



May 21, 2007

Mr. John Mills
Manager, Tariff Studies
Southwest Power Pool, Inc.
415 North McKinley Street
#140 Plaza West
Little Rock, Arkansas 72205

Re: Empire Request For Waiver (#1) Per Attachment J of the SPP OATT
For OASIS Requests: #973355, #973373, and #1032183

Dear John,

Pursuant to Section III C.1(Waiver Process) of Attachment J of the Southwest Power Pool (SPP) Open Access Transmission Tariff, The Empire District Electric Company (Empire) is requesting a waiver, in whole, of SPP determined direct assignment Network Upgrade facilities associated with Empire transmission service OASIS requests:

#973355(Iatan II-100MW): SPP-2006-AG2-AFS-4
#973373(Plum Point-50MW): SPP-2005-AG2-AFS-3
#1032183(Plum Point-50MW): SPP-2006-AG1-AFS-4

This waiver request of \$9.7 Million is being requested for all reservations due to the fact that each request requires the construction of the same facilities on the Empire system and/or 3rd party facilities and relates to new designated resources (DRs) that are new coal fired base load generation facilities that are scheduled to be in service in the same year, 2010.

Empire is a joint owner of a new Iatan II facility(800MW to 850MW) currently under construction within the Kansas City Power and Light (KCPL) balancing area, and is also a joint owner of a new Plum Point facility (665MW) currently under construction by LS Power, Inc. in the Entergy Arkansas area near Osceola, Arkansas(north of Memphis, Tennessee).

The waiver pertains to SPP's initially interpreted Empire violation of Section III B.2 Capacity Margin (125%) Condition:

2. In the first year (2010) the Designated Resource is planned to be used by the Transmission Customer, the accredited capacity of the Transmission Customer's existing Designated Resources plus the lesser of: (a) the planned maximum net dependable capacity applicable to the Transmission Customer or (b) the requested capacity; "shall not" exceed 125% of the Transmission Customer's projected system peak responsibility determined pursuant to SPP Criteria 2 (Capacity Margin);

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With respect to Condition 1-Commitment, all 3 requests are for at least 20 years with ownership of at least 150MW of the 200MW. As described in Section III B.3, the Safe Harbor Limit for the above requests are \$18 Million(100MW), \$9 Million(50MW), and \$9 Million(50MW) respectively, for a total of \$36 Million in eligible funding.

Based on the SPP initially interpreted 2010 Capacity Margin for Empire to be approximately 134% (taken from Empire submitted EIA-411 2005 and 2006 information) which includes a continuation of Empire's existing 162MW purchase of capacity and energy from Westar's Jeffrey Power Station, Empire would be ineligible for "any" Base Plan Funding for the Network Upgrades required for the 200MW of service and directly assigned the estimated \$9.7Million costs, unless a waiver is secured. Empire is "not" requesting a waiver of the 125% "bright line" Capacity Margin in 2010, but rather a re-consideration of Condition 2 Capacity Margin calculation of 134%, based on a) termination of the Jeffrey designated resource in 2010 and b) updated 2007 EIA-411 information.

As described in Section III C.1 of the Waiver Process, the Transmission Customer must submit its request for a waiver to SPP "simultaneous" with its designation of a new or "changed" Designated Resource to be included in the SPP Transmission Expansion Plan. A copy of a Termination of Designated Resource is attached.

With submittal of this Waiver Request, Empire is simultaneously providing SPP an official "change" or termination in an existing Designated Resource (Jeffrey), thus significantly changing Empire's Capacity Margin/Condition 2 analysis from 134% to 117% (based on updated/projected 2007 EIA-411 information for 2010). Even with i) inclusion of the Jeffrey's designated resource, ii) 15MW of SPP determined wind capacity (Empire believes the dependable capacity value to be near 0% based on 1st summer of operation), and iii) updated 2007 EIA information, the Condition 2 Capacity Margin would be 125.3%.

Also attached is the Condition 2 Capacity Margin Analysis referred to above, for the SPP staff, CAWG, MOPC, and Board of Directors consideration of the Waiver. Service agreements for the 3 requests have not been finalized and will be affected with the Board of Directors' decision on this Waiver request.

Empire provides the analysis in this manner to illustrate how this Condition evaluated only at the first year of service and implemented in a "bright light/all or nothing manner may need further evaluation with respect to a pro-ration of eligible funding and capacity margin over the term of the SPP Transmission Expansion Plan or in the event circumstances change for the transmission customer.

Based on the results of the Aggregate Facility Studies for the transmission service requests, the facilities required are allocated to the Iatan II 100MW request and Plum Point 50MW request. The 2nd Plum Point 50MW request has impacted on those same facilities and it is our understanding credits from use of those facilities would need to be determined, if a waiver was not approved.

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Network upgrades include a new 161KV circuit north of Joplin, Missouri to Riverton, Kansas(\$5.4Million) and a new 161/69/12.5kV power transformer(\$4.3Million).

In light of the Safe Harbor Limit of Engineering and Construction costs(E&C) for the 200MW of designated resources being \$36 Million, the term of the reservations being in excess of 20 years, and the more accurate re-evaluation of Condition 2 lowers Empire's Capacity Margin to less than 125%, Empire specifically requests that:

- a) SPP staff distribute the Waiver Request to the MOPC and CAWG as soon as possible;
- b) the directly assigned transmission costs of the Network Upgrades required to be constructed prior to the January 1, 2010 in-service date of the transmission service (estimated to be \$9.7 Million E&C) be reviewed by the CAWG, MOPC, RSC, and SPP Board of Directors no later than the end of July and;
- c) the Network Upgrades required for the 3 requests be determined and approved by the Board of Directors to be Base Plan Upgrades with the final actual costs of the upgrades be fully Base Plan funded and allocated as set forth in Attachment J Section III-A.

