

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of an Investigation of the Cost)
to Missouri's Electric Utilities Resulting From)
Compliance with Federal Environmental Regulations)

File No. EW-2012-0065

**Comments in Response to Presentations Given
at Public Hearing on August 18th, 2014**

INTRODUCTION

The Missouri Coalition for the Environment is a 45 year old organization operating exclusively in the State of Missouri. We have spent decades advocating for clean air and water, including safe energy choices in Missouri. More recently we have worked to implement the will of Missouri voters by seeking full implementation of the Renewable Energy Standard passed in 2008 and worked extensively, along with other stakeholders, on the implementation of SB 376, the Energy Efficiency Investment Act. Our members include homeowners, often with solar panels, industry leaders, business owners, and farmers – all of whom are committed to a healthier, cleaner Missouri powered by clean, renewable energy.

Through our work over the years we have witnessed the impacts of climate change on our water resources through increased flooding and runoff, on our air quality from exacerbated ozone levels, and the effects of extreme temperature fluctuation on our forests, crops, and health. Addressing climate change through the reduction of carbon emissions from power plants is necessary to protect human and environmental health.

GENERAL COMMENTS

We agree and support the statements provided by the Sierra Club, Natural Resources Defense Council (NRDC), Renew Missouri, and other environmental groups that were able to present to the Commission on the 18th of August, 2014. These groups have shared with you the science and data that must be considered during any form of rulemaking or ratemaking. We would like to offer just some of the many reasons our members support these rules.

The rules are good for consumers. The NRDC estimates that a shift to clean energy will save \$5.60 per month on the average Missouri household customer's electricity bill, adding up to savings for Missouri households of \$15 million a month, or ***\$180 million annually***, on their electricity bills.

The rules create jobs. NRDC estimates that Missouri could generate 3,900 jobs, and cut 20.2 million tons of carbon pollution just with a focus on energy efficiency. That's not counting the job creation that can come from solar and wind renewables as part of the portfolio. In all, these rules can push the creation of between 6,000 and 10,000 jobs in Missouri alone through a focus on energy efficiency and renewable energy.

These rules are also beneficial for our health. Climate change leads to extreme weather events that can devastate entire regions. Over the past 10 years, Missouri was affected by over 15 one-billion dollar disasters. In 2011 alone, hazardous weather in our state killed 180 people and injured 1,897. Changes to carbon pollution levels would help slow the increase of these tragic incidents.

Climate change worsens smog and causes plants to produce more pollen pollution, increasing respiratory threats, particularly for people with allergies and asthma. All 114 Missouri counties and the city of St. Louis have ragweed pollution. Children, seniors and other vulnerable populations are at a higher risk of negative health effects, including heat-related illnesses and deaths, associated with climate change. In 2009, 1,153 emergency room visits in Missouri were due to heat stress.

According to the American Lung Association, asthma sickened about 20 million adults and more than 7 million children in the United States in 2013. Health care for these and other related health complications and increased deaths cost millions of dollars each year. In 2011, Missouri had over 7,700 hospital admissions for asthma alone, with an average cost of over \$14,300 per stay.

Harold Wimmer, National President and CEO of the American Lung Association, has said in support of the EPA's carbon goals that "Power plant pollution makes people sick and cuts lives short. We are pleased to see significant health benefits from the U.S. Environmental Protection Agency's (EPA) proposed limits on carbon pollution from power plants, which would reduce the burden of air pollution in America, prevent up to 4,000 premature deaths and 100,000 asthma attacks in the first year they are in place, and prevent up to 6,600 premature deaths and 150,000 asthma attacks in 2030."

We support the EPA's proposed rules and find that they are reasonable, attainable, and needed. We stand willing to assist you in the process by providing facts, analysis, and recommendations to create a strong state plan that curbs carbon pollution in a way that creates jobs, increases energy efficiency, spurs innovation, and reduces costs.

RESPONSE TO GENERAL QUESTIONS

a. Do you agree with the methodology EPA used to come up with Missouri's proposed emissions reduction goal? If no, what about the proposed methodology do you disagree with?

Yes. EPA's proposed carbon emission reduction targets can and should be strengthened. Based on Sierra Club's analysis, found in the docket dated August 25, 2014, we agree that emissions can be reduced by approximately 35-40% below 2005 levels by 2020, with further reductions thereafter.

