

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

In re: Union Electric Company's	)	
2011 Utility Resource Filing pursuant to	)	File No. EO-2011-0271
4 CSR 240 – Chapter 22.	)	

**AMEREN MISSOURI'S RESPONSE TO PUBLIC COUNSEL'S APPLICATION FOR  
REHEARING AND TO PUBLIC COUNSEL'S RESPONSE TO AMEREN MISSOURI'S  
APPLICATION FOR REHEARING AND REQUEST TO FILE OUT OF TIME**

**I. BACKGROUND**

1. Union Electric Company, d/b/a Ameren Missouri (Ameren Missouri or the Company) made its Integrated Resource Plan filing on February 20, 2011.
2. On March 28, 2012, the Missouri Public Service Commission (Commission) issued its *Report and Order* in this case. Ameren Missouri filed its *Application for Rehearing* on April 25, 2012.
3. The Office of the Public Counsel (OPC) filed its *Application for Rehearing* on April 26, 2012 and, in addition, filed a response to Ameren Missouri's *Application for Rehearing* on May 4, 2012.

**II. RESPONSE TO PUBLIC COUNSEL'S APPLICATION FOR REHEARING**

**A. Estimation and Analysis of Environmental Costs**

4. OPC finds fault with the *Report and Order* in this case, indicating that the Commission has failed to address OPC's assertion that Ameren Missouri failed to comply with the rules requiring evaluation of "probable environmental costs." OPC includes a quote from its opening statement in the transcript in which it cited to 4 CSR 240-22.070(2)(C) as its basis for the allegation that the Company has not properly considered "probable environmental costs."

5. OPC's use of the term "probable environmental costs" is, at best, misplaced. Probable environmental costs are defined and discussed in 4 CSR 240-22.040(2). Specifically, the definition can be found in 4 CSR 240-22.040(2)(B), which states, "The probable environmental costs of each supply-side resource option shall be quantified by estimating the cost to the utility to comply with additional environmental laws or regulations that may be imposed at some point within the planning horizon." A close examination of the record in this case reveals that neither OPC nor any other party has alleged that the Company did not estimate such costs.

6. The rule pointed to by OPC, 4 CSR 240-22.070(2)(C), instead deals with the evaluation of, "[f]uture changes in environmental laws, regulations, or standards," as an uncertain factor. This was the same rule cited by OPC in its *Review of Union Electric Company Electric Utility Resource Planning Compliance Filing* (pages 6-7) and in its initial brief (page 9) in this case, neither of which referred to "probable environmental costs" as described in 4 CSR 240-22.040(2). Instead, OPC alleged that Ameren Missouri's use of two scenarios for environmental regulations was inconsistent with the rules because they were not included on the probability tree used for risk analysis.

7. Ameren Missouri demonstrated that it evaluated federal greenhouse gas policy as a critical uncertain factor consistent with 4 CSR 240-22.070(2)(C), and also that it evaluated compliance with, and the resource planning implications of, each of two different scenarios for environmental regulation as an "Other Consideration" pursuant to 4 CSR 240-22.010(2)(C). The Company's case with respect to this issue is summarized in its reply brief at pages 17-18. In short, it is invalid to evaluate resource plans designed to specifically comply with one set of environmental regulations under conditions that are based on another set of environmental

regulations. In addition, Ameren Missouri's approach is not only appropriate, but is preferable to evaluating resource planning decisions under more than just one expected path for environmental regulation. Comparing resource plans under each environmental regulation scenario, rather than across environmental regulation scenarios, is all that is necessary or useful. In fact, the Commission was able to rely on the comparability of cases under the Aggressive Environmental Regulation scenario to reach its conclusion in its *Report and Order* (pages 15-16) that evaluation of the Company's Meramec Plant under aggressive environmental regulation provided useful insights regarding the viability of the Company's other coal-fired plants.

8. OPC asserts in its *Application for Rehearing* that the Company's results for present value of revenue requirement (PVRR), "did not incorporate the expected amount of PVRR for probable environmental costs (including costs of coal plant retrofits for current and expected EPA regulations) so that the results were not comparable between scenarios because they did not accurately reflect the expected amount of probable environmental costs associated with each resource plan."

9. OPC's assertion has no basis in fact and was addressed at hearing by Ameren Missouri witness Matthew Michels in direct response to questions from OPC (Transcript page 230, line 6, to page 232, line 11). Specifically, Mr. Michels noted that, "...for moderate environmental regulation, that includes the expected value of complying with those environmental regulations and similarly for aggressive." The record demonstrates that OPC offered no evidence to dispute this fact. OPC is free to assert its opinion regarding how, given the necessary capabilities, it would perform analyses of environmental regulation, but cannot dispute the fact that probable environmental costs were included in the Company's PVRR analysis results.

