STATE OF MISSOURI

PUBLIC SERVICE COMMISSION

In the Matter of a Working Case to Draft a Rule to Modify Commission Rules Regarding Renewable Energy Standard Requirements and Net Metering Standards	)))	**File No. EW-2014-0092**

WIND ON THE WIRES' COMMENTS and PROPOSED REVISIONS to the ELECTRIC UTILITY RENEWABLE ENERGY STANDARD REQUIREMENTS (4 CSR 240-20.100)

Enclosed are Wind on the Wires' proposed edits and rationale for said edits to certain sections of the Electric Utility Renewable Energy Standard Requirements. Our edits are provided in redline form to the current language of the rule and not the language provided by Staff at the workshop.

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1. Definition of "Renewable energy resource(s)"

During the workshop and in a draft of proposed edits to the Electric Utility Renewable Energy Standard Requirements ("Rule") Staff and parties had discussed changing the definition of "renewable energy resource(s)." Wind on the Wires' recommend that it not be changed since the current language mirrors that of the statute.

2. "RES portfolio requirement"

In various places throughout the Rule the reference to "RES requirements" should be changed to "RES portfolio requirements." This was proposed by Staff and discussed at the January 29 workshop. Wind on the Wires supports this change.

In addition, the RES portfolio requirement includes both the renewables requirement and the solar carve-out requirements in sections 2(C) and 2(D), respectively. If there are sections of the rule that only apply to the requirements in section 2(D) we recommend the rule use the phrase "RES portfolio requirements for solar energy." Wind on the Wires' believes this was also a term proposed by Staff in its proposed amendments to the Rule.

3. Introductory Paragraph to the Requirements should clarify that RECS and S-RECs are used to Measure the Utilities Compliance with the Requirements

The current language in the rule is drafted such that the renewable energy resource is what is used to measure compliance, when it should be the RECs and S-RECS. The RECs and S-RECs is the certification that energy came from a renewable energy resource. Therefore, the rule should reflect those certificates as being the method of measuring that renewable energy was purchased and used by a Missouri utility for Missouri ratepayers.

PROPOSED LANGUAGE:

> (2) Requirements. Pursuant to the provisions of this rule and sections 393.1025 and 393.1030, RSMo, all electric utilities must generate or purchase RECs and S-RECs associated with electricity from renewable energy resources in sufficient quantity to meet ~~both~~ the RES portfolio requirements ~~and RES solar energy requirements respectively~~ on a calendar year basis. ~~Utility renewable energy resources utilized for c~~Compliance with this rule is measured by~~must include~~ the RECs or S-RECs associated with the renewable energy resources that are purchased for an used by Missouri ratepayers~~generation~~. The RES portfolio

~~requirements and the RES solar energy~~ requirements are based on total retail electric sales of the electric utility. The requirements set forth in this rule shall not preclude an electric utility from ~~being able to prudently invest and~~ recovering all of its' prudently incurred costs in renewable energy resources that exceed the requirements or limits of this rule and are consistent with the prudent implementation of any resource acquisition strategy developed in compliance with 4 CSR 240-22, Electric Utility Resource Planning. RECs or S-RECs produced from these additional renewable energy resources shall be eligible to be counted toward the RES portfolio requirements.

4. Sections 2(E) and 2(F) Should be Moved to the Retail Rate Impact provisions in Section 5(C) and 5(D)

Section 5 addresses the details around the 1% retail rate impact analysis. Section 5(B) defines the method of calculating the 1% retail rate impact. In comparison, Section 2(E) directs the utility to amend its RES compliant portfolio **if said portfolio exceeds the 1% retail rate impact analysis** and section 2(F) defines how the utility is to manage the solar energy resources it purchased if the retail rates **exceeds the 1% retail rate impact analysis**. Therefore, it would improve the flow of the rule to move sections 2(E) and (F) to subsections in section 5.

Moreover, we have proposed language clarifying that the utility should adjust its RES-compliant portfolio in the event its section 5 analysis yields a rate increase above the 1% average. Such an addition also clarifies that this is a planning process.

PROPOSED LANGUAGE:

5(XXX~~E~~) If compliance with the above RES ~~and RES solar energy~~ portfolio requirements would cause the retail rates of an electric utility to increase on average in excess of one percent (1%) as calculated per section (5) of this rule, the utility will adjust its RES-compliant portfolio so as to not~~above requirements shall be limited to providing renewable energy in amounts that would~~ cause retail rates of the electric utility to increase on average in excess of one percent (1%) as calculated per section (5) of this rule.

