



A Case for Improving Missouri's IRP Rules ***August 31, 2009***

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Overview

- Planning Environment
- Planning Philosophy
- Critical Features of IRP
- Missouri's Rules
- IRP in Other States
- Recommended Actions

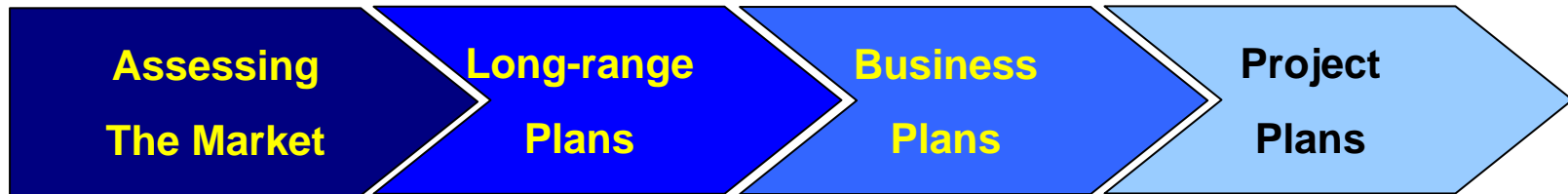
Planning Environment

- The energy environment has become more complex
 - Renewable Portfolio Standards (state and federal)
 - GHG Emission Reductions
 - Aging Coal Fleet
 - New Technologies
 - Smart Grid
 - Environmental Requirements
- The pace of change continues to accelerate
- The importance and scope of resource planning has expanded

Greater complexity demands greater flexibility and transparency

Planning Philosophy

- Planning is conducted in stages



- IRP is the beginning of resource planning
 - **Aligned** with the goals of the utility and the state
 - **Provides insight** on a range of potential options
 - Sets parameters for more refined **decision making**
 - Linked to **business planning**
- Different decisions require different kinds of analysis
- Planning must become more rigorous as a decision approaches

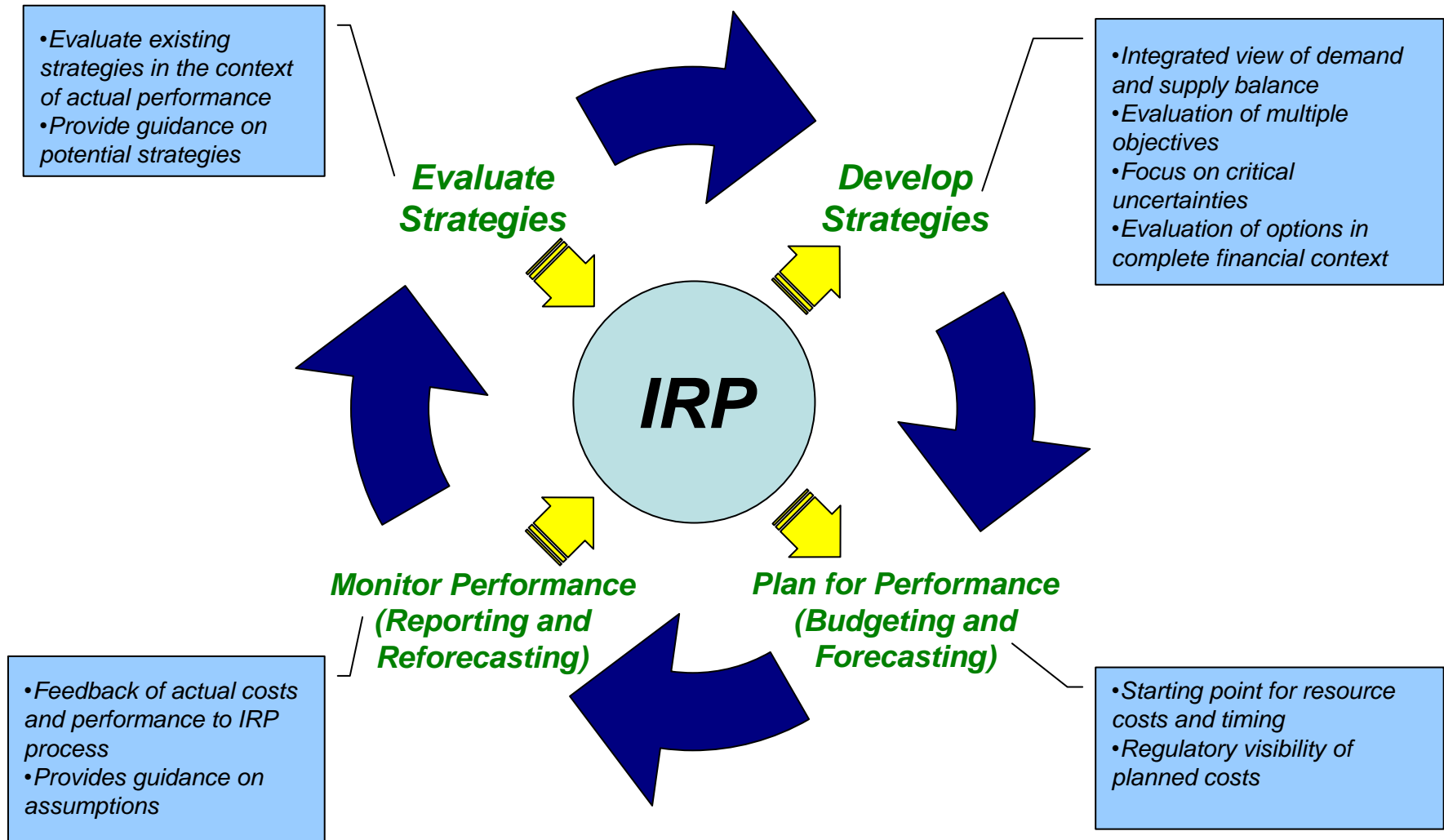
The nature and timing of the decision drives the analysis

