<u>EO-2015-0084</u>
Missouri Division of Energy Comments on Ameren Missouri's 2014 IRP Triennial Compliance Filing
March 2nd, 2015

DE's Original Comments

1. <u>CHP and Rider E</u>

On page 66 of chapter 8, Ameren Missouri (henceforth simply "Ameren" or "Company") references its recent Demand-Side Management Market Potential Study, in which Ameren concludes that the cost-effectiveness of CHP will be limited until 2025. In this study, Ameren "conducted two in-depth case studies of DG-CHP opportunities that were being considered by Ameren Missouri large industrial customers: one at a major corn milling facility and another at a major manufacturing facility." In both cases, the analysis found CHP to be marginally cost-effective. Ameren's conclusion that CHP will be limited in its cost-effectiveness is a function in part of the Company's Rider E: "An additional factor to consider is the customer's Ameren Missouri [sic] rate structure, which contains a standby charge (Rider E) for Ameren to maintain the necessary capacity if the customer would choose to revert to grid power in the event of an emergency shutdown of their DG-CHP system."

As the Division of Energy ("DE") has pointed out in its testimony in Ameren's current rate case (ER-2014-0258), there are significant problems with Rider E. Before drawing any conclusions about the cost effectiveness of CHP in the Company's service territory, the Company should consider how a revised supplementary service rider would impact CHP potential. Including variations of the terms of standby service would have made for a more meaningful potential study and, by extension, IRP.

2. Societal Cost Test

On page 32 of chapter 8, Ameren states that to calculate the societal cost test (SCT), "[b]enefits were increased by 10% across the board and a lower discount rate was used to estimate SCT values for each program." The company should provide supporting justification for the 10% figure, as well as explain the extent to which the discount rate was reduced.

The SCT, while difficult to quantify, is a more realistic test than the total resource cost (TRC) test, as it attempts to capture benefits that few would dispute exist. Missouri's stakeholders should strive to better establish the parameters governing proper calculation of the SCT. Toward that end, it would be helpful to include a more detailed description of the assumptions and calculative methods of the SCT in Ameren's IRP.

3. Cost-Effectiveness at Portfolio Level

On page 14 of chapter 8, Ameren states that the RAP portfolio "[i]s cost-effective at the measure, program, and portfolio level - albeit marginally cost effective for some proposed programs. The overall portfolio benefit-cost ratio using the Total Resource Cost test is 2.01 for energy efficiency programs." Ameren should aggressively implement energy efficiency since it is identified as the lowest-cost component of the studied IRP portfolios.

DE would like to emphasize, however, that the MEEIA rules do not require the entire portfolio to meet a cost-effectiveness test, as low-income and educational programs do not have to be cost-effective. Importantly, requiring the entire portfolio to meet a cost-effectiveness standard could function as a barrier to low-income and educational programs.

The MEEIA statute has to be given effect when it says "Programs targeted to low-income customers or general education campaigns do not need to meet a cost-effectiveness test, so long as the commission determines that the program or campaign is in the *public interest*".[1] Low-income and educational program approval is explicitly singled out as a "public interest" standard, not a cost-effectiveness standard. If these programs were factored in to the cost-effectiveness determination of the residential portfolio, that would defeat, or severely undermine, the key point of the cost-effectiveness exemption by putting them back under the realm of cost-effectiveness.

For example, lowering the TRC of a portfolio by including low-income and educational programs in an overall portfolio TRC calculation (thereby pressuring the Company to reduce or modify these programs' offerings to boost portfolio TRC), gives undue decision-making weight to the cost-effectiveness of said programs. The clear standard for low-income and educational programs is "public interest" and any requirement for cost-effectiveness at the portfolio level is inconsistent with the MEEIA statute and could lead to the marginalization of these programs on the basis of cost.

Follow-Ups on Other Parties' Comments on Draft Chapters from May, 2014

4. <u>RES Portfolio Requirements</u>

As per Staff's comments on the Company's draft chapters, DE would like to see a discussion of the RES portfolio requirements in the context of section 4.1.4. ("Existing Renewable and Storage Resources"), as well as how each listed resource in this section contributes to meeting those requirements.

[1] Missouri Revised Statutes, 393.1075.4. (http://www.moga.mo.gov/mostatutes/stathtml/39300010751.html). Italics added.

5. Compliance with 4 CSR 240-22.040(2)(C)1

According to footnote 12 on page 35 of chapter 6, Table 6.21 is intended to achieve compliance with 4 CSR 240-22.040(2)(C)1. According to said rule, this Table should include "an assessment of whether each potential supply-side resource option qualifies as a utility renewable energy resource." This assessment appears to be missing. Staff addressed compliance with 4 CSR 240-22.040(2)(C)1 in its comments on draft chapters.

6. Possible DSM Portfolio Changes

On page 1 of chapter 3, Ameren states that "fifteen different forecasts were prepared." As per the comments filed by the environmental parties regarding the draft chapters, the Company should specify here whether these scenarios assume its DSM portfolio continues unchanged.

7. Citations

On page 14 of chapter 3, the Company references "secondary sources determined to be relevant to Ameren Missouri's service territory." As per the comments filed by the environmental parties regarding the draft chapters, it would be helpful to specify these sources, either in the text or a footnote.

8. Changing DSM Portfolio

Ameren should elaborate on its assertion - on page 21 of chapter 3 - that "[a]ll future DSM impacts beyond the first 3 year MEEIA cycle are excluded from the base forecast and are the subject of the DSM chapter of this IRP." As per the previously-mentioned comments from the environmental parties, the Company should specify whether this means that it does not intend on maintaining its DSM portfolio over the course of the planning period.

9. Solar Growth

Page 23 of chapter 3 references an assumption on Ameren's part that solar installations would slow to 5 MW per year. Information regarding current installation rates would be helpful here (recommended by environmental parties in draft chapter comments).

Follow-Up on Comment from Staff

10. Underestimated Energy Savings Potential

Following up on the comments submitted by Staff on February 27th, 2015, DE also has concerns about the possibility that Ameren may have underestimated potential energy savings from the RAP portfolio, particularly when compared to the analogous figures from KCP&L and KCP&L GMO.