis for a three-year MEEIA filing.

Suggested Remedy: The inconsistencies described above should be corrected in this filing and in the MEEIA filing that Empire recently made based on this IRP filing. These corrections should be incorporated into the revised modeling recommended in the remedies for deficiencies 1 and 2.