1. Account for All Renewable Energy Potential: We agree with the Sierra Club and ask that the EPA should: (1) remove the limits on growth of renewable energy it has assumed, (2) change the methodology on growth to more closely match the real world, and (3) include distributed renewable energy when considering renewable potential.

2. Account for All Energy Efficiency Potential: We believe that the EPA's estimation of Energy Efficiency potential is far lower than possible in the State of Missouri.

3. Incorporate Known Coal Plant Retirements: We support allowing known coal plant retirements to be incorporated into the Plan, as long as they meet the requirements of the Clean Power Plan as implemented by the EPA.

4. Limit the Role of Natural Gas: We do not approve of an incentive for the expansion of natural gas production. Fracking and other techniques for extracting natural gas are inherently environmentally destructive. Although natural gas is a lower emitter of carbon at the power plant level, we do not wish to transfer the burden of environmental harm from the smokestack to the extraction process. Renewable energy and energy efficiency are much more cost affordable than natural gas and coal.

b. Is the statewide goal established by EPA for Missouri achievable?

Yes. As stated in our introduction, we believe the statewide goal is easily achievable, reasonable, and the minimum necessary.

c. Should Missouri convert to a mass-based standard? Please explain. No position taken as of this writing. We would only stress, if a mass based standard is chosen, that the goal not be watered down or used as a way to skirt the standard listed in the rate-based goal.

d. Is there an advantage of implementing a rate-based standard or a mass-based standard? Please explain. Each utility should answer these questions from both a utility-specific perspective and from a statewide perspective. EPA staff indicated that EPA may be open to allowing a state to split geographically, with one part doing

mass-based and one part doing rate-based, so long as the split was along an RTO seam. Are there advantages to this approach for Missouri? What would the most advantageous split be?

We support any route that will allow Missouri to meet its goal, as long as it meets the requirements put forth under the Clean Power Plan.

e. Can a state compliance plan be written in such a way that actions taken to comply with the Missouri Energy Efficiency and Investment Act and/or the Renewable Energy Standard become a part of the compliance plan, without explicitly citing or referencing state statutory requirements? Please explain.

We support any action that will allow Missouri Utilities to meet the standards listed under 111(d) and the Missouri RPS/EEIA standards.

f. Please identify projects that you have already implemented or started that should be considered toward satisfying the various EPA building blocks. Please include any calculation for determining credit toward compliance for each project identified.

The Missouri Coalition for the Environment acknowledges that many utilities have already taken steps toward reduction of their carbon footprint. We are happy to recognize such steps and urge the Commission to allow Utilities to get credit for taking them. We would only require that they meet the requirements under the rules, such as being implemented after the 2012 cut-off date.

g. Please identify any best practices that you have already implemented to comply with other environmental regulations, and indicate if those best practices can be considered toward satisfying the various EPA building blocks. Please include any quantification or calculation for determining credit toward compliance.

We will defer this question to the affected utilities.

h. Please explain whether an Independent Operator's control over the dispatch of the generation will affect the utility's ability to control emissions and comply with EPA's proposed 111(d) requirements.

Although we do not think this should be an issue, we will defer this question to the affected utilities.

i. Does EPA's proposal give rise to any concerns about reliability? If so, what are those concerns?

Reliability is an important issue and any plan put forth should take careful consideration to maintain reliability. However, the inherent flexibility of the Plan should allow the State to create a plan that will overcome any possible concerns over reliability.

j. Please explain your perspective on the effect, if any, of HB 1631 on the utility's compliance strategy with the proposed 111(d) requirements.

We would like the opportunity to address this question for a later date, after more information is gathered and analyzed.

k. For utilities: Describe in detail the most cost-effective way for each utility to meet the 21% reduction on its own. What would that path cost compared to a business-as-usual path?

We would like the opportunity to address this question for a later date, after more information is gathered and analyzed.

l. Describe in as much detail as possible the comments you intend to submit to EPA. If you have already submitted comments, please provide them.

The comments we present today will be similar to the comments we provide to the EPA.

m. Under a rate-based approach, how can Missouri get credit for energy efficiency improvements made by industrial customers of IOUs that have opted out of MEEIA? If regulatory or statutory changes are necessary to get credit, what are those changes?

