

Informal Comments on Rate Impact Section of proposed RES Rule

- The law states that the average retail rate increases of one percent are to be a limitation based upon an ongoing comparison of future options, but doesn't specify the exact time horizon for calculating the average rate impact.

The Staff is proposing that the time horizons for these calculations be roughly equivalent to the time periods between the stair-stepped RES requirements [RES proposed rule, Version 11]. However, rate impact comparisons for prudent resource planning is usually calculated over a much longer period.

- Smoothing out the rate impacts over a sufficiently long time horizon for purposes of calculating the ongoing 1% rate impact comparison will avoid abnormal rate limitations in any particular year for BOTH the renewable and nonrenewable sides of the comparison. Otherwise, large generation additions could produce lumpy rate impacts in any given year.

Renew MO, MCE and GRELC submit that 10-20 years would be a more reasonable time horizon over which to average rate impacts when performing the required comparison between RES compliance and an entirely nonrenewable portfolio.

- The rate impact comparison required by the new law [Sec. 393.1030.2(1)] essentially requires an IRP calculation of alternative supply side options available to the electric utility (RES compliant versus nonrenewable portfolios). Therefore, the RES rule should require similar standards for the comparative analysis between least-cost renewable generation and non-renewable generation options.

The Missouri Public Service Commission's current Integrated Resource Planning (IRP) Rule defines the appropriate planning horizon for IRP analysis as being at least 20 years [4 CSR 240-22.020(43)]. The IRP rule also specifically requires a forward-looking quantification of future environmental regulations over this 20 year time period for each of the utility's supply-side options. [4 CSR 240-22.040(2)(B)]. Average rate impacts over the planning horizon are currently calculated for each of the utility's alternative resource plans [4 CSR 240-22.060(2)].

- Since each electric utility must engage in the IRP process every three years, much of the information necessary for a thorough RES rate impact analysis will already be available for the purpose of calculating "the maximum average rate increase of one percent" for RES compliance over a time horizon at least approaching 20 years. Merging RES compliance and IRP case reviews would promote administrative ease and utilizing the same data would increase confidence in the process.

Renew MO, MCE and GRELC further suggest that the informal rulemaking for the new RES rule and the informal rulemaking that is considering revisions to the IRP rule should be combined or more closely coordinated.

- Renew MO, MCE and GRELC recommend that the proposed Section 8 (Penalties) be revised to clarify that a utility is required to comply with the RES law *to the extent possible without exceeding* the ongoing 1% rate differential between RES compliance and a totally nonrenewable scenario.
- The rule should also provide an option for review by the MoPSC of a utility filing indicating that there is a greater than 1% difference between the two comparison scenarios. The MoPSC should have ultimate approval over the calculation methods and inputs into any rate impact comparison. There should be a high standard of review regarding a MoPSC decision that a utility cannot meet the full RES requirement within the 1% differential.