

Title 4--DEPARTMENT OF
ECONOMIC DEVELOPMENT
Division 240--Public Service
Commission

Chapter 22--Electric Utility Resource Planning

4 CSR 240-22.010 Policy Objectives

PURPOSE: This rule states the public policy goal that this chapter is designed to achieve and identifies the objectives that the electric utility resource planning process must serve.

(1) The commission's policy goal in promulgating this chapter is to set minimum standards (Johnstone: has minimum become maximum and the rules become a checklist?) (UE: these rules are very proscriptive so they are minimums.) to govern the scope and objectives of the resource planning process that is required of electric utilities subject to its jurisdiction in order to ensure that the public interest is adequately served. Compliance with these rules shall not be construed to result in commission approval of the utility's resource plans, resource acquisition strategies or investment decisions.

(UE: don't propose a target for energy efficiency. Let the risk analysis section take care of it.)

(2) The fundamental objective of the resource planning process at electric utilities shall be to provide the public with energy services that are safe, reliable and efficient, at just and reasonable rates, in a manner that serves the public interest. Until 2007, this objective required the utility to consider and analyze demand-side efficiency and energy management measures on an equivalent basis with supply-side alternatives in the resource planning process. Since 2007, the Missouri legislature through legislation and the Missouri electorate through Proposition C have given further definition to how the public interest is to be served. Electric utilities are now required to implement a Renewable Energy Standard, which sets forth numeric goals for the portion of electricity supplied by renewable energy resources. The legislature also established the policy of the state to encourage electrical corporations to develop and administer energy efficiency initiatives that reduce the annual growth in energy consumption and the need to build additional electric generation capacity. This Therefore, the fundamental objective of resource planning at electric utilities requires that the utility shall ~~---~~ (OPC, KCPL: not clear what the two sub-objectives are)

(A) For each of the threetwo sub-objectives below, develop at least one alternative resource plan that, in the lowest cost manner, implements (grammar problem):

1. As a cost benchmark, consider ~~Consider~~ and analyze demand-side efficiency and energy management measures on an equivalent basis with supply-side alternatives in the resource planning process; (traditional minimization of costs) and

2. As state renewable energy policy, consider and analyze renewable energy resources to comply with the Renewable Energy Standards. (Gaw: make consistent with RES rules) (Dogwood: language: least-cost meeting mandates)

(DNR: Commission should set standard for energy-efficiency as a priority resource per EISA, SB 376 and 393.1040. All cost-effective DSM should be included in preferred resource plan or preferred plan should meet standards set by Commission. SB 376 goal of achieving all cost-effective DS.) (Robertson: agrees with DNR's interpretation of SB 376. Renewables and EE are high priority) (MIEC: 376 puts DS and SS on equal footing. Didn't intend for DS to have higher priority) (KCPL: "all cost-effective" may not be consistent with least cost plan. SB allows opt-out. Can we get all cost-effective DSM? Emerging standards affect DS cost-effective resources) (UE: legislature sets policy. Current understanding is that SB 376 refers only to cost recovery. Legislation

has set it as SS and DS equal.) (KCPL: Resource planning may not be best place to implement statute. Rules shouldn't specify how to meet the law but incorporate how the utility is going to meet law.) (OPC: disagrees with KCPL. Cost effective for building blocks may not result in cost-effective preferred plan. Another approach would be to put in performance measures in 22.060(2)&(3)) (KCPL: Energy efficiency standard would tie utility's hands.) (Gaw: resource - supply and demand - diversity and its costs should be considered. May need to be explicit as objective) (UE: supports Commission approving a process not the plan.) (Johnstone: may take us down path that is not least cost plan. Pre-approval of plan might not allow for prudence challenges as generation is built. Approach should result in low rates.)

(B) Use minimization of the present worth of long-run utility costs as the primary selection criterion in choosing the preferred resource plan; and

(C) Explicitly identify and, where possible, quantitatively analyze any other considerations which are critical to meeting the fundamental objective of the resource planning process, but which may constrain or limit the minimization of the present worth of expected utility costs. The utility shall document the process and rationale used by decision makers to assess the tradeoffs and determine the appropriate balance between minimization of expected utility costs and these other considerations in selecting the preferred resource plan and developing contingency options. These considerations shall include, but are not necessarily limited to, mitigation of--

1. Risks associated with critical uncertain factors that will affect the actual costs associated with alternative resource plans;

2. Risks associated with new or more stringent environmental laws or regulations that may be imposed at some point within the planning horizon; and

3. Rate increases associated with alternative resource plans.

(UE: this could encompass RES standards with no other changes to the rule.) (OPC: be cautious on any changes to this rule. Giving priority to demand-side may not be consistent with adding renewables. State needs to look at both.) (Gaw: renewables is mandate not priority. Renewables is not in competition with demand-side.)

AUTHORITY: sections 386.040, 386.610 and 393.140, RSMo 1986 and 386.250, RSMo Supp. 1991.* Original rule filed June 12, 1992, effective May 6, 1993.

*Original authority: 386.040, RSMo 1939; 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991; 386.610, RSMo 1939; and 393.140, RSMo 1939, amended 1949, 1967. Site for authority for objectives.