

Heartland Renewable Energy Society

RECEIVED

January 23, 2007

January 22, 2007

**Data Center
Public Service Commission**



Public Information Office
Governor Office Building
200 Madison Street
PO Box 360
Jefferson City, MO 65102-0360

Mr. Robert Mill, Director of Regulatory Policy & Planning
Ameren Services
One Ameren Plaza, 1901 Chouteau Avenue
PO Box 66149, MC 1301
St. Louis, MO 63166-6149

FILED³

FEB 26 2007

Dear Missouri Public Service Commission and Mr. Mill:

On behalf of the Heartland Renewable Energy Society (HRES), I am writing to express our **qualified support** for the Voluntary Green Program Tariff proposed by Ameren and filed with Missouri Public Service Commission (MPSC) on July 7, 2006.

The HRES agrees that the purchase of Renewable Energy Credits (REC) gives customers the option to choose renewable energy. This is an important choice that all customers ought to have so we can shift our energy supply to clean domestic renewable energy and reduce reliance on non-renewable fossil fuels. An average household participating for a year in the Ameren renewable program can reduce carbon dioxide emissions by 15,120 lbs, which is the equivalent of protecting 5.75 acres of forest or not driving an average car for 18 months.

In addition to reducing the upstream and downstream environmental impacts from fossil fuel extraction, refining, transport and waste disposal, renewable energy also creates regional economic development opportunities, including increased employment, and increased revenues to local landowners and towns. RECs are an excellent compliment to conservation measures and other means of promoting the use of renewable energy.

Ameren's proposed voluntary green tariff which purchases RECs on behalf of the customer is designed with important elements needed for a voluntary green tariff program to be credible and successful. However, as positive as this program appears, there are points that the HRES needed to have clarified (and has received responses to some of those issues) and/or would like to see altered. Therefore, we have included the elements provided for in Ameren's proposed voluntary green tariff program, followed by HRES' comments (with Ameren's response, if received):

- Available to all customer classes.
 - The HRES supports making the program available both through usage and block purchase. However, only business customers are provided with the opportunity to purchase in blocks; residential customers can only purchase RECs equal to their electricity usage. If a residential customer wants to offset their energy consumption to become "carbon neutral," they cannot do so through this program.
- Half of program demand will be met by renewable generators located within Missouri and Illinois. The program will support only newly installed renewable energy capacity (2002 and later), with seventy-five percent of customer demand supporting wind farms and the balance supporting biogas, landfill gas and solar generators regionally.
 - The HRES understands that there are limited availability of RECs from Missouri and Illinois at the present time. However, we would like to see a stipulation be made that 100% of the monies collected from Missouri customers through the voluntary green tariff program be used

PO BOX 1157, BLUE SPRINGS, MO 64013-1157
SHARLA@HATHMORE.COM • (816) 224-5550

Excelsior Springs

Public Hearing

Date 1-11-07 Case No. ER-2007-00

Reporter

specifically for the construction of new renewable energy generators within Missouri. We feel strongly that Missourians subsidizing renewable generators in Illinois is not in the best interest of Missourians. The installation of renewable energy generators will benefit the host state for many years to come in the form of job creation, new taxes and green credits. Ameren's reply did not address our concerns in this regard; it spoke to the availability of RECs, not construction of new renewable energy generators. While additional commentary by Ameren does provide some reassurance; it is separate (not dependent upon) the voluntary green tariff program and therefore, that information does not affect our concerns or qualified support of the program.

- Ameren's Reply: "Half of Pure Power's certificates will come from renewable generators located within Missouri and Illinois. Fifty percent is a floor and not a ceiling, and the program could exceed this threshold over time. The program strikes a balance between supporting local renewables and having an affordable premium. Studies have demonstrated if voluntary premiums rise above 2 cents per kWh, participation drops significantly.
The goal of this program is to generate high participation rates needed to stimulate the highest possible demand for renewable energy development. At this time there is not a significant amount of renewable energy available in Missouri, but this program aims to stimulate more renewable energy development in Missouri and can act as a catalyst."
- Ameren's Additional Commentary: "The Voluntary Green Program (VGP) is part of a portfolio of renewable energy programs Ameren is implementing to promote renewable energy development in the region. The intent of the VGP, called Pure Power, is to stimulate greater demand and development of renewable energy in the Ameren home states and beyond. The VGP will be implemented as soon as it is approved by the Missouri Public Service Commission. Once approved, the VGP can immediately be implemented in the middle part of 2007, and renewable energy certificates will be procured to stimulate demand for new renewable energy. In another initiative, Ameren is set to issue an RFP at the end of January 2007 for at least 100 MW of wind energy to be owned and operated by Ameren and built in Missouri. This wind energy will be part of the Ameren energy portfolio serving all customers, and it is not part of the VGP. The wind energy is expected to come on line in 2009. Ameren is also preparing guidelines for a program that will provide funding to support the installation of distributed solar energy projects in Missouri. Ameren recently provided the University of Missouri at Rolla with \$22,600 to develop a solar home for entry in the national DOE Solar Home Competition. Through this portfolio of initiatives, which Ameren also considers part of the Pure Power program; Ameren is taking significant steps to support renewable energy."
- Affordable premium: 1.5 cents per kWh is below the national average and lower than any voluntary green power premium offered to date in Missouri and Illinois.
 - While the HRES agrees that the premium to purchase RECs is reasonable, we are concerned that Ameren has not addressed the reality that renewable generators can and will produce lower cost electricity than current fossil fuel production. As the program reads now, the tariff is added to the cost of fossil fuel production and so those customers who participate will always pay more for their energy than non-participants. We recommend that Ameren include a discount provision for those customers who are participating in the voluntary green tariff program which will lower their per kilowatt price of electricity to match the lower price of renewable generation. We referred Ameren to programs that are already in place in Texas which provide just such a benefit to their customers. Ameren's reply that the voluntary green tariff program is not an energy delivery program and, therefore, cannot supply a "price stability" in relation to renewable energy generation is contradictory to its later statement that "rate stability benefits of renewable energy will accrue to all customers of Ameren". Therefore, we are not satisfied with Ameren's reply to this issue.

