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Issues:	RES Compliance
Witness:	Patrick J Wilson
Sponsoring Party:	Renew Missouri
Type of Exhibit:	Direct Testimony
Case No.:	EC-2013-0379, et al.
Date Testimony Prepared:	June 28, 2013

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EC-2013-0379, et al.

DIRECT TESTIMONY

OF

PATRICK J. WILSON

ON

BEHALF OF

RENEW MISSOURI

June, 2013

DIRECT TESTIMONY

OF

PATRICK J WILSON

CASE NO. EC-2013-0379, et al.

Q. Please state your name and business address.

A. My name is Patrick James (PJ) Wilson. My business address is 910 E. Broadway, Ste. 205, Columba, MO 65201.

Q. Please state the name of your employer and your job title?

A. I am the Director of Earth Island Institute d/b/a Renew Missouri ("Renew Missouri").

Q. Please describe your educational background and employment experience.

A. I graduated with a Bachelors of Science in Civil Engineering from the University of Southern California in August of 2001. I served as a volunteer water & sanitation engineer in the Peace Corps from February 2003 through April 2005, and worked at the Solar Living Institute for 6 months in 2005. I've worked as a solar installer, designer, and salesperson for Cromwell Environmental in 2006, and for Ozarks Energy Services in 2007.

From 2007-2009, I served as the Vice President of the Heartland Renewable Energy Society, which is the local chapter (over Kansas & Missouri) of the American Solar Energy Society. From 2008 to present, I have served as the Director of Renew Missouri, a nonprofit based in Columbia, MO whose mission is to transform Missouri into a leading state in renewable energy & energy efficiency by 2016.

Q. Please describe your role in the drafting and passage of Missouri's Renewable Energy Standard and the ensuing rulemaking process with the Missouri Public Service Commission (PSC).

A. The original language for Missouri's Renewable Energy Standard (RES) was drafted by an attorney named Henry Robertson. I vetted this language with some clean energy experts in late 2007 and early 2008, and Mr. Robertson implemented some changes accordingly.

I was involved in volunteer recruitment and training, fundraising, and campaign management, for the campaign to pass the Proposition C ballot initiative, which created Missouri's RES.

During the rulemaking process, I attended each and every workshop held by the PSC, both informal and formal, and provided multiple rounds of input to PSC commissioners and staff as they were drafting the initial and final rule for the RES.

Q. What is the purpose of your direct testimony in this proceeding?

A. The purpose of my direct testimony is to explain the purpose and the significance of the retail rate impact limitation provision in sections (5) and (7)(B)1.F of the Commission's rule (4 CSR 240-20.100).

Q. From your perspective as one of the principal individuals involved in the development of the retail rate impact provisions in rule 4 CSR 240-20.100, what purpose(s) does the section 5 calculation serve?

A. The purpose of section 5 is to establish an upper limitation on RES compliance costs, as compared to utilities' total costs if they were to invest in fossil fuels instead of renewables, and to provide a fair and consistent methodology for calculating such limitation.

The calculation requires the comparison of utilities' total costs (including RES compliance costs) with the utilities' total costs if they were to make a hypothetical investment in the same amount of non-renewable generation (i.e. fossil fuels, nuclear, large hydro, etc.). The details surrounding this comparison are crucial. Any expenditure in any form of new energy generation (i.e. renewables, coal, nuclear, natural gas, etc.) appears "expensive" when compared with nothing; however investments in renewable energy are often either on par with, or cheaper than, investments in new nonrenewable generation. Many utilities have announced that wind power is the cheapest of all new power generation options; in that case, the "cost impact" of investments in wind would be zero, as compared with what utilities would spend on new generating power from non-renewables.

The RES law and rule are both very clear in spelling out that the 1% cost limitation involves a comparison of two scenarios: an RES-compliant scenario and a scenario where utilities invest in new fossil fuels instead of new renewable energy. Due to indications that some utilities may misunderstand this basic component of section 5 of the Commission's rule, it is essential that utilities publicly disclose the methodology behind their calculations, and be required to perform this calculation in accordance with the language and spirit of the RES law and rule.

Q. What purpose is served by requiring utilities to include a detailed explanation of their section 5 calculation in their annual RES Compliance Plans?

A. The purpose of section (7)(B)1.F of the Commission's rule is to provide financial transparency to the utilities' planning process for their investments in renewable energy required by the RES. Such transparency allows for government regulators and stakeholders to ensure compliance with the Commission's rule and gives renewable energy businesses the chance to plan for the market conditions that such planned investments will create. In addition, such forward-looking transparency prevents a situation where utilities suddenly declare one day that they've "hit the cap" and spontaneously end or suspend any planned or anticipated investments in renewable energy.

