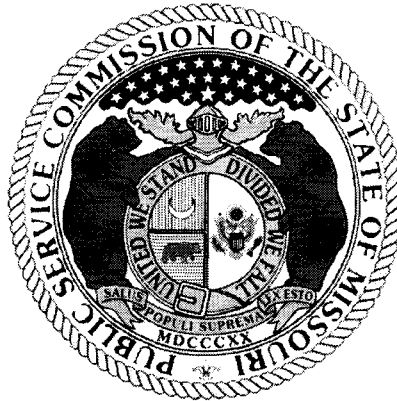


**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**



FILED

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**Missouri Public
Service Commission**

In the Matter of Union Electric Company, d/b/a)
AmerenUE's Tariffs to Increase Its Annual)
Revenues for Electric Service)

Case No. ER-2008-0318
Tariff Nos. YE-2008-0605

REPORT AND ORDER

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DEPUTY CHIEF REGULATORY LAW JUDGE: **Morris L. Woodruff**

REPORT AND ORDER

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The Missouri Public Service Commission, having considered all the competent and substantial evidence upon the whole record, makes the following findings of fact and conclusions of law. The positions and arguments of all of the parties have been considered by the Commission in making this decision. Failure to specifically address a piece of evidence, position, or argument of any party does not indicate that the Commission has failed to consider relevant evidence, but indicates rather that the omitted material was not dispositive of this decision.

Summary

This order allows AmerenUE to increase the revenue it may collect from its Missouri

has not given it authority to enforce a contract.³⁰² Therefore, if any party want to enforce that contract, it will need to proceed to circuit court.

Decision:

The Commission finds that AmerenUE shall continue to pay \$1.2 million per year into the low-income weatherization fund administered by EI ERA. AmerenUE's payments to the fund shall be included in the company's revenue requirement to be recovered through rates.

14. Pure Power Program

Introduction:

In AmerenUE's last rate case, the Commission approved AmerenUE's proposal to begin offering a voluntary green energy program.³⁰³ The voluntary program AmerenUE now offers is called Pure Power. Staff opposed the proposed green energy program in the last rate case and now asks the Commission to require AmerenUE to discontinue the program.

Findings of Fact.

The Pure Power program is a voluntary program whereby participating AmerenUE customers agree to pay an additional amount on their monthly bill to purchase a Renewable Energy Credit, known as a REC. The RECs are purchased from a third party, 3 Degrees, which purchases the RECs from the green power producer.³⁰⁴

³⁰² *Kansas City Power & Light v. Midland Realty*, 338 Mo 1141, 93 S.W.2d 954 (Mo. 1936).

³⁰³ *In the Matter of Union Electric Company d/b/a AmerenUE's Tariffs Increasing Rates for Electric Service*, Report and Order, Case No. ER-2007-0002, May 22, 2007, Page 115.

³⁰⁴ Barbieri Rebuttal, Ex. 9, Page 3, Lines 8-14.

AmerenUE has entered into a five-year contract with 3 Degrees that fixes the price AmerenUE customers pay for a REC at fifteen dollars.³⁰⁵ One dollar of that fifteen is kept by AmerenUE as an administrative fee, with the remaining fourteen going to 3 Degrees. 3 Degrees uses that money to buy the REC and keeps any money left over to pay its own expenses, and as profit.

3 Degrees is obligated under the contract to market and administer the Pure Power program and to educate AmerenUE's customers about the program.³⁰⁶ One half of the RECs 3 Degrees purchases for AmerenUE's customers must come from green power generators located in Missouri or Illinois, with the rest coming from generators located within the MISO region.³⁰⁷ The Pure Power program is Green-e certified and 3 Degrees pays for an annual Green-e audit through the Center for Resource Solutions.³⁰⁸

The Pure Power program has been operating since October 2007.³⁰⁹ Approximately 4000 AmerenUE customers have chosen to participate in the program during that first year.³¹⁰

Staff is concerned the sale of RECs is not an effective means of producing green power to supplant fossil fuel power. RECs are for the purchase of power generated in the past, and Staff is concerned the sale of RECs will do nothing to encourage the future generation of green power.³¹¹ This is the same concern Staff expressed in the last rate

³⁰⁵ Barbieri Rebuttal, Ex. 9, Page 4, Lines 9-10.

³⁰⁶ Barbieri Rebuttal, Ex. 9, Page 4, Lines 11-13.

³⁰⁷ Barbieri Rebuttal, Ex. 9, Page 4, Lines 15-20.

³⁰⁸ Barbieri Rebuttal, Ex. 9, Page 4, Lines 21-23.

³⁰⁹ Transcript, Page 662, Lines 12-17.

³¹⁰ Transcript, Page 713, Lines 7-10.

³¹¹ Staff Report – Class Cost of Service & Rate Design, Ex. 206, Page 19-20.

case. However, other governmental organizations do not share Staff's concern. The National Renewable Energy Lab and the Federal Department of Energy state programs such as Pure Power have assisted in bringing more than 1,000 MWs of new renewable projects online.³¹²

A REC is not produced until actual renewable energy is produced. Even though those electrons have already been produced and used, the sale and purchase of a REC stimulates demand for additional renewable energy by sending a market signal to green power producers to develop additional sources of renewable energy.³¹³ Staff's witness may not believe RECs are effective, but he concedes that millions of RECs are sold each year.³¹⁴ He also concedes the Missouri Department of Natural Resources, and the Environmental Protection Agency support the concept of RECs.³¹⁵ In fact, he concedes RECs are widely accepted throughout the nation as contributing to the expansion of green generation, although he describes that acceptance as "an unsubstantiated belief, widely accepted."³¹⁶

Staff is also concerned that customers are confused about what they are actually receiving when they purchase a REC. Staff seems to believe customers think they are buying actual electrons generated by a green generation source, when they buy a REC. The concept of a REC and the purchase of the environmental attributes associated with

³¹² Barbieri Rebuttal, Ex. 9, Page 7, Lines 9-11.

