# Notification of Change in Ameren Missouri's Preferred Resource Plan

## Introduction and Summary

Ameren Missouri's senior management has concluded that the Preferred Resource Plan presented in its 2011 Integrated Resource Plan (IRP) is no longer appropriate. This conclusion was reached as a result of the Commission's order in Case No. ER-2011-0028, in which Ameren Missouri's request for relief with respect to the throughput disincentive associated with implementation of energy efficiency was denied. As the Commission has clearly indicated that appropriate resolution for energy efficiency cost recovery issues is available through a filing by Ameren Missouri under the Missouri Energy Efficiency Investment Act (MEEIA), the Company has indicated its intention to make such a filing in the first quarter of 2012. In the interim, the Company cannot subject its investors to the increasing ongoing financial penalty they would incur without appropriate relief. At the same time, Ameren Missouri recognizes the important role of energy efficiency in securing Missouri's energy future and the value of maintaining some degree of continuity while cost recovery issues are resolved. Therefore, the Company has decided to reduce its level of Demand-Side Management (DSM) investment to $10 million for calendar year 2012 to balance the need for continuity with the need to ensure opportunities for fair returns for investors.

Because approval of Ameren Missouri's MEEIA filing is not assured, the Company must retain the ability to alter its plans should its request be denied. As a consequence, the 2012 energy efficiency tariffs filed for approval by the Commission will include an expiration date of June 30, 2012. Should the Company's MEEIA filing be approved, Ameren Missouri would seek extension of these tariffs through December 31, 2012. At that time, the Company would also begin work toward development of contracts and tariffs to implement the programs approved by the Commission in the MEEIA case and would also initiate work to update its Preferred Resource Plan to reflect these changes and notify the Commission in accordance with 4 CSR 240-22.080(12). On this basis, Ameren Missouri has changed its Preferred Resource Plan to reflect $5 million of DSM investment through June 30, 2012 (one half of calendar year 2012), with no further investment in DSM programs.

Notifications of changes in a utility's Preferred Resource Plan are governed by 4 CSR 240-22.080(12). This section requires that the utility notify the Commission in writing when its Preferred Resource Plan and/or Acquisition Strategy is no longer appropriate and that the notification must include the following:

- A description of all the changes to the Preferred Resource Plan and Acquisition Strategy
- The impact of each change on the present value of revenue requirement and all other performance measures specified the last filing pursuant to 4 CSR 240-22.080
- The rationale for each change

In addition, since Ameren Missouri has changed its Preferred Resource Plan to one that was not among the contingency resource plans identified in its 2011 IRP, the Company is also required to provide a detailed description of its revised Preferred Resource Plan or Acquisition Strategy, an explanation of why none of the contingency plans were chosen, and a specification of the ranges or combinations of outcomes of critical uncertain factors that define the limits within which the new alternative resource plan remains appropriate.

**Specific Information Required for Notification**

Following is the specific information required for inclusion with the notification of a change in Preferred Resource Plan or Acquisition Strategy.

*Description of (and Rationale for) Changes in Preferred Resource Plan and Acquisition Strategy*

