

**Explanation of Changes Proposed by
Missouri Industrial Energy Consumers to
Missouri PSC Staff's Chapter 22 Rule Distributed on December 17, 2009**

In the very brief time allowed for comments, Missouri Industrial Energy Consumers (MIEC) has only been able to address a few points.

The explanation below addresses the changes proposed by MIEC at this time. MIEC also has prepared a red-line against Staff's draft, and a clean copy with MIEC's proposed changes incorporated. MIEC's proposed changes are in Section 22.050 Demand-Side Resource Analysis and in Section 22.020 Definitions. All relate to demand-side resource analysis.

Standard DSM Tests

4 CSR 240-22.050 is Demand-Side Resource Analysis. In subpart (5), the Staff draft rule requires reporting the results of the Total Resource Cost Test and the Utility Cost Test for each potential demand-side program and for each potential demand-side rate developed pursuant to the rule.

These two tests are only half of the standard tests normally performed on demand-side resources. (See the California Standard Practice Manual, and many other DSM references). The other two tests are the Participant Test and the Non-Participant Test (which sometimes is referred to as the Rate Impact Measure or RIM Test). MIEC believes that these tests also provide useful information. The Participant Test indicates the extent to which customers who participate in DSM programs stand to benefit as a result of the reduced consumption that would be achieved by installation of the energy efficiency measures on their residences or businesses. As such, the Participant Test results are useful in establishing incentive levels and other program design features.

The Non-Participant (or RIM) Test provides an indication of the extent to which the utility's rates would increase (or decrease) relative to a supply-side expansion strategy. As

such, this test provides important information about the impact of DSM measures on customers who are not participating in the utility-sponsored (and customer financed) energy efficiency measure. It is particularly relevant in the case of customers who have engaged in energy efficiency practices that they have funded themselves, without financial support from utility-sponsored programs.

It was confirmed at the workshops that all of the Missouri utilities routinely calculate all four DSM cost tests. The Participant Test and the Non-Participant (RIM) Test both provide important information not revealed by the other tests, and in order to reveal all pertinent information, their results should be presented along with the results of the Utility Cost Test and the Total Resource Cost Test. MIEC has added these tests to (5) and also has added definitions of these tests in 22.020.

Finally, MIEC has proposed a change in (5) (A) of 22.050. The change is to require calculations to be performed both with and without the inclusion of probable environmental costs. Performing the calculations only including probable environmental cost biases the results of the calculations in favor of DSM. Since it is not known whether these probable environmental costs will be incurred, it is reasonable to calculate the costs and present the results of the cost-benefit tests both with and without inclusion of the probable environmental costs so that the sensitivity of the results to this assumption can clearly be shown.