- Ameren's Reply: "The intent of this program is to stimulate significant demand for new renewable energy in the region. This can be achieved through a high-quality program with a modest price premium –in fact, the VGP has the lowest voluntary green premium of all such programs offered in Missouri and Illinois. Because the VGP is not an energy delivery program, it can not offer price stability benefits to customers. Ameren does not and will not own, operate, or receive energy from renewable facilities as part of the VGP. Voluntary stable rate renewable energy delivery programs do not guarantee that renewable energy customers will save money. This type of program sets a stable rate for renewable energy which represents a premium relative to conventional energy. If conventional energy prices rise over time the stable rate renewable energy customers will not see an increase. Conventional energy prices will need to rise above the renewable energy rate for the renewable customers to experience cost savings. Texas has over 2,600 MW of wind energy developed –more than any state in the nation. Missouri has no operating wind energy capacity yet, so this type of program would likely not result in cost savings for renewable energy customers. One limitation to the Texas type program is customers may be placed on a waiting list until enough renewable energy is built or procured to meet demand. Ameren operates in two states with very different market and regulatory structures. In Illinois Ameren faces several regulatory hurdles in attempting to offer a voluntary renewable energy delivery program. This is one of the reasons Ameren decided to offer a renewable energy certificates program. Another reason to use renewable energy certificates is the ability to support a large amount of renewable energy development at a reasonable cost to customers. Finally, demand in voluntary programs is variable and renewable energy certificates offer flexibility in meeting this demand while minimizing risk."
- All renewable energy supported by this program is additional to any current or future mandates. The HRES has no comment on this item.
- Ameren's renewable program is not a contribution program. Ameren will purchase certified renewable energy certificates equal to 100% of the electricity needs of residential and small commercial customers that sign up and increments of 1,000 kWh for medium and large businesses.
 - The HRES does not agree with the preceding statement that this program "is not a contribution program". An REC is a viable tracking mechanism and is an excellent way to engage in the renewable energy generation movement. However, in the document provided to the MO PSC as Schedule No. 5, Sheet 220 and 221 it states: "The Company will purchase RECs from its contractual partner, 3 Phases Energy,.... Title to the RECs will rest with the Company and the Company will in turn retire such RECs on behalf of the customers participating in the program." Legally, only the entity which has the REC in its possession can claim that it is purchasing a green electricity product. Therefore, if the REC is not passed on to the customer of Ameren who is paying the 1.5 cents per kWh, they are only making a contribution for Ameren to purchase the REC. We recommended that Ameren expand its program to provide a physical representation of the RECs purchased to the customer along with full documentation of its production and breakdown. Ameren's reply that they will not provide physical RECs, but instead provide "full disclosure" may be satisfactory to some customers, but those customers who wish to receive physical RECs will be forced to go elsewhere to purchase them.
 - Ameren's Reply: "Ameren will retire the appropriate quantity and type of certificates on behalf of customers to match customer demand, and this will be verified annually by Green-e as part of Green-e certification. Retirement of certificates by Ameren on behalf of customers insures that the certificates are used only once. Only the customer is entitled to make any environmental claims associated with the renewable energy certificates. Customers will receive full disclosure on what they are buying

before and after their purchase. Customers will be able to view a product content label on the Ameren Pure Power website and will receive one with their welcome kit after enrolling in the VGP."

