Public

Integrated Resource Plan

4 CSR 240-22.010

Policy Objectives

February 2008

4 CSR 240-22.010 (1)

The commission's policy goal in promulgating this chapter is to set minimum standards 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.

AmerenUE has been engaged in formal integrated resource planning, with direction from, and the full participation of, the company's senior management. The planning process has also had strong involvement from regulators and other stakeholders. This rigorous, disciplined process has provided transparency and structure to the serious task of determining how to meet the needs of AmerenUE's customers going forward.

During the planning process, AmerenUE's management and resource planning analysts have made efforts to be fully compliant with every aspect of this chapter. In many cases, efforts have been made to exceed these standards, for example regarding Integrated Scenario Planning and Risk Aversion Analysis.

The purpose of this filing is to clearly, specifically, and visibly outline AmerenUE's planning process and resource acquisition strategy while demonstrating compliance with these standards.

4 CSR 240-22.010 (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. This objective requires that the utility shall—

(A) Consider and analyze demand-side efficiency and energy management measures on an equivalent basis with supply-side alternatives in the resource planning process;

Each of the alternative resource plans that were developed according to 4 CSR 240-22.060(3) explicitly incorporates not only the type and size of any new generating facility, but also a particular demand-side management (DSM) program and renewable portfolio. In so doing, pursuing DSM was placed on equal footing with power plant construction as a means of providing safe, reliable, and efficient energy services at just and reasonable rates over the course of the IRP horizon. In section 4 CSR 240-22.050, AmerenUE describes the analysis used to develop the three DSM initiatives (aggressive, moderate, and nonexistent).

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

The analysis's were based squarely upon minimizing either the present worth of long-run utility costs (or prevent value of revenue requirement (PVRR)) (4 CSR 240-22.060(4)) or the maximum potential regret (4 CSR 240-22.070(5)), quantified in terms of the plan's difference in PVRR from the lowest-PVRR plan in each end state of the probability tree.

(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;

As laid out in the response to section 4 CSR 240-22.030 (7), AmerenUE devised an analytical framework that allowed a comprehensive evaluation of the uncertain factors critical to resource plan performance. By defining probability distributions across what AmerenUE decision makers deemed reasonably likely ranges of the three scenario and four independent critical uncertainties, the final probability tree explicitly acknowledges the risks of swings in, for example, CO_2 policy direction or capital costs. Moreover, the response to section 4 CSR 240-22.070 (8) identifies the two critical uncertainties (namely, CO_2 policy and capital costs) for which there is value in acquiring better information. Section 4 CSR 240-22.070(2), describes the uncertain factors considered in the planning process and which ones of those are critical uncertain factors. Section 4 CSR 240-22.070(10), discuss specifications of ranges of outcomes to critical uncertain factors in which the preferred plan is deemed appropriate, and a process for monitoring these critical uncertain factors.

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

The responses to section 4 CSR 240-22.040 (2) (B) explain how CO_2 policy is the only environmental issue that AmerenUE expects to effect significant changes in utility rates within the IRP horizon. It also describes the process used by AmerenUE subject matter experts to develop four potential "worlds" into which CO_2 policy might reasonably evolve - the final probability tree included these CO_2 policy directions. As such, the risk of more stringent environmental policy in the form of CO_2 legislation was treated in the same fashion as every other critical uncertain factor.

3. Rate increases associated with alternative resource plans.

Section 4 CSR 240-22.060(6) (C) 8 contains plots of the annual average rates for the top eighteen plans. Since the top plans all included the Aggressive DSM portfolio, the lowest PVRR also results in the lowest average rates.