We will defer this question to the affected utilities, the Sierra Club, and the NRDC.

n. Under a rate-based approach, how can Missouri get credit for energy efficiency improvements made by customers of non-IOUs under programs that are not subject to rigorous evaluation, measurement and verification? If regulatory or statutory changes are necessary to get credit, what are those changes?

We will defer this question to the affected utilities, the Sierra Club, and the NRDC.

o. Do any of the utilities favor the idea of Missouri partnering with another state(s) on a multi-state plan. If so, which state(s) should Missouri consider partnering with? Please explain.

The Missouri Coalition for the Environment is not opposed to the State of Missouri partnering with another state(s) on a multi-state plan, as long as

p. EPA's proposed rule established the state goals by crediting renewable energy generation in the state where it is generated. EPA is soliciting comment on how credit for renewable energy generation under 111(d) could be traded across state lines (similar to RECs) without double counting the RE credit. Do utilities have any thoughts about the appropriate method of crediting renewable energy generation and whether the credit could be traded across state lines without double counting?

MCE would like to see a system where RE credit would be given to the area using the electricity, not where it is generated.

q. EPA's proposed rule established the state goals by crediting RE and demand-side EE targets under building blocks 3 and 4 by adding RE generation and avoided generation from demand-side EE to the denominator. If the state elects to go with a rate-based approach, EPA is soliciting comment on the appropriate method of crediting EE/RE programs under state plans (i.e. add RE generation and avoided generation from EE to denominator, or determine emissions avoided and subtract the avoided emissions from the numerator). Do utilities have a preference on the appropriate method of crediting EE/RE programs under a rate-based approach. If so, why is one method preferred over another?

We would like the opportunity to address this question for a later date, after more information is gathered and analyzed.

r. EPA's proposed rule solicits comment about whether the final rule should establish presumptive mass-based goals for each state or if states should be able to develop the mass-based goals using their own assumptions and methodologies. Do you have a preference?

We believe EPA, and not the State, should establish a specific process for converting the rate-based goals that will be promulgated by the agency in its Emission Guidelines into mass-based limits based on actual or near-term projected generation, with a true up obligation to correct any error in a projection.

s. EPA's proposed rule solicits comment about establishing consistent national guidelines for performing EM&V in order to credit EE/RE under the rule if a state uses a rate-based approach. Do you think EPA should establish such guidelines?

Yes, EPA should establish clear guidelines.

RESPONSE TO UTILITY CONCERNS

NEED FOR AN EXTENSION OF TIMELINE

The Missouri Coalition for the Environment believes that the EPA's timeline for the Clean Power Plan is reasonable and readily achievable. In fact, based on analysis provided by the Sierra Club and NRDC, our State could meet the 2030 goal many years ahead of schedule. Any attempt to postpone implementation will be seen by our members as just another attempt by a regulated utility to protect profits over social and legal responsibility. The utilities have a "floating" goal during the first 10 years of the plan that will allow them the flexibility to meet the goals before they hit the 2030 goal.

This goal is not a hard deadline, but allows for the flexibility utilities have asked for during the initial stages of implementation.

CONCLUSION

As discussed, The Missouri Coalition for the Environment believes that the EPA's Clean Power Plan goals and targets for Missouri are readily achievable. Moreover, EPA's proposed plan presents a pivotal opportunity to diversify Missouri's electric system with clean, cost-effective energy efficiency and renewable energy generation that will produce safe and sustainable jobs for Missouri residents, while also reducing electric system costs for both utilities and ratepayers. Energy efficiency and renewable energy resources, in particular, are not only the fastest, cheapest, and safest way to reliably meet the state's growing electricity demand, but are proven, low-cost investments that will accrue tangible economic benefits for Missouri families and businesses, while also helping the state meet its carbon pollution reduction goals under the Clean Power Plan. We respectfully urge the Commission to undertake steps necessary to plan for future compliance with the Clean Power Plan and to develop the regulatory support to ensure that such compliance can be achieved by cost-effective means. The Missouri Coalition for the Environment appreciates the opportunity to submit these comments and looks forward to further engagement with the Commission as the Clean Power Plan planning and implementation process unfolds.

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Respectfully submitted,

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