- Ameren will apply to have the program Green-e® Certified by the national non-profit Center for Resource Solutions which will add a layer of consumer protection and assures third party verification auditing of the program.
 - The HRES agrees that third party certification is necessary to assure the validity of any voluntary green tariff program and agrees that Green-e® certification is highly desirable. We were pleased to be assured that because Green-e® certification is part of the proposal for implementation of the voluntary green tariff to the MO PSC, it is guaranteed to occur. Additionally, Green-e® states on its website (Your Consumer Rights): "It is important for customers to understand that without verification of ownership or retirement on the their behalf, customers can make no claims about environmental benefits associated with generation of the renewable energy they have purchased, including but not limited to greenhouse gas or other emissions reductions." A simple line-item on their bill (see the Ameren Pure Power Program Fact Sheet 12 18 06) may provide for the customer's rights; however, we (again) recommend that Ameren expand its program to include full documentation of the RECs production along with a physical representation of the RECs purchased to any customer that requests it.
- Ameren has elected to work with a third party marketing partner which has been demonstrated to dramatically increase customer enrollments.
 - The HRES agrees that 3 Phases is a credible marketing partner. We were, however, concerned that Ameren only accounted for \$0.001 per kWh sold as program administrative costs. Since they are partnering with 3 Phases, we believed that disclosure of how the balance of the 1.5 cent per kWh sold is distributed should be made available as well (including all administrative costs incurred by both Ameren and 3 Phases). Ameren's reply does give additional information regarding 3 Phases commitment to the program.
 - "At 1.5 cents per kilowatt hour (KWh), for each megawatt hour (MWh) of voluntary demand, \$15 will be collected (1 MWh = 1,000 KWh). Of this, \$1 will be spent by Ameren on administration of the VGP. 3 Phases will spend a minimum of \$3,000,000 over 5 years in both states on marketing and administration. How this translates into a ratio of funds spent on marketing and administration depends on the volume of renewable energy certificates sold. At 3% participation by the 5th year of the program approximately 1,856,325 MWh certificates would be sold, which means \$1.62 of the \$15 collected would be spent by 3 Phases on marketing and administration. In all cases the bulk of funds (2/3 or more) will go to purchase renewable energy certificates. No certificates will be purchased until the program is approved by regulators. 3 Phases will purchase some certificates that cost more then \$14 per MWh and some that cost less. This will allow the VGP to support a variety of different renewable energy facilities with different attributes (i.e. solar, wind and biomass; large scale and small scale facilities; and local and regional facilities.) Certificates in Missouri and Illinois, for example, are more expensive then certificates in Iowa, Minnesota and Wisconsin. 3 Phases bears both price and supply risk in this endeavor."

There are a few other points about the Ameren voluntary green tariff program that we required clarification about:

- It appeared that as the Ameren voluntary green tariff program will be represented as a line item on the customer's utility bill, it will be taxed. Since it is possible to purchase RECs from other sources and not be taxed, we hold that the Ameren customer participating in the Pure Power Program should not pay additional tax for doing so. Ameren's reply that its voluntary green tariff program is "not a charitable

program", and therefore is taxable, infers that the program is "an energy delivery program" (in contradiction to previous comments).

- Ameren's Reply: " Ameren concluded that the VGP is a taxable service under state law. The VGP is not a charitable program. Funds collected in the VGP are used to fund renewable energy developments by purchasing renewable energy certificates. The vast majority of the renewable energy industry is run on a for profit basis like most other businesses."
- It appears that there is no pilot or sunset provision for the Ameren voluntary green tariff program. If the five year period that 3 Phases has been contracted for is the pilot period, we believe this is appropriate and that the program should be subject to revision and/or updates based upon the inventions and progress of the renewable generation movement during that period.

Additionally, the HRES encouraged Ameren to support the creation of true net metering, time-of-use metering and simple interconnection standards in Missouri. (Missouri's current interconnection law discourages interconnection because it is not true net metering. It creates uncertainty about the customer's costs of interconnection and limits potential returns from interconnecting to the extent that it encourages developers and installer/dealers to work with projects outside of Missouri. Thereby, Missouri ratepayers will end up promoting renewable economic development in other states.) Otherwise, it is possible that the current situation of allowing major corporations to benefit from green programs while simultaneously offering no real net metering or interconnection options to their customers could be perceived by the public and the media as an attempt to stifle the potential growth of green power. This could have a negative impact on both Ameren and their green program. It could also have an unwarranted negative impact on the nascent green movement as a whole in this region. Ameren had no reply to this suggestion.

At the Public Hearing held on January 11, 2007 (telecast between Excelsior Springs, MO and Jefferson City, MO), the HRES was pleased to learn that the MO Public Service Commission encourages independent commentary and suggestion on renewable energy solutions in the state of Missouri. We had intended to include just such commentary and suggestion in this letter, however, seeing that the letter has become quite lengthy, we will provide that information separately.

While some of our concerns have been addressed, ***the HRES is hesitant to give full and unqualified support to Ameren's voluntary green tariff program.*** If the program is approved by the MPSC we look forward to working with Ameren to build awareness of renewable energy and to make this an effective program at driving demand for renewable energy in Missouri, Illinois and the Midwest.

Thank you.

Respectfully,



Sharla Riead, President
Heartland Renewable Energy Society