

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

In the Matter of an Investigation Into the)	
Possible Methods of Mitigating Identified)	
Harmful Effects of Entergy Joining MISO on)	
Non-MISO Missouri Utilities and Their)	File No. EW-2014-0156
Ratepayers and Maximizing the Benefits)	
for Missouri Utilities and Ratepayers Along)	
RTO and Cooperative Seams)	

COMMENTS OF THE EMPIRE DISTRICT ELECTRIC COMPANY

COMES NOW The Empire District Electric Company (“Empire” or “Company”), by and through counsel, and respectfully submits these comments in response to the *Order Opening a Case to Investigate Methods of Eliminating or Mitigating the Negative Effects of the MISO/SPP Seam*, issued herein on November 26, 2013 (the “Order”), by the Missouri Public Service Commission (the “MoPSC”):

With the Order, the MoPSC presents 16 questions to be answered or otherwise addressed by the participants in this docket. Bary K. Warren, Empire’s Director of Transmission Policy and Compliance, is addressing the 16 matters on behalf of Empire.¹ Mr. Warren has been employed by Empire for more than 11 years, and he has worked in the electric industry for over 28 years. His current responsibilities include the development, implementation, and advocacy of corporate transmission policy and strategy, as well as oversight of transmission system operations, NERC reliability compliance, and reporting. Mr. Warren also monitors and participates in FERC and multiple state commission regulatory proceedings, as well as SPP stakeholder committees, such as the SPP Seams Steering Committee, Markets and Operations Policy Committee, Regional Tariff Working Group, RSC Cost Allocation Working Group, Regional State Committee, Board of Directors, and the Regional Allocation Review Task Force. Mr. Warren holds a Masters in

¹ Mr. Warren’s business address is 602 Joplin Avenue, Joplin, Missouri, and he can be reached via email at bwarren@empiredistrict.com or by phone at 417-625-4234.

Business Administration with High Honors from Oklahoma City University and Bachelors of Science Degree in Electrical Engineering from the University of Missouri at Rolla.

Question 1: Are Missouri state policies related to seams issues providing Missouri utilities and ratepayers all possible benefits and reducing all possible detriments stemming from Missouri's position on the seam? If not, are there potential policy changes that could increase the benefits or reduce the detriments of Missouri being on the seams to Missouri utilities and ratepayers? If so, please provide a list of potential changes and the benefits and detriments of those potential changes.

Response: No. Given the existence of the seam between Regional Transmission Organizations ("RTO") that exists in Missouri, the MoPSC needs to take a more assertive position on the RTO seams issues to influence the seams policies of the Federal Energy Regulatory Commission ("FERC"), so that the FERC policies promote cost effective transmission construction and a more equitable allocation of transmission costs and benefits.

The MoPSC needs to authorize a cost recovery mechanism for RTO costs and be more assertive in its position on the appropriate compensation for the utilization of Missouri transmission systems within the RTO planning processes to improve RTO seams operations and efficiencies. A more assertive position by the MoPSC on the seams issues could also help facilitate the development of cost effective transmission infrastructure along the Missouri RTO and non-RTO seams.

Question 2: Are any RTO policies related to seam issues providing Missouri utilities and ratepayers all possible benefits and reducing all possible detriments stemming from Missouri's position on the seam? If not, are there potential policy changes that could increase the benefits or reduce the detriments of being on the seams to Missouri utilities and ratepayers? If so, please provide a list of potential changes and the benefits of those potential changes.

Response: Yes. Although FERC's Order 1000 rules have encouraged transmission planning between the RTO seams, the rules have fallen short in providing requirements or incentives to RTO members that have/will result in increased benefits or reduced detriments. RTO policies related to seams management and improved efficiencies are inconsistent to date, but efforts are underway by the RTOs and stakeholders, including the MoPSC, to address such inconsistencies through Order 1000 and Joint Operating Agreement processes.

Question 3: What would be the effect of SPP and MISO merging on Missouri utilities and ratepayers?

Response: A merger of SPP and MISO would result in material changes in transmission operations. The impact of such an event would require significant analysis and discussion by numerous parties to sort out the changes in costs and benefits. As the MoPSC is aware, SPP and MISO attempted to merge back in 2003-2004 and were unsuccessful. The gap of differences between the SPP and MISO operations has increased since that earlier failed merger effort. Empire believes that future policy efforts should focus on improving interaction between the SPP and MISO that encourages more efficient market-to-market operations, improved economic energy transfers through mutually acceptable market mechanisms (in addition to congestion management), transmission expansion, improved compensation for utilization of each party's facilities term that avoids subsidization, and an overall improvement in the communication process between SPP and MISO to reduce the litigation and disagreement within the various seam states, FERC, and federal courts.