³¹³ Transcript, Page 724, Lines 14-21.

³¹⁴ Transcript, Page 629, Lines 16-22.

³¹⁵ Transcript, Page 637, Lines 13-18.

³¹⁶ Transcript, Pages 641-642, Lines 22-25, 1-4.

green production versus fossil fuel production is difficult to understand.³¹⁷ AmerenUE concedes it is difficult to explain to customers that they are purchasing a REC and not electricity. Some of the initial marketing materials sent out by 3 Degrees did not do enough to avoid that confusion, but AmerenUE and 3 Degrees have continued to improve those marketing materials, including major revisions to the Pure Power website. In the end, the desire to improve the marketing materials does not justify terminating the program after only one year of existence.

Aside from its concerns about the effectiveness and the marketing of the Pure Power program, Staff is also concerned the contract between AmerenUE and 3 Degrees does not pass enough money through to actual green energy producers. As previously indicated fourteen of the fifteen dollars AmerenUE collects from participating customers is passed to 3 Degrees for the purchase of RECs. Not surprisingly, not all the money that goes to 3 Degrees is used to purchase RECs. 3 Degrees keeps some to pay for marketing and administration and profit.³¹⁸ Staff believes the contract is overly generous to 3 Degrees. However, 3 Degrees assumed the risk that the market price for RECs may rise in the next five years, thus reducing its profit margin. A rise in the market price for RECs is possible as demand for RECs rises because of the imposition of renewable portfolio standards such as the recently enacted Proposition C in Missouri.³¹⁹

Finally, Staff is concerned non-participating AmerenUE customers may be subsidizing AmerenUE's administrative costs associated with the Pure Power program

³¹⁷ Transcript, Page 628, Lines 6-14.

³¹⁸ The highly confidential numbers are found at Ensrud Surrebuttal, Ex. 220, Page 11, Line 18.

³¹⁹ Transcript, Page 748, Lines 11-19.

because AmerenUE is not doing enough to separately track those costs.³²⁰ AmerenUE agrees that non-participating customers should not be subsidizing the program and indicates all administrative costs, as well as revenues generated by the program, are accounted for below the line.³²¹ Staff is concerned, for example, that the cost of billing customers who participate in the Pure Power program is not segregated from the cost of billing all other customers.³²² However, the maximum potential cost identified by Staff is not substantial and does not justify any immediate accounting change.³²³

The Commission finds that the Pure Power program is a voluntary program that seems to be popular with some of AmerenUE's customers. No customer is forced to participate in the program and if they are unhappy with the program, they can leave at any time. The program is nationally respected and has been awarded the 2008 New Green Power Program of the year award by the U.S. Department of Energy, in conjunction with the U.S. Environmental Protection Agency and the Center for Resource Solutions.³²⁴ Most importantly, the program has only been in operation for one year. It is too soon to properly assess the program and it is certainly too soon to kill the program.

Conclusions of Law:

There are no additional conclusions of law for this issue.

Decision:

³²⁰ Staff Report – Class Cost of Service & Rate Design, Ex. 206, Pages 21-22.

³²¹ Barbieri Rebuttal, Ex. 9, Page 9, Lines 5-22.

³²² Transcript, Page 696, Lines 4-10.

³²³ Staff Report – Class Cost of Service & Rate Design, Ex. 206, Page 22. The precise number is highly confidential.

³²⁴ Barbieri Rebuttal, Ex. 9, Page 11, Lines 1-5, and Transcript, Page 703-704, Lines 20-25, 1.

The Commission authorizes AmerenUE to continue to offer the voluntary Pure Power program to its customers.

15. Union Issues

Introduction:

The various unions that represent AmerenUE's employees appeared at the hearing to generally support the company's request for a rate increase. However, they asked the Commission to order AmerenUE to spend more money on employee training and to take specific steps to increase its internal workforce so it will use fewer outside contractors. AmerenUE contends it is currently providing safe and adequate service and argues the Commission has no authority to manage the day-to-day affairs of the company.

Findings of Fact:

David Desmond is the business manager of International Brotherhood of Electrical Workers Local 2, AFL-CIO.³²⁵ He testified that too much of AmerenUE's daily workload is performed by less trained subcontractors rather than by AmerenUE's internal workforce.³²⁶ He asked the Commission to require AmerenUE to invest in its employee infrastructure and require subcontractors to meet the standards of training and certification similar to those required of AmerenUE's internal workforce.³²⁷

Donald Giljum is the Business Manager for the International Union of Operating Engineers Local Union No. 148.³²⁸ He testified AmerenUE has curtailed its training

³²⁵ Desmond Direct, Ex. 901, Page 1, Lines 2-3.

³²⁶ Desmond Direct, Ex. 901, Page 2, Lines 14-22.

³²⁷ Desmond Direct, Ex. 901, Page 3, Lines 13-19.

³²⁸ Giljum Direct, Ex. 903, Page 1.