

AmerenUE

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November 3, 2009

Mr. Steven Reed
Secretary of the Commission
Missouri Public Service Commission
200 Madison Street, Suite 100
Jefferson City, MO 65102-0360

Re: Proposition C Rule

Dear Mr. Reed:

Following discussions with the Staff, AmerenUE would like to provide some additional comments concerning the solar requirements contained in the Staff's draft Proposition C rule. Again, we are hopeful that submitting these comments now will be helpful to the Commission in determining the terms of the rule to be submitted for publication in the *Missouri Register*.

AmerenUE first notes that with respect to solar energy, the draft rule contains the same geographic restriction as is applicable to other renewable resources—the solar resource must be located in Missouri or delivered to Missouri electric energy retail customers. Section (2)(A). AmerenUE is concerned that any geographic restriction applicable to solar resources is likely to materially increase the cost of meeting the solar requirements of Proposition C to customers. Missouri's solar energy resources are less developed than those in other areas of the country (where the sun typically shines more), and developing native solar projects is likely to be significantly more costly than purchasing solar renewable energy credits (RECs) in the national market. The more money that is spent developing solar projects, the less that will be available to pursue other renewable projects under the 1% statutory cap. Proposition C does not provide for any type of geographic restriction, and for the reasons stated above AmerenUE believes the Commission should consider completely eliminating the geographic restriction for solar projects.

Aside from the issue of the geographic restriction, AmerenUE is also concerned about the provisions of the rule that require an electric utility to purchase RECs from customers who install solar resources, and pay up-front for RECs that will be generated over the next 10 years. Section (4)(H). First, although Proposition C did require electric utilities to provide rebates to customers who install solar resources, it said nothing



about purchasing the RECs. AmerenUE is concerned that purchasing these RECs will be much more expensive than meeting the solar requirements of Proposition C from other resources. Moreover, paying for 10 years of solar RECs up-front and providing the rebate (in conjunction with federal tax credits) may ultimately mean that the up-front subsidies and REC payments customers receive exceed the cost of installing the solar resource.

AmerenUE is also concerned that there is no method to set a rate for the utility to pay for RECs from customer-owned solar facilities. Since there is no transparent market for locally developed solar RECs, presumably the price would have to be set by the Commission or a stakeholder group, which is not ideal. In addition, AmerenUE is concerned that imposing an obligation on utilities to purchase customer generated solar RECs will adversely impact the utility's ability to plan construction of its own solar resources. The utility will not know whether to construct a less expensive utility-scale solar project unless it can accurately predict how many customers will construct their own solar facilities. For these reasons, AmerenUE believes that purchasing customer solar RECs should be optional for the electric utility.

Finally, AmerenUE remains concerned that the cost recovery provisions allow full recovery of costs as Proposition C provides. In particular, the rule should make it clear that electric utilities have no obligation to proceed with any solar projects (or any other renewable projects) once the 1% cap has been met.

AmerenUE appreciates the Commission's consideration of these comments, and looks forward to participating in the formal rulemaking process regarding the Proposition C rule.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Byrne".

Thomas M. Byrne
Managing Associate General Counsel

TMB/alt

cc: Legal file