Question 4: What are the economic advantages or disadvantages to Missouri utilities and ratepayers from the state's position on a seam? Please quantify either the advantages or disadvantages providing a detailed explanation of methodology used.

Response: One of the disadvantages of the seam between SPP and MISO became readily apparent from Empire's perspective late in 2013 with the integration of the Entergy transmission system into MISO on December 19, 2013. Since that date, the transmission rates Empire must pay to transmit its output from the Plum Point unit in Northeastern Arkansas have substantially increased, with the point-to-point transmission rate increasing from \$1.61/Kw month under Entergy to \$2.70/kW month under MISO. This integration also imposed numerous MISO OATT non-transmission service related charges upon Empire's customers. Such increases in the RTOR charges to Empire and other charges are currently being discussed in confidential settlement discussions at FERC in consolidated Dockets ER13-948/EL14-19.

a. What parties, both inside and outside of Missouri, are currently paying the MISO-SPP Regional Through and Out Rates (RTOR) for transactions originating in either MISO or SPP and terminating in the other RTO? Are all of the currently scheduled transactions between MISO and SPP paying the MISO or SPP RTOR? What are the RTORs currently being paid or anticipated to be paid? How much have Missouri utilities paid in RTORs in the past three years, and how much do Missouri utilities anticipate they will pay in RTORs in the next three years?

Response: Empire can only respond specifically to the impact the MISO RTOR will have on its operation. Empire has no direct, detailed knowledge of the potential impacts on other utilities operating in SPP and MISO. As indicated in Empire's response to the previous question, the transmission rate associated with the 100MW transportation of its Plum Point output has increased around 68 percent. Future increases in the rate for this service are dependent on the rate of the transmission build out within MISO. It would be more appropriate for SPP and MISO to provide specific responses as to what entities

have procured point-to-point/regional through and out rate service, and the forecast SPP/MISO RTOR rates for the next three years.

b. Identify all of the currently scheduled transactions between MISO and SPP paying the RTOR?

Response: Empire believes it would be more appropriate for SPP and MISO to provide specific responses as to what parties have procured point to point/regional through and out rate service.

c. What would the benefits be to Missouri utilities and ratepayers from the elimination of the MISO-SPP RTOR?

Response: With regard to subpart c, including (i)-(iii), Empire has not performed the analysis which would be required and has not quantified the costs or benefits associated with the elimination of the MISO-SPP RTOR.

Question 5: What are the safety and reliability advantages or disadvantages to Missouri utilities and ratepayers from its position on a seam? Please provide a detailed explanation of the methodology used to determine issues of safety and reliability issues on the seam.

Response: There can be an impact on safety and reliability in Missouri and other similarly situated states between SPP and MISO due to the inappropriate utilization of the SPP transmission system by MISO for the integration and operation of its MISO South operations. Such issues are currently being addressed by SPP, MISO, and other parties to the FERC accepted Operations Reliability Coordination Agreement and, more importantly, at FERC in confidential settlement discussions in consolidated Dockets ER14-1174, et al.

Question 6: How are loop flow operational issues currently communicated between MISO SPP, and AECL. What are the top obstacles to reaching an agreement on seams-related issues between SPP and MISO?

Response: Empire believes that SPP and MISO are in a better position to provide specific details and responses to these questions.

Question 7: Would some or all Missouri utilities and ratepayers be better off in the middle of an RTO versus being on the seam or edge of multiple RTOs?

Response: It is difficult to make any conclusion at this time regarding some or all Missouri utilities. However, Empire believes that being located on a seam presents additional challenges that do not directly impact SPP RTO members not on or near the seam. SPP has committed to establish an equity over time policy through the near future implementation of its Regional Cost Allocation Review (“RCAR”) remedies to better balance the costs and benefits between all SPP members, especially those benefit deficit members on the seam. Empire is actively involved in SPP’s RCAR efforts.

Question 8: What would be the effects on Missouri utilities and ratepayers of having all Missouri utilities in the same RTO?

- (a) Differences in RTO transmission planning.
- (b) Differences in Market Operations.
- (c) Differences in the price of purchasing energy and capacity from neighboring utilities.
- (d) Differences in consideration of loop and market flows when an RTO is determining optimal dispatch of generators.

Response: Empire has not performed such an analysis and has not categorized or quantified the differences that would be the result of such an event.

