Ameren cuts efficiency efforts to conserve bottom line

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Ameren Missouri concedes that investments in conserving energy are far cheaper than building new plants to generate it — yet the company is pursuing plans for new plants anyway, while cutting efficiency programs.

The reasons come down to simple math and complex politics. Programs encouraging customers to use less power would help them and the environment. But under the current regulatory regime in Missouri, energy efficiency hurts the company's bottom line — up to $30 million annually, one Ameren executive said.

So the St. Louis utility plans to cut energy efficiency investment next year to $20 million. That's down from more than $25 million this year and about a third of what sister utility Ameren Illinois plans to spend on energy efficiency.

"We are still committed to energy efficiency," said Steve Kidwell, vice president of regulatory affairs at Ameren Missouri. "We want to support energy efficiency; we think it's a great resource. We just have to figure out a way to do it that's good for shareholders and good for customers."

Efficiency advocates view it differently.

"This is hugely disappointing," said Rebecca Stanfield, a senior energy advocate for the Natural Resources Defense Council in Chicago. "Their own numbers show that an aggressive energy efficiency plan will keep electricity bills lower than any other plan. The company is looking out solely for its shareholders' profits."

The efficiency efforts aim to encourage consumers to use less power through a variety of incentives. (The utility already has powerful market incentives to make its own operations efficient.) Ameren currently subsidizes compact fluorescent light bulbs, pays rebates for replacing older appliances with Energy Star models, and finances marketing programs to raise awareness about energy efficiency, among other efforts.

But convincing utilities to fully embrace energy efficiency has vexed legislators, regulators and policy advocates for years. For a century, Ameren and its predecessor, Union Electric Co., has made money building infrastructure — power plants and a local power grid — to sell electricity to customers. Now, the same companies are being urged to help their customers use less energy, a request akin to asking Anheuser-Busch to urge Americans to drink less beer.

The Legislature thought it had solved the dilemma in 2009 with Senate Bill 376, the Missouri Energy Efficiency Investment Act.

The law directs investor-owned electric utilities to pursue all cost-effective energy efficiency programs. It also authorizes regulators to award them profits for such investments that equal those for building power plants.

The measure was trumpeted as a landmark change in the state's energy policy when Gov. Jay Nixon signed it a year and a half ago. And the PSC voted 4-1 just two weeks ago to approve rules to implement the law. Commissioner Robert Kenney cast the lone dissenting vote, only because he thought the rules were too generous for utilities.

Ameren, which sells electricity to 1.2 million customers, apparently doesn't consider the rules generous in the least.

The company's view became clear late Wednesday when Ameren filed its so-called integrated resource plan — a report hundreds of pages long that outlines the strategy for meeting energy demand for the next 20 years. Investor-owned utilities in Missouri are required to submit an updated plan every three years.

Ameren's latest plan is strongly influenced by the likelihood of stricter federal limits on pollution caused by burning coal. The utility relies on coal for 75 percent of its electric generation — a figure that's certain to decline given the new and more stringent regulations expected in coming years.

In fact, Ameren said the new rules for air pollution, water use and coal waste disposal would probably prompt it to close its 58-year-old Meramec coal plant near Arnold sometime between 2015 and 2020.

There is less certainty about how Ameren would fill the void left by the Meramec closure, and how it would meet a projected 20-percent growth in energy demand in the next two decades.

Ameren is simultaneously pursuing plans for another nuclear plant and at least one natural gas plant regardless of what it spends on energy efficiency. The company said it probably wouldn't have to make a decision until after its next long-range plan is filed in 2014.

Efficiency advocates have long argued that saving energy is a cheaper, cleaner option than building new power plants, a no-brainer compared with building another nuclear reactor, or even a wind farm.

Ameren's plan seems to indicate the same. According to the plan, it costs about 4 cents to save a kilowatt-hour of energy — far less than the 10 cents per kilowatt-hour to build and operate a new nuclear plant, or 12 cents for a natural gas-fired plant.

Kidwell said the PSC's new rules, which have yet to take effect, limited how aggressively Ameren was willing to invest in efficiency because they didn't allow the company to recover costs quickly enough.

"Shareholders foot the bill for potentially several years before we see any cost recovery," he said. "As much as we want to pursue energy efficiency, we have to do it in a way that's in our shareholders' best interest as well."

The utility wants authority to charge customers up front for energy efficiency investments that will reduce electricity sales, not have to wait to collect the money through a rate case after it's spent.

States such as Iowa, Oklahoma and Kentucky all have regulations that go further to encourage utilities to invest in energy savings, Kidwell said.

Missouri PSC Chairman Kevin Gunn said he believed the rules "do what they need to do to encourage energy efficiency."

"The commission will examine the programs that are proposed to make sure that they effectively achieve energy savings," Gunn said.

Kidwell agreed that sizable energy savings were possible in Missouri. A plan commissioned by the utility and published last year indicated that energy efficiency alone could reduce consumption by 7.3 percent by 2030. But such a target would require about $100 million in annual investments.

"If we went after the potential that we've seen in our own study, we wouldn't have to build another power plant for 20 years, and we could retire Meramec, and we'd be OK," he said. But "we'd lose $30 million a year. And we just can't do that. It's that simple."