## **B. Use of Decision Factors**

10. OPC challenges the Commission’s finding that Ameren Missouri’s application of “Other Considerations” pursuant to 4 CSR 240-22.010(2)(C) in selecting its preferred resource plan is appropriate (*Report and Order*, pages 9-10). OPC faults the Company for not including a reference to this rule in its initial IRP filing.

11. Ameren Missouri believes that the Commission’s findings of fact on this issue are thorough and complete and provide an appropriate basis for the Commission’s decision on this matter.

12. While a specific reference to 4 CSR 240-22.010(2)(C) was not included in the IRP filing, the Company notes that its substantial testimony in this case clearly establishes that this was the provision on which the Company’s analysis of certain “Other Considerations” was based. The Company made its best efforts to ensure that its IRP filings provide adequate information necessary for the review of other parties, in accordance with the rules. That a specific reference was not included in the filing does make the filing deficient.

## **C. Ensuring that the Public Interest is Adequately Served**

13. OPC alleges that the *Report and Order* fails “to ensure the public interest is served” as required by 4 CSR 240-22.010(1). Public Counsel claims that the Commission must order Ameren Missouri to “fix” the issues raised by other parties so that the Commission will know what is the Company’s “optimal” plan (a term not used or defined in the Commission’s IRP rules). To support this assertion, OPC cites to only one deficiency found by the Commission in its *Report and Order* – that pertaining to the modeling of wind resources.

14. As the issue of modeling wind resources was also addressed in OPC's response to Ameren Missouri's *Application for Rehearing*, and in more detail, it is addressed in Section III of this pleading.

15. For all of the reasons set forth by the Company in its post-hearing briefs and by the Commission in the *Report and Order*, there is no need to require the Company to redo any analysis. The Company has filed its Annual Update and will be holding the required workshop shortly. Restarting the process at this time serves no legitimate purpose and the suggestion should be rejected.

### **III. RESPONSE TO PUBLIC COUNSEL'S RESPONSE TO AMEREN MISSOURI'S APPLICATION FOR REHEARING**

16. OPC asserts in its response to Ameren Missouri's *Application for Rehearing* that the Company's evaluation of wind for compliance with the Missouri Renewable Energy Standard (RES) is deficient and therefore cannot be used as a basis for assessing the impact on customer costs of adding wind resources to the Company's portfolio. OPC goes so far as to argue that the Company is being sly in its wording by discussing "evaluation" of wind resources rather than "modeling," citing 4 CSR 240-22.060(4), 4 CSR 240-22.060(4)(A)-(D) and 4 CSR 240-22.070(7)(B)(1). OPC charges that the Company's estimated wind resources needed for compliance with the RES were not modeled in accordance with the rules nor included in risk analysis. OPC also alleges that the base plan used for evaluation of the 1% rate cap is inappropriate because it is not similar to the preferred resource plan the Company selected.

17. 4 CSR 240-22.060(4) governs the evaluation of resource plans and requires that analysis, "...shall be carried out with computer models that are capable of simulating the total operation of the system on a year-by-year basis..." and lists specific conditions the modeling

must satisfy in subsections (A)-(D). 4 CSR 240-22.070(7)(B)(1) lists specific modeling requirements for the analysis of expected unserved hours governed by 4 CSR 240-22.070(7).

18 Importantly, and perhaps forgotten by OPC in its zeal to put forth an argument, the Commission should recognize that Ameren Missouri requested, and was granted (without objection from OPC), a complete waiver from the requirements of 4 CSR 240-22.070(7) and all its subcomponents. Accordingly, OPC's arguments with respect to this rule provision are irrelevant.

19. The technical modeling issues cited by OPC pursuant to the provisions of 4 CSR 240-22.060(4) were not raised by OPC or any other party in this case. A review of the record shows that there is no citation to this rule provision in OPC's *Review of Union Electric Company Electric Utility Resource Planning Compliance Filing*, nor in the joint filing made in this case listing alleged deficiencies, nor in OPC's testimony, initial brief or reply brief. There is no testimony on this provision in the hearing transcript. Instead, OPC cited 4 CSR 240-22.040(1), which lists the types of supply side resources to be analyzed and the assumptions that must be made, and 4 CSR 240-22.060(3), which requires the development of alternative resource plans, as the basis for its allegations regarding the Company's evaluation of wind resources.

20. Additionally, the *Report and Order* does not reference or invoke the provisions of 4 CSR 240-22.060(4), with or without citation. Instead, the *Report and Order* summarizes the basis for its conclusion as follows:

The Commission finds that the problem with Ameren Missouri's assumptions are that, as the Commission has previously found in this order, the need for additional capacity should not be the only basis for modeling additional wind power, other renewable energy resources, or energy efficiency measures. Wind resources may significantly reduce energy costs and thus may be able to reduce PVRR even when additional capacity is not needed for reliability purposes.