Question 9: What would be the effect of requiring all Missouri Load Serving Entities under Commission jurisdiction to join the same RTO (in dollars and construction projects)?

- (a) What would the exit fees be of a Missouri utility departing their existing RTO?

(b) What would be the legal ramifications of such a position?

Response: Empire has not performed such an analysis and has not categorized or quantified the differences that would be the result of such an event. Termination fees may vary significantly between RTOs and are governed by FERC approved tariffs. SPP recently completed major withdrawal obligation provisions within its OATT, Bylaws, and Membership Agreement. On May 14, 2014, FERC accepted SPP's withdrawal obligation terms and conditions in Dockets ER13-2031 and 2033.

Question 10: What, if any, information and analysis from the PJM-MISO "Joint and Common Market" process can be used to improve the situation of utilities along the Missouri MISO-SPP-AECI seams?

Response: Such information and analysis could best be presented and assessed by the MoPSC and Missouri utilities in a Missouri-sponsored RTO technical workshop forum, future SPP Seams Steering Committee meeting, or SPP/MISO Joint Operating Agreement/Order 1000 planning meeting.

Question 11: What will be the effect to Missouri utilities and ratepayers of MISO and SPP's expected implementation in Spring 2015 of a "Market-to-Market" process of handling congestion to utilities along the Missouri seam?

Response: Empire believes the 2015 SPP/MISO market-to-market process will not provide the benefits alleged by MISO. It is entirely possible that the expiration of the Operations Reliability Coordination Agreement could negatively impact Empire and its customers. In addition, how market-to-market rules are established will have an impact on the operations on Empire's Plum Point Power Station, due to MISO's planned uncompensated usage of the SPP transmission owners system for the integration and operation of MISO South.

Question 12: What are all of the currently scheduled transactions between the Entergy and SPP regions that are expected to pay the MISO RTOR if and when Entergy integrates into MISO? Does the answer to this question change depending on which Entergy facilities integrate into MISO? If so, how?

Response: Empire believes that SPP and MISO are in a better position to respond to this question.

Question 13: Would there be other Missouri non-MISO utility and ratepayer impacts as a result of changes in the MISO-SPP RTOR? If so, what are they?

Response: Empire believes that SPP and MISO are in a better position to respond to this question.

Question 14: If the MISO-SPP RTOR was eliminated, what are the types of possible replacements?

- (a) How would TOs recover their costs if the RTOR were replaced with a “license plate” rate, where a rate for service that would vary based on the zone where the power was delivered?
- (b) What replacement would provide the most benefit for Missouri utilities and ratepayers?
- (c) What information would be needed to support any replacement to the RTOR?

Response: This is a very complex question. Empire has not performed a comprehensive analysis of potential rate alternatives and has not categorized or quantified the differences that would be the result of such an event. Empire suggests that MISO and SPP provide information to address these MoPSC questions in a future technical conference, SPP/MISO meeting, or possibly an RSC/OMS educational meeting.

Question 15: What are the possible ways to eliminate the MISO-SPP RTOR? What information would be necessary to gain FERC approval of a MISO-SPP RTOR elimination?

Response: Empire has not performed such an analysis and has not ascertained what alternatives might be available in the event of the elimination of the RTOR, nor has Empire determined what information the FERC would require to obtain FERC approval of RTOR elimination.

Question 16: How does FERC Order 1000, with its emphasis of interregional coordination, including interregional transmission planning, affect the future need for the current MISO-SPP RTOR?

Response: It may be somewhat premature to conclude whether or not FERC Order 1000 may or may not directly affect the MISO-SPP RTOR. To-date, FERC Orders 890 and 1000 processes have yielded no approved transmission projects.

WHEREFORE, Empire respectfully submits the above comments in response to the MoPSC's *Order Opening a Case to Investigate Methods of Eliminating or Mitigating the Negative Effects of the MISO/SPP Seam*. Empire requests such relief as is just and proper under the circumstances.

Respectfully submitted,

/s/ Diana C. Carter

Dean L. Cooper MBE #36592

Diana C. Carter MBE #50527

BRYDON, SWEARENGEN & ENGLAND P.C.

312 E. Capitol Avenue

P. O. Box 456

Jefferson City, MO 65102

Phone: (573) 635-7166

Fax: (573) 634-7431

E-Mail: DCarter@BrydonLaw.com

ATTORNEYS FOR EMPIRE

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic transmission to all counsel of record on this 1st day of July, 2014.

_____/s/ Diana C. Carter_____