

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

In the Matter of The Empire District Electric Company's)
2013 Triennial Compliance Filing Pursuant to) File No. EO-2013-0547
4 CSR 240-22.)

EMPIRE'S RESPONSE TO ORDER DIRECTING FILING

COMES NOW The Empire District Electric Company (Empire), and, in response to the Order Directing Filing issued on February 26, 2014, states as follows to the Missouri Public Service Commission (Commission):

BACKGROUND

1. The participants in this matter made a Joint Filing on January 31, 2014, in order to comply with Commission Rule 4 CSR 240-22.080(9). The Joint Filing set out joint agreements as to a plan to remedy certain alleged deficiencies and concerns and described those areas on which agreement could not be reached. To date, Empire has spent over \$555,000 just on consulting fees, preparing its IRP and participating in the IRP process.

2. On February 26, 2014, the Commission issued its Order Directing Filing wherein it ordered that "no later than March 3, 2014, The Empire District Electric Company shall file an estimate of the costs of providing additional modeling relating to the unresolved alleged deficiencies asserted by the Office of Public Counsel."

UNRESOLVED ISSUES

3. The Office of Public Counsel (Public Counsel) asserted the following alleged deficiencies, which remain unresolved:

Public Counsel-Alleged Deficiency 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.

Public Counsel Modification: Public Counsel has reduced the scope of the dispute associated with this alleged deficiency because it is no longer challenging Empire’s decision to include the Asbury 1 unit in the Company’s “existing unit parameters for the 2013 IRP.”

Public Counsel-Alleged Deficiency 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.

Public Counsel Modification: Public Counsel has reduced the scope of the dispute associated with this alleged deficiency because it is no longer challenging Empire’s decision to include the Asbury 1 unit in the Company’s “existing unit parameters for the 2013 IRP.”

4. Empire does not agree that these matters rise to the level of a “deficiency.” The question raised by the Public Counsel is whether the Riverton 12 conversion project should be considered an existing unit parameter in the aggressive cases RAP+ and RAP++. Empire

continues to monitor and review the Riverton 12 combined cycle conversion project. However, the additional modeling within its IRP triennial compliance filing is not required by rule, efficient or necessary. The Riverton Unit 12 conversion project was considered a committed resource by Empire in the 2013 IRP, having been examined in prior IRP proceedings and studies. A contract for the Riverton 12 project has been executed and engineering, procurement, and initial on-site construction activities for the project have begun. The Riverton 12 conversion is scheduled for completion in mid-2016 to coincide with the planned retirement of approximately 100 MW associated with Riverton units 7, 8 and 9.

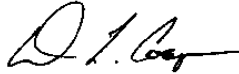
5. The Riverton combined cycle will provide firm capacity and is expected to supply a significant amount of energy and capacity well into the future. Attempting to use DSM to fill the resource need as the Public Counsel seems to suggest in its alleged deficiency would be very risky and in all likelihood unattainable since it would involve an increase in Empire customer DSM participation rates that are much larger than is practicable and, since customer participation in Empire's DSM programs is not mandatory, there is no guarantee that the more aggressive scenarios RAP+ and RAP++ suggested by the Public Counsel could ever be achieved or maintained. The RAP+ and RAP++ scenarios presented by Empire in the 2013 IRP were IRP plans that were created to test for the cost-effectiveness of a significant DSM stretch over historically attainable levels. They are both more aggressive DSM portfolios than the realistic achievable potential ("RAP") level. Some IRP stakeholders have indicated that even the RAP portfolio that is proposed by Empire in its preferred resource plan may be aggressive for Empire's service territory. While the RAP+ and RAP++ were added to the IRP plans at the Advisory Group request, Empire does not feel that these are viable or realistic resource plans.

ESTIMATE

6. In response to the Order Directing Filing, Empire presented the Scope of Work document attached hereto as Appendix A to its consultant, Ventyx. Ventyx estimated that the additional modeling described in the scope of work would cost \$6,600 (*See* Appendix B).

WHEREFORE, Empire respectfully requests that the Commission consider this response, issue its order finding that Empire has substantially complied with the triennial filing requirements of Chapter 22, and, thereafter, close this file.

Respectfully submitted,



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ATTORNEYS FOR THE EMPIRE DISTRICT
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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic mail, on March 3, 2014, to the following:

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