The Commission's rule requires utilities to disclose their annual calculation of the 1% retail rate impact limitation because renewable energy companies cannot effectively plan their business models without transparent understanding of whether the utilities are planning to hit the cost limitation, and if they are, when. The rules state that, if utilities do in fact hit the 1% threshold, they could in theory suspend investments in renewable energy. A "start-stop" incentive situation is nearly impossible to effectively plan around for renewable energy companies which are planning to provide renewable energy projects for utilities. This is another reason why the Commission's rule requires utilities to disclose whether they plan to hit the 1% threshold for the next three years, and to disclose their detailed calculation whether or not they forecast hitting the cap.

Another reason that public disclosure of the calculation is important is to protect ratepayers. If utilities are performing this calculation incorrectly, they could be overspending and therefore overcharging their ratepayers. On the flip side, if utilities fail to perform the calculation at all or perform it incorrectly, they risk under-investing in renewable energy; and since renewable energy is in many ways beneficial to their ratepayers, ratepayers would be at risk to suffer from utility underinvestment in renewable energy. Both Illinois and Iowa recently have released reports detailing the dramatic financial benefits of significant amounts of renewable energy existing in their states. Missouri ratepayers are today being denied these benefits because of blanket utility non-compliance with the RES, including their failure to include the cost calculation in their annual compliance plans, as required by the rules. As the old adage goes, failure to plan constitutes a plan for failure.

The Illinois report for 2012 found that renewable energy resources dramatically reduced electric energy prices: stating:

> Renewable resources, in particular wind, have played a dramatic role in reducing electric energy prices in Illinois and the entire Eastern Interconnection, as measured by the impact on Locational Marginal Prices (LMPs). Modeling work commissioned by the IPA and corroborated by similar findings in Massachusetts suggests that for 2011, *the integration of renewable resources into the power grid has lowered Illinois' average LMPs by $1.30 per mega-watt hour (MWh), from $36.40 to $35.10 per MWh. The aggregate result is a savings of $176.85 million in total load payment for generation in Illinois*. While this does not directly translate to dollar for dollar savings in consumer bills for the same time period, due to the fact that utility consumers are served via a portfolio of resources of different vintage, it points out the magnitude of the benefits accruing to all consumers in lowered underlying electric energy cost drivers. (Illinois Power Agency, Annual Report: The Costs and Benefits of Renewable Resource Procurement in Illinois Under the Illinois Power Agency and Illinois Public Utilities Acts, at 3 (March 30, 2012) (emphasis added) *available at* http://www2.illinois.gov/ipa/Documents/April-2012-Renewables-Report-3-26-AAJ-Final.pdf

This analysis was not repeated for the 2013 annual report on renewables but the IPA stated that they did not see any change in the magnitude of the benefits to Illinois ratepayers since the 2012 report was issued. (Illinois Power Agency, Annual Report: The Costs and Benefits of Renewable Resource Procurement in Illinois Under the Illinois Power Agency and Illinois Public Utilities Acts, at 3-4 and 30-31 (March 29, 2013) (emphasis added) *available at* http://www2.illinois.gov/ipa/Documents/201304-IPA-Renewables-Report.pdf

Government agencies, businesses, organizations, and the Missouri public rely on government-regulated utilities to accurately disclose how much they are spending on renewable energy development and how those costs compare to investments in traditional forms of generation. Without an enforced requirement that utilities transparently disclose their section 5 calculation on a regular basis, far before they come anywhere near potentially "hitting the limit," all of these stakeholders have no opportunity to check whether utilities are accurately or honestly assessing the costs of the RES, the fossil fuels, and the comparison between the two.

Q. Why is it necessary for utilities to perform the calculation and thoroughly explain it, even when it is clear that the 1% threshold will not be met?

A. The purpose of requiring the 1% calculation to be performed each and every year is to enable all stakeholders to adequately plan for resulting utility investments in renewable energy. If renewable energy companies are to provide development of renewable energy, they need to know when to expect Requests For Proposals to be issued by the utilities, if solar rebates will be offered, and other planning details that all hinge on whether or not utilities are planning to suspend compliance because of hitting this 1% limitation – and, if so, when.

It's incumbent upon the PSC regulators to assess fines against the utilities, and fines involving noncompliance with the RES are required by law to not be recovered from their ratepayers. PSC regulators will be able to much more effectively help with utility compliance if they're privy to the utilities' calculations of the 1% cost limitation.

The Missouri public, who voted overwhelmingly to require Missouri's investor-owned utilities to make large investments in renewable energy, deserve to know if utilities are in fact complying with the requirements of the RES. If utilities continue to perform the 1% cost calculation without transparency, or fail to perform it at all, the Missouri public would not know whether or not utilities are planning to either comply with this important law (delivering the associated jobs, economic, and health benefits that come with renewable energy).