- DSM investment is reduced to $5 million in 2012 and $0 thereafter compared to $18-43 million per year for 2012-2030 in the prior Preferred Resource Plan. The rationale for this change is described in the Introduction and Summary section of this report.
- Annual energy savings associated with the reduced 2012 investment is approximately 445 GWh (including 425 GWh for programs implemented through 2011) compared to 442 GWh in 2012 growing to 773 GWh in 2018 in the prior Preferred Resource Plan. The rationale for this change is described in the Introduction and Summary section.
- Capacity purchases/sales were updated to reflect changes in capacity position associated with the change in the DSM portfolio. This change was made to account for the increase in peak demand associated with the reductions in DSM load impacts, which reduces the amount of capacity available for sales and/or increases the amount needed to be purchased.
- No other resource changes were made. While higher load would imply an increase in the requirement for renewable energy under the Missouri Renewable Energy Standard (RES), the resources to be implemented for RES compliance in the prior Preferred Resource Plan were already limited by the 1% rate impact cap. The increase in revenue requirement associated with the DSM changes would provide a slight increase in “headroom” within the 1% cap to increase the level of renewable resources acquired, but not significantly (approximately a 1% increase in the level of renewable resources). As a consequence, no changes in resources for RES compliance were made. The only new supply side resource included in the prior Preferred Resource Plan outside those included for RES compliance was a combined cycle gas unit with an in-service date of 2029. While the reduced level of DSM would result in advancing this resource by a few years, the timing was not changed because 1) it would still be beyond the first ten years of the planning horizon and well beyond the implementation period, and 2) Ameren Missouri is in the process of preparing its 2012 IRP annual update in which it will account for a number of changing conditions that may affect the selection and timing of resources.

*Impact of Changes on PVRR and Other Performance Measures*

Ameren Missouri modeled its updated Preferred Resource Plan using the same MIDAS model setup used for its 2011 IRP. A summary of the results for key performance measures for the new vs. prior Preferred Resource Plan is shown in Table 1. As the table shows, PVRR for the 2011-2039 period is increased by approximately $500 million, or about 0.8%.

**Table 1 – Summary of changes in performance measures for Preferred Resource Plan change**

| Performance Measures | PRP IRP 2011 | PRP Updated | Change | % Change |
|---|---|---|---|---|
| Expected Value of 2011-2039 PVRR, $MM | $61,259 | $61,758 | $499 | 0.81% |
| Expected Value for 2011-2039 Levelized Annual Rates, $/kwh | $0.1247 | $0.1249 | $0.0002 | 0.19% |
| Expected Value for 2011-2039 Average Return on Equity | 12.40% | 12.42% | 0.02% | 0.16% |
| Expected Value of 2011-2039 PV of Free Cash Flow, $MM | $2,419 | $2,454 | $35 | 1.5% |
| Energy Savings 2011-2030, GWH | 11,875 | 222 | -11,653 | -98% |
| Net Jobs 2011-2030, FTE-Years | 5,095 | 1,800 | -3,295 | -65% |

A summary of changes in all performance measures, including both expected values and standard deviations, is shown in Attachment A. A dashboard view of the updated Preferred Resource Plan, similar to those presented for all candidate resources plans in the IRP, is shown in Attachment B.

*Detailed Description of Revised Preferred Resource Plan and Acquisition Strategy*

The revised Preferred Resource Plan reflects the following key elements:

- DSM expenditures of $5 million in 2012 with approximately 20,000 MWh of incremental annual ongoing energy savings
- Renewable resources to comply with the Missouri RES as described in the Company's 2011 IRP filing
- New combined cycle gas generation in 2029 (600 MW)

The revised implementation plan reflects the change in 3-year DSM expenditures to $5 million in 2012 and $0 thereafter. No other changes to the implementation plan presented in Ameren Missouri's 2011 IRP have been made. None of the contingency options presented in Ameren Missouri's 2011 IRP were selected because none provided the desired lower level of exposure to cost recovery issues for which the Company has become increasingly concerned. A revised summary capacity position table, along with that for the prior Preferred Resource Plan for comparison, is shown in Attachment C.

*Valid Ranges or Combinations of Outcomes of Uncertain Factors*

A revised Expected Value of Better Information (EVBI) analysis is shown as Attachment D. Based on this analysis, the revised Preferred Resource Plan is appropriate across the entire range of each critical uncertain factor. As was presented in the Company's 2011 IRP filing, the key triggers for other contingency options are related to the decision factors described in Chapter 10 of the IRP – large plant financing, DSM cost recovery and environmental regulation. These decision factors remain valid as triggers that could cause Ameren Missouri to change its Preferred Resource Plan.