5(XXX~~F~~) If an electric utility is not required to meet the RES portfolio requirements of ~~sub~~section 2(C) and 2(D)~~of this section~~ in a calendar year, because doing so would cause retail rates to increase on average in excess of one percent (1%) as calculated per subsections (A) and (B)~~(5)~~ of this section~~rule~~, then the RES portfolio~~solar energy~~ requirement for solar energy specified in ~~sub~~section (2)(D) shall be two percent (2%) of the RES portfolio requirement~~renewable energy~~ that can be acquired subject

to the one percent (1%) average retail rates limit as calculated per section (5) of this rule. There is no limit on the S-Rec and solar rebate cost as long as all solar cost will not cause retail rates to increase an average of 1% per section 5 of this rule.

2(E~~G~~) If an electric utility intends to accept proposals for renewable energy resources to be owned by the electric utility or an affiliate of the electric utility, it shall comply with the necessary requirements of 4 CSR 240-20.015, Affiliate Transactions.

5. Section 3 Should Clarify that RECs and S-RECs are Attributed to a Renewable Energy Resource by an Agency

Section 3(G) and 3(H) discuss certain characteristics of a REC or S-REC. Section 3(G) provides the REC criteria that qualify for a 25% increase in REC value. Section 5(H) sets a limit on how old the REC or S-REC can be. These two provisions should use parallel language to make them consistent with each other. Moreover, "renewable energy resource" is defined as energy, and therefore should be tied to the generating facility or plant's location.

PROPOSED LANGUAGE:

(3) Renewable Energy Credits.

(G) RECs attributed to ~~that are created by the generation of electricity by~~ a renewable energy resource that is generated by a facility or plant physically located in the state of Missouri shall count as one and twenty-five hundredths (1.25) RECs for purposes of compliance with this rule. This additional credit shall not be tracked in the tracking systems specified in subsection (F) of this section. This additional credit of twenty-five hundredths (0.25) shall be recognized when the electric utility files its annual compliance report in accordance with section (7) of this rule.

(H) RECs attributed to a renewable energy resource that is generated by a facility or plant ~~that are purchased by an electric utility from a facility~~ that subsequently fails to meet the requirements for renewable energy resources are~~shall continue to be~~ valid through the date of facility decertification.

6. The Retail Rate Impact Analysis should State that it is a Planning and use language that is parallel between Sections

Wind on the Wires is concerned that the Staff's proposal to change the 10 year average may turn into a five year forward average. It is our understanding that Staff proposed the 5 year forward/5 year backward analysis in response to testimony Ameren and KCPL presented in dockets ET-2014-0059 and ET-2014-0085. In those dockets utility witnesses testified how the utility could in effect game the RES rule by submitting plans that in effect only purchased one year renewable energy resources at 110% of a non-renewable portfolio and then do that repeatedly until 2021. Wind on the Wires believes the utilities would not submit such filings, but would submit good-faith filings in keeping with the intent of the RES rule. Thus, while it is conceivable such a thing could occur, we think it unlikely – unless the solar rebates are causing such a problem. If so, we look forward to seeing comments to better understand the impacts of the solar rebates. And if the utilities are going to propose plans that are so heavily forward-loaded, Wind on the Wires would expect that such a plan would be called out as non-compliant by parties, Office of Public Counsel, Department of Natural Resources and staff within the compliance plan review process.

The 5 year forward/5 year backward analysis will likely make it impossible for any NEW renewable energy resource to qualify under the retail rate impact analysis. Wind on the Wires views the purpose of the Missouri RES is to inspire the utilities to use more renewable energy resources than what they currently were using in 2008 (when Proposition C passed). In doing so the expectation is that the utilities would enter into new contracts for renewable energy resources or build their own facilities. The purpose of using a forward looking average is to accurately plan/evaluate the impact of a NEW contract for renewable energy resources, since the utility already knows the costs of their existing sources. For wind, a new power purchase agreement is typically 20 years in duration. During the rulemaking the Commission approved a 10 year forward look. That is one-half the duration of a new contract, so that doubles the actual rate impact of a NEW renewable energy resource contract or forces the utility to enter into a 10 year contract. Such a duration would typically exclude new wind projects from consideration, since lenders typically require terms longer than 10 years to secure project financing. Moving to a 5 year forward look instead of a 10 year forward look, for purposes of planning, does not accurately reflect the contract the utility would actually enter into with a windfarm developer and it over-inflates the actual cost of the project by 400%. Furthermore, we doubt any type of new renewable energy resource, not just wind, would be found cost effective under such an analysis.

Before the RES rule is changed, the utilities should have to prove that their hypothetical used in ET-2014-0059 and ET-2014-0085 is likely to occur. Thus Wind on the Wires proposes that the 10 year forward look be kept with clarifications about the use of actual and forecasted data. When the utilities start providing their retail rate impact analyses the Commission will have the ability to see how their future RRI analyses compare to those in 2013 and 2014 and will see trends developing that can be elide upon in making changes.