Critical Features of an IRP Process

- Aligned with energy policy objectives (RPS, GHG, Energy Efficiency)
- Stakeholder interaction
 - Exchange views on important matters
- Consider a broad range of demand-side and supply-side options
- Robust assessment of appropriate resource mix under uncertainty
- Integration of environmental compliance strategies
- Linked to Business Planning process
 - Ability to incorporate changes in market conditions

Resource planning must be focused on important questions

Role of IRP in Business Planning



Planning is continuous, driven by changes in market conditions

Missouri's IRP Rules

- The Missouri rules have worked well in the past
 - Ensure consideration of a broad range of potential resource options
 - Embodied best practice methods at the time of adoption
 - Provided for the establishment of good utility resource planning
 - Benefited from input of various stakeholders
- We have an opportunity to improve the rules
 - Focus mainly on outcomes rather than the process
 - Streamline the language and eliminate redundancy
 - Minimize prescriptiveness of reporting requirements
 - Eliminate prescriptiveness on analytical methods

Overly prescriptive rules can hinder effective planning

Alternative Approaches to IRP

- Surveys conducted as part of rulemaking in California and New Mexico found a wide range of approaches to IRP
- Some generalized examples include:
 - Process compliance (MT, WA)
 - Strategic/Collaborative (OR, OK, AR, NC, NM, MN, KY, UT, ID, HI)
 - Procurement approval (GA, CO, CA?)
- Different objectives mean a different focus for the process
- States that have recently revised IRP rules started with key objectives and guiding principles (OR, AR, NM; California is in process)

Function must lead form when developing the rules

IRP Rules in Selected States

- States selected for review – OR, NM, OK, AR, NC, MN
 - All have created or revised their rules in the last five years
 - Only Oregon has retail choice (limited to businesses)
 - None include procurement approval as part of IRP (GA and CO do)
- Key findings
 - Most specify a short-term **action plan** period of 2 to 5 years
 - Some allow for commission “**acknowledgement**” of a utility’s plan
 - All require **annual updates** and/or notification of changes
 - Reporting requirements are largely **generalized**
 - **None** include requirements to use specific analysis methods

Other states prescribe what to consider but not how

Criteria for Selecting an IRP Approach

■ Meaningful Process and Result

- Focus on outcomes
- Leverage stakeholder involvement for dialogue on critical issues

■ Flexibility

- Allow the utility to continuously adapt to changing market conditions
- Focus on shorter-term actions and longer-term options
- Encourage innovation in methods
- Specify detailed requirements only where they add value
- Recognize increasing complexity

Criteria for Selecting an IRP Approach

- Equitable balance of accountability between utilities, regulators and stakeholders
 - Process must be meaningful for all involved
 - Stakeholders provide input and feedback on plans and decisions
 - Utility Board of Directors has the final decision on preferred resource plan
 - PSC approves ratemaking treatment
- Availability of options for cost recovery determinations outside of IRP

Summary of Key Points

- Greater complexity demands greater flexibility
- Planning must focus on important questions
- The nature of the decision drives the analysis
- The rules should promote effective planning
 - Flexibility
 - Meaningful process and result
 - Equitable accountability
 - Leave ratemaking treatment to other processes

Recommended Actions

- Thorough discussion and resolution of the [approach](#) to IRP
- Conduct an in-depth [survey](#) of selected state IRP processes
- Establish a set of [Guiding Principles](#), consistent with the selected approach, to inform the development of detailed rules
- [Adjust](#) the approach to development of new rules consistent with the selected approach and associated Guiding Principles

Appendix: IRP Rule Features in Selected States

	Missouri	Oregon	New Mexico	Oklahoma	Arkansas	North Carolina	Minnesota
<i>Retail Choice?</i>	No	Limited	No	No	No	No	No
<i>Rules Adopted</i>	1992	2007	2006	2006	2007	2008	2005
<i>Filing Frequency</i>	3 years	2 years after prior IRP order	3 years	3 years	3 years	2 years	2 years
<i>Resource Plan Acknowledged by PSC?</i>	No	Yes	Yes	Unclear (separate procurement process)	Yes	Yes (plus separate procurement process)	Yes
<i>Public Meeting / Advisory Process</i>	Stakeholder Process varies by utility	Public Meetings with presentation to Commission within 6 months of filing	Public Advisory Process (begins 1 year prior to filing)	Public Meeting <30 days prior to filing	Stakeholder Process prescribed, but rules left to each group	N/A	N/A
<i>Annual Update</i>	No (included in current revised draft)	Yes (Option for Acknowledgement)	No	No	Yes (every 18 months)	Yes (annual filing)	No
<i>Notification of Material Change</i>	Yes (within 60 days of change)	Yes (filing and public meeting)	Yes (including impact on action plan)	Yes (updated interim plan may be required)	No	No	Yes (additional proceedings may be ordered)
<i>Planning Period</i>	20 years	20 years	20 years	Not specified	10 years (minimum)	15 years	15 years
<i>Short-term Action Plan</i>	3 Years	2-4 Years	4 years	5 years	N/A	Yes, but term not specified	5 years
<i>Primary Cost Metric</i>	PVRR	PVRR	PVRR	Not specified	PVRR	"Least Cost"	Not specified
<i>Analysis Methods Prescribed</i>	Multiple	None	None	None	None	None	None
<i>DSM Potential Study</i>	Not required	Initial required and updates as needed	Not required	Not required	Not required	Not required	Not required

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