Empire representatives will be personally available to discuss our Waiver request at future CAWG, RSC, RTWG, MOPC and BOD meetings.

Thank you for your assistance and we look forward to SPP's recommendation and finalization of the service agreements related to these new designated resources for the customers of The Empire District Electric Company.

Sincerely,



Rick McCord
Director, Supply Management

- cc. Harold Colgin, II, Empire Vice President of Energy Supply
Bary Warren, Empire Director of Transmission Policy and Compliance
Pat Bourne, SPP Director of Transmission and Regulatory Policy

Base Plan Funding Attachment J - B.2 125% Capacity Margin Condition Analysis for EDE For Transmission Service Requests: 973355(Iatan II-100MW(O)), 973373(Plumpoint-50MW(O)), and 1032183(Plumpoint-50MW-(P))

Year	Designated Capacity Resources	Requested DER Iatan II & Plumpoint(O)	Requested DER Plumpoint(P)	Requested DR Plumpoint(O)	Capacity Purchases w/Wind Capacity	Capacity Purchases w/Wind Capacity	Total Designated Capacity Resources w/Wind	Total Designated Capacity Resources w/Wind	System Peak Responsibility 2007(EIA)	System Peak Responsibility 2006(EIA)	Existing w/Jeffries Capacity Margin (Total w/Wind - Peak)	Existing w/Jeffries Capacity Margin (Total w/Wind - Peak)	Existing + Requested w/Jeffries Purchase Capacity Margin (Total w/Wind - Peak)	Existing + Requested w/Jeffries Purchase Capacity Margin (Total w/Wind - Peak)	2006(EIA) - Initial SPP Base Funding Analysis %
2006	1100	0	0	162	177	1262	1277	1159	109.2	109.2	119.6	119.6	119.6	119.6	
2007	1255	0	0	162	177	1417	1432	1144	120.1	120.1	126.2	126.2	126.2	126.2	
2008	1255	0	0	162	177	1417	1432	1172	118.2	118.2	126.6	126.6	126.6	126.6	
2009	1262	0	0	162	177	1424	1439	1198	116.7	116.7	125.2	125.2	125.2	125.2	
2010	1262	50	50	0	15	1462	1477	1224	104.2	118.7	125.3	125.3	125.3	125.3	134.4
2011	1262	150	50	0	15	1462	1477	1251	102.0	116.3	123.7	123.7	123.7	123.7	
2012	1262	150	50	0	15	1462	1477	1278	99.9	113.5	122.0	122.0	122.0	122.0	
2013	1262	150	50	0	15	1462	1477	1304	97.9	111.7	120.4	120.4	120.4	120.4	
2014	1262	150	50	0	15	1462	1477	1330	95.8	110.0	118.9	118.9	118.9	118.9	
2015	1262	150	50	0	15	1462	1477	1356	93.8	108.2	117.3	117.3	117.3	117.3	
2016	1262	150	50	0	15	1462	1477	1383	91.7	106.4	115.6	115.6	115.6	115.6	

*Note: 15MW(10%) of capacity assigned by SPP for 150MW EK River Wind Farm for Capacity Margin determination. EDE believes dependable capacity value to be closer to 0%.



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Mr. L. Patrick Bourne
Director, Transmission
and Regulatory Policy
Southwest Power Pool, Inc.
415 N. McKinley
#140 Plaza West
Little Rock, Arkansas 72205

Re: Termination of Network Resource

Dear Pat,

We are officially notifying SPP of a change in Empire's future resource designations.

Empire currently has an agreement¹ for 162MW of capacity from Westar's Jeffrey Energy Center that is delivered to Empire under a grandfathered transmission arrangement². The agreement with Westar is scheduled to expire on 6/01/2010.

Based on the current status and Empire's commitments to Iatan 2 and Plum Point, a partial or full renewal of the agreement with Westar is very unlikely to occur.

Therefore, pursuant to Section 30.3 of the SPP OATT, Empire hereby terminates the full amount of the Westar capacity and energy purchase as a designated network resource effective 6/01/2010.

Empire, in terminating the Jeffrey Energy Center as a designated Network Resource, is also waiving, at this time, its grandfathered Section 2.2 transmission priority rights pursuant to FERC Order 888 and 890 beyond May 31, 2010. It is our understanding that the Westar(Jeffrey) to Empire transmission service priority is independent of whether Empire continues to purchase capacity and energy from Westar Energy or elects to purchase capacity and energy from another supplier.

¹ Participation Power Agreement - FERC Rate Schedule 273, ER95-615

² Attachment W, Line 298 SPP OATT

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To the extent that such termination of this designated network resource and waiver of priority transmission service rights will affect Empire's allowable base plan funding for other Empire designated resources pursuant to Attachment J and the SPP Aggregate Study transmission service process, Empire respectfully requests SPP's assistance in understanding such impacts and support in obtaining full eligibility for base plan funding for its Iatan II, Plum Point, and any pending designated resource service requests.

If you have any questions, please do not hesitate to give me a call at 417-625-2340 or via email at rmccord@empiredistrict.com

Thank you for your assistance and service.

Sincerely,



Rick McCord
Director, Supply Management

cc. Harold Colgin, II, Vice President of Energy Supply
Brad Beecher, VP and COO
John Mills, SPP