<u>RES-Compliant Portfolio being Materially Inconsistent with Preferred Resource Plan</u>: At the January 29 workshop staff had proposed language regarding the consistency of the compliance plan to the utility's

business plan. Wind on the Wires' agrees with the concept, and have accepted most of the language. However we have used uniform terms such as "RES-compliant portfolio" and "preferred resource plan" to make the rule more internally consistent and to coordinate it with the utility IRPs. We have added this as a separate subsection under section 5.

PROPOSED LANGUAGE:

(5) Retail Rate Impact.

(A) The retail rate impact analysis is used for planning purposes to forecast the potential cost impact of renewable energy resources and solar rebates used to comply with the RES portfolio requirements as of the planning year. The retail rate impact, as calculated in subsection (5)(B), may not exceed one percent (1%) for prudent costs directly attributable to meeting the RES portfolio requirements and payment of solar rebates.~~of renewable energy resources directly attributable to RES compliance.~~ The retail rate impact shall be calculated ~~on an incremental basis for~~in each planning year that ~~includes~~ the utility incrementally add~~sition of~~ renewable energy resources to the RES-compliant portfolio. The retail rate impact shall be averaged over the ten (10) year period following the planning year. If there is a previously approved RES-compliance plan at the time the utility submits its plan, the utility shall use actual RES compliance costs for the renewable energy resources already being used to comply with the RES portfolio requirements. Projected RES cost data shall be used for the renewable energy resources that are being incrementally added to the existing RES-compliant portfolio. Renewable energy resources and costs that were incurred prior to the effective date of the RES rule shall not be included in the actual RES compliance costs. ~~generation directly attributable to RES compliance through procurement or development of renewable energy resources, averaged over the succeeding ten (10) year period, and shall exclude renewable energy resources owned or under contract prior to the effective date of this rule.~~

(B) The RES retail rate impact shall be determined by subtracting the total retail revenue requirement incorporating an incremental non-renewable generation and purchased power portfolio from the total retail revenue requirement including an incremental RES-compliant generation and purchased power portfolio. The non-renewable generation and purchased power portfolio shall be determined by adding to the utility's existing generation and purchased power resource portfolio, in place as of the planning year, additional non-renewable resources sufficient to meet the utility's needs on a least-cost basis for the ~~next~~ ten (10) year~~s~~ period following the planning year. The RES-compliant portfolio shall be

determined by adding to the utility's existing generation and purchased power resource portfolio, in place as of the planning year, an amount of renewable resources sufficient to achieve the standard set forth in section (2) of this rule and an amount of least-cost non-renewable resources, the combination of which is sufficient to meet the utility's needs for the ~~next~~ ten (10) year~~s~~ period following the planning year. Assumptions regarding projected ~~These~~ renewable energy resource additions will utilize the most recent electric utility resource planning analysis. These comparisons will be conducted utilizing the projected~~projections of the incremental~~ revenue requirement for new renewable energy resources incrementally added to create a RES-compliant portfolio, less all the avoided cost~~s~~ due to the addition of renewable energy resources, including, but not limited to, avoided cost of fuel not purchased for non-renewable energy resources due to the addition of renewable energy resources. In addition, the projected impact on revenue requirements by non-renewable energy resources shall be increased by the expected value of greenhouse gas emissions compliance costs, assuming that such costs are made at the expected value of the cost per ton of greenhouse gas emissions allowances, cost per ton of a greenhouse gas emissions tax (e.g., a carbon tax), or the cost per ton of greenhouse gas emissions reductions for any greenhouse gas emission reduction technology that is applicable to the utility's generation portfolio~~, whichever is lower~~. Calculations of the expected value of costs associated with greenhouse gas emissions shall be derived by applying the probability of the occurrence of future greenhouse gas regulations to expected level(s) of costs per ton associated with those regulations for~~over~~ the ~~next~~ ten (10) year~~s~~ period following the planning year. Any variables utilized in the modeling shall be consistent with values established in prior rate proceedings, electric utility resource planning filings, or RES compliance plans, unless specific justification is provided for deviations. The comparison of the rate impact of renewable and non-renewable energy resources shall be conducted only when the electric utility proposes to add incremental renewable energy resource generation directly attributable to meeting Missouri RES compliance through the procurement or development of renewable energy resources.

(C) If, between filings, the utility's preferred resource plan becomes materially inconsistent with the RES-compliant portfolio, or of the utility determines that the RES-compliant portfolio is no longer appropriate, the utility shall notify the commission within sixty (6) days of the utility's determination and shall serve notice on all parties to the most recent

compliance plan filing. The notification shall include a description of all changes to the RES-compliant portfolio and the rationale for each change.

Conclusion

WHEREFORE, Wind on the Wires respectfully requests the Staff adopt the proposed edits suggested herein.

Respectfully submitted,

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