

Comments of the Missouri Department of Natural Resources
October 1, 2010
Case No. EW-2011-0031

The Department of Natural Resources filed the following proposed language related to geographic sourcing limitations on June 22, 2009, in Case No. EW-2009-0324 in response to Revision 11 of the PSC RES draft rule:

“A REC or S-REC may be utilized to satisfy the RES requirements of this rule only if the REC or S-REC is based on (a) electricity that was generated in the state of Missouri; or (b) electricity that was generated within the geographic footprint of the RTO in which the utility participates.”

The Department resubmits this geographic sourcing proposal for the Commission’s consideration. It is supported by the following:

The proposal to establish a geographic sourcing requirement is consistent with the nearly universal practice of states with an RES. The policy argument for no geographic sourcing limitation would be that permitting the utility to acquire RECs from any location likely assures that the RES requirements will be met at lowest cost. MDNR agrees that the policy on geographic sourcing should take cost into account; however, from a policy viewpoint, the option of setting no geographic restriction is not acceptable because the primary policy priority for implementation of a RES is to promote jobs, economic recovery and renewable development in Missouri; or failing that, in a geographic region that affects Missouri. In view of that priority, it is not acceptable to implement a policy that would permit a utility to meet its entire RES requirement with RECs from remote regions that could never deliver energy to Missouri.

A regionally-based geographic source requirement establishes an appropriate balance of several policy objectives. It supports renewable development in Missouri and promotes increased employment and economic recovery in the state, although to a lesser extent than if the development was occurring within the state. It helps control the cost of compliance by providing access to lower cost renewable resources available elsewhere in the region. It encourages renewable development in states from which renewable energy may be delivered to Missouri. The intermittency issues inherent in some renewable generation resources can also be effectively mitigated at a regional level.

Missouri's prosperity tends to rise and fall with regional prosperity. While Missouri has commercial wind resources whose development MDNR strongly encourages, there are more abundant wind resources in neighboring states. In the long run, policies that encourage development of facilities and transmission infrastructure that will allow these resources to be developed will benefit Missouri utility customers by lowering the cost of generating and delivering wind energy.

Requiring all renewable energy or RECs to be generated in Missouri provides the largest economic benefits to the state. MDNR largely concurs with this policy perspective and continues to advocate consideration and siting of new renewable generation facilities within Missouri; however, MDNR also believes that the determination of geographic

sourcing limitations must be balanced by cost considerations. Too tight a geographic limit on the resources that Missouri utilities may use to meet the renewable standard could undermine the policy's benefits by unduly increasing costs to utility customers and prematurely triggering the one percent cap on electricity rate increases resulting from the RES, resulting in less investment in renewable energy development.

MDNR's recommended geographic sourcing proposal does not correspond exactly to the scenarios described in the Commission's August 5, 2010 order. However, it most closely resembles the scenarios described in Questions A and C. Question C describes a scenario in which "electric energy or RECs associated with electric energy for compliance with the RES to come from a generation facility located outside of Missouri, only if the energy for compliance with the RES is sold to retail customers located within the Regional Transmission Organization or Independent Transmission System Operator in which Missouri is located". This may be comparable to MDNR's proposal that would allow the electric energy or RECs to come from facilities located in the RTO in which the utility participates if it is assumed that for the energy to be sold to retail customers in the RTOs, the power would also be generated in the same RTOs.

Using publicly available data, MDNR offers the following estimates of the economic impacts for the four policy scenarios described in the Public Service Commission order dated August 5, 2010, to further inform the discussion. See estimated economic impacts in Attachment 1.

MDNR's proposal is a reasonable and lawful approach that balances economic and public policy considerations. We respectfully request the Commission add it to the options to be considered for resolution of this issue.