Finally, it's impossible to know whether the utilities are close to hitting the 1% cost limitation if they don't do the calculation in the first place. Such rationale is akin to if utilities were to file for a rate increase, but not go through a rate case. Rate cases happen because utilities are generally not trusted by any stakeholder other than themselves. Consequently, when utilities ask for increased rates, they sometimes ask for 200% more than all other stakeholders agree is necessary. There's no reason to believe that these same utilities should be trusted to perform the 1% cost calculation in secret, or somehow sense whether or not they're up against the 1% threshold without performing the calculation at all.

Q. Beyond the reasons described above, is there any immediate compelling need for utilities to perform their section 5 calculations and disclose their methodology in their RES Compliance Plans?

A. Yes. Although these complaints concern themselves only with utilities' 2012-2014 RES Compliance Plans, several utilities have since given indications that they could approach, or hit, the 1% limit in 2013. This is exactly the nightmare scenario that should have been avoided by utilities' including their cost calculation in their 2011, 2013 and 2013 Compliance Plans. Since utilities have blatantly failed to perform the required calculation, we're now facing a situation where an ominous uncertainty looms regarding whether or not utilities might suddenly deem themselves to have hit the 1% limit. It is the utilities' failure to comply with these provisions of the RES rule that is directly resulting in this damaging uncertainty today. For this reason, it is essential that utilities be required to perform the section 5 calculation and include their complete methodology in their annual compliance plans.

The section 5 calculations are currently a matter of great concern and speculation. The four Missouri investor-owned utilities and the rate analysts they employ are the only entities in possession of the knowledge and resources needed to perform these calculations. Without full disclosure of how these calculations are performed, government regulators and representatives of the public have no way to verify whether utilities' numbers are correct. Such secrecy and lack of disclosure is antithetical to the way the Commission designed its rule and the implementation of the RES itself.

Another immediate compelling reason to require utilities to perform their section 5 calculation and disclose their methodology is the utilities' demonstrated directly conflicting rhetoric regarding their likelihood of hitting the 1% cost limitation or not. For example, a January 30th 2013 article entitled "Complaint says Ameren is circumventing green power law," stated the following:

> The law states that the renewable energy mandate cannot cause retail electric rates to be more than 1 percent higher than they would be otherwise. Warren Wood, Ameren Missouri's vice president of regulatory and legislative affairs, called charges in the complaint "100 percent false." Ameren is supplying more renewable energy than required, he said. And it's the only Missouri utility to buy RECs from customers who put solar panels on homes and businesses, helping them defray the costs. *Wood said the charge that Ameren didn't provide necessary rate impact calculations is also off base. "It's an academic calculation now because we're not up against the 1 percent limit," he said*. (emphasis added.)

118 days after this article was published, when Ameren Missouri filed their 2013-2015 RES Compliance Plan, they stated that they're planning to use up 68 % of their 1% cost containment limitation in 2013, 84% in 2014, and 82% in 2015.

These directly conflicting public statements are reflective of the fact that Ameren either hasn't performed the 1% cost calculation at all, or hasn't performed it correctly and consistently. It's difficult to discern, since they provided no information about their 1% cost calculation at all in their RES compliance plans in 2011 or 2012. Either way, the utilities are in direct violation of the RES rule's requirement to include this calculation in their RES compliance plans, and this violation is harming multiple stakeholders.

Presumably, the utilities themselves would also be able to better plan for RES compliance if they were to publicly perform this calculation as well. Secrecy and noncompliance with the RES rule benefit no one; transparency and compliance with the RES rule would benefit all RES stakeholders. It is therefore important that the Commission strictly enforce the essential requirement that utilities: A) perform the calculation, as required by the RES law and rule, and B) include this cost calculation in their annual RES compliance plan filings.

Q. Does this conclude your direct testimony?

A. Yes, it does

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

EARTH ISLAND INSTITUTE d/b/a/ RENEW MISSOURI, et. al.	)	
COMPLAINANTS	)	
v.	)	**Case No. EC-2013-0379**
KANSAS CITY POWER & LIGHT COMPANY	)	
RESPONDENT	)	

AFFIDAVIT OF PATRICK J WILSON

STATE OF MISSOURI,)
) **SS**
CITY OF COLUMBIA)

Patrick J Wilson, of lawful age, being first duly sworn, deposes and states:

1. My name is Patrick J Wilson. My business address is 910 E. Broadway, Ste. 205, Columbia, MO 65201. I am employed as Director of Renew Missouri.

2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Earth Island Institute d/b/a Renew Missouri, which has been prepared in written form for introduction into evidence in the above-referenced case.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

P J Wilson
Patrick J Wilson

Subscribed and sworn to me this 28th day of June, 2013

Notary Public

My commission expires: February 23, 2016

PAUL ROLFE
Notary Public, Notary Seal
State of Missouri
Boone County
Commission # 12306758
My Commission Expires February 23, 2016