It is clear that the Commission's basis for its finding of deficiency is not the technical modeling requirements cited by OPC but rather the desire to include evaluation of additional wind resources for potential reductions in cost.

21. Setting aside the lack of an evidentiary basis, Ameren Missouri's *Application for Rehearing* on this issue is not, as OPC suggests, an exercise in verbal sleight-of-hand. If the Company had used the word "modeling" instead of "evaluation" it would have been perfectly valid and consistent with the Company's argument. It is OPC who is attempting with its verbal gymnastics to distract the Commission from the actual issue raised by OPC in this case and addressed by the Commission in the *Report and Order*, namely that the Company should have analyzed/evaluated/modeled the impact of additional wind resources on customer cost to determine if the addition of such resources would be beneficial.

22. The fact is that the Company did analyze the impacts on costs of wind resources as energy resources, both in its spreadsheet modeling and in its detailed risk analysis of resource plans, contrary to OPC's claims. The wind resources estimated to be needed for RES compliance using the spreadsheet model were included in all alternative resource plans and subjected to full risk analysis, as described in Chapter 9 (page 3) of the Company's IRP filing.

23. Wind resources are not dispatchable as coal or gas resources are. Wind resources generate only when the wind blows. Wind resources must therefore be modeled with an expected energy output that is not affected by the market price for power. Ameren Missouri did just this in both its spreadsheet model and in the MIDAS model used for risk analysis of resource plans.

24. Because wind resources are not dispatchable and are modeled as described above, their value can be determined using a spreadsheet model just as well as it can using a

chronological dispatch model such as MIDAS. One only needs to use the same assumptions for market prices in either model to determine the value. Because, as OPC correctly notes, Ameren Missouri used a probability-weighted average of power prices from the ten scenarios it used for risk analysis, the value of wind energy estimated by the spreadsheet model is the same as that which results from modeling in MIDAS.

25. OPC's criticism of the base plan used for analysis of the RES 1% rate cap is a red herring for two reasons. First, the renewable energy requirement for each case was based on the expected retail sales for that case, as described on pages 38-39 in Chapter 5 of the Company's IRP filing. Second, the base plan PVRR was used simply to determine degree to which renewable resources would be constrained by the 1% rate cap. Clearly, if wind resources reduced costs then the RES portfolio would be unconstrained by the cap regardless of what was used for the PVRR baseline. All the PVRR baseline provides is a basis on which to judge when the cost increase has reached the 1% limit. As a result, it is irrelevant to the issue of whether adding wind resources increases costs.

26. If the baseless accusations of OPC cause the Commission any doubt as to the conclusions drawn by the Company regarding evaluation of wind as an energy resource for potential reductions in cost in the context of a full risk analysis using the MIDAS model, there is evidence in the record in this case to support the Company's conclusions on such a basis as well. Specifically, the Company analyzed resource plans with simple cycle combustion turbines and with a combination of simple cycle combustion turbines and wind. The analysis results showed that the plans with wind and simple cycle resulted in higher PVRR than those with simple cycle and no additional wind resources, as demonstrated on page 24 in Chapter 9 of the Company's



IRP filing. This result was specifically referenced by Mr. Michels in his surrebuttal testimony (pages 80-81) in response to OPC's claims that wind resources could be included to reduce costs.

27. Contrary to Public Counsel's assertions, the Company has in fact both modeled wind resources according to the rules and has analyzed the potential, or lack thereof, for inclusion of additional wind energy resources to reduce PVRR.

#### **IV. REQUEST TO FILE OUT OF TIME**

28. Ameren Missouri has filed this response outside of the 10 day response time set forth in the Commission's regulations, as it was unable to file this response due the work required to file surrebuttal testimony and to other activities related to the Company's Missouri Energy Efficiency Investment Act. The Company apologizes for the delayed response but does not believe the late response disadvantages any party as there is no set date for the Commission to rule on OPC's request. Ameren Missouri also and it believes this additional information will help the Commission in sorting out the record on these issues. Accordingly, Ameren Missouri asks the Commission to accept this response out of time

WHEREFORE, Ameren Missouri asks the Missouri Public Service Commission to allow the Company to file this pleading out of time, reject the arguments made by OPC and find that the Company's IRP filing demonstrates compliance with the Commission's previous Chapter 22 IRP rules.

Respectfully Submitted,

/s/ Wendy K. Tatro

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing pleading was served on all parties of record via electronic mail (e-mail) on this 16th day of May, 2012.

/s/ Wendy K. Tatro

Wendy K. Tatro