BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Staff's Review of Commission Rules 4 CSR 240-20.060 (Cogeneration), 4 CSR 240-3.155 (Filing Requirements for Electric Utility Cogeneration Tariff Filing), and 4 CSR 240-20.065 (Net Metering)	)))))	File No. EW-2018-0078

ADDITIONAL COMMENTS OF UTILITIES

COMES NOW, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri"), Kansas City Power & Light Company ("KCP&L"), KCP&L Greater Missouri Operations Company ("GMO"), and The Empire District Electric Company ("Empire") (collectively, the "Utilities") to address comments submitted in this docket by Cypress Creek Renewables ("CCR") and Renew Missouri on June 15, 2018.

1. Prior to the enactment of PURPA in 1978, customer generation was virtually non-existent and there was no obligation for the electric utility to interconnect and purchase customer generated energy. Section 210(b) of PURPA required electric utilities to offer to purchase electric energy from Qualifying Facilities ("QF") at rates that were just and reasonable to the electricity consumers and in the public interest, non-discriminatory with respect to QFs, and not in excess of the incremental cost to the electric utility of alternative electric energy.[1] It was under these conditions that the Missouri rules were established to remove barriers to access. To ensure balance, limits were placed on the amount and system sizes of customer generation a utility would be obligated to purchase and the price for the purchase was set at the utility's avoided cost.

2. The energy landscape is vastly different today, 40 years after PURPA's enactment. Prices for renewable energy have fallen significantly in the 40 intervening years, natural gas prices

[1] EEI PURPA Report, page 5.

have more recently demonstrating declines, and energy companies, including Missouri Utilities, have added large numbers of renewable energy resources for our customers.

3. At the agency's monthly open meeting this Spring, FERC Chairman Kevin McIntyre announced that FERC will "reenergize" its review of PURPA. In addition, many state commissions are, or are in the process of, modernizing or updating the states' rules and applications of the PURPA requirements. In most cases, the common results are either changes in methodology that result in lower avoided cost rates or shortening standard contract lengths under the law. These regulatory actions recognize that many state rules related to PURPA, established at a different time and under different market conditions, place requirements on energy purchases that do not reflect current needs. Developers of renewable projects have generally argued that these reforms will dramatically reduce renewable development, but Commissions have increasingly supported revisions that are believed to better reflect actual avoided costs.

4. The intent of PURPA is to remove a barrier to access and not give a leg up for any particular resources. The Missouri Utilities previously provided feedback regarding the current proposed rule revisions for cogeneration and net metering. However, the Missouri Utilities are providing this additional response to the comments submitted by CCR and Renew Missouri because, although we understand Renew Missouri's interest in stimulating the market, we disagree with many of their specific recommendations, especially considering the changing market as described above.

5. CCR and Renew Missouri's comments claim that only one mechanism is available in Missouri for ensuring independent power producers have access to the market, and that mechanism is PURPA. This statement is misleading at best. Today, there is open access to transmission for power producers and FERC rules provide for increased interconnection access by smaller generators. In general, there is greater competition among generators in wholesale

electricity markets, with opportunities for independent power producers to access the market, although it may not always be at the economics these producers desire. In addition to direct market access, independent power producers also have the option to contract with third parties to provide market participant services/representation and sell to anyone in the market. Market access is no longer a viable argument for forcing utilities into power purchase agreements.

6. CCR and Renew Missouri state that the future of PURPA development in Missouri will hinge on whether the Commission adopts specific requirements regarding term lengths, and specifically recommends 20-year contracts. In other words, Renew Missouri wants an open call option on 20-year fixed pricing. While forcing utilities into long-term contracts at prices that are potentially substantially above market may provide a producer a favorable economic position, but it could have a negative impact on utility customers. Ultimately, utility customers pay for the energy a utility purchases to serve them. Currently, power producers are free to negotiate with Utilities at any time and receive terms that are based on the current market environment, which puts customers in a financial position comparable to that they would otherwise be in. Long-term contracting at an administratively determined set rate, which does not take into consideration the unique conditions of a unique producer, shifts the risk of the generation development from the developer to the customer. All parties should have a primary interest in ensuring that customers are not taking on excessive risks for securing capacity today that isn't needed for a point much further out into the future.

7. With regards to CCR and Renew Missouri's comments related to avoided cost methodology, there should be flexibility for each utility as is currently proposed. Each Missouri Utility has unique characteristics, so a one-size fits all approach is not in the interest of utility customers state-wide. It should also be noted that PURPA does not provide for the transfer of renewable credit, so there should be no premium on avoided cost calculations for the renewable energy.

8. Renew Missouri also recommends dramatically increasing the system size limits for standard contracts to 5,000 kW. In fact, the current 100 kW limit only applies to published pricing. Renew Missouri states that Missouri's Cogeneration rule should also require that utilities purchase the output of QF up to 20,000 KW in size pursuant to long-term fixed price contracts. Generally, utilities are already required to purchase up to 20 MW pursuant to FERC's PURPA rules. And while those rules state there is a "rebuttable presumption" regarding lack of market access below that amount, it does not mean that a FERC decision might not further limit a utility's purchase obligation. If a utility garnered an order further limiting that amount, then the Missouri Rule would directly contradict a FERC order. Finally, Renew Missouri's comments reflect that certain companies may not like the purchase agreement terms under the existing rules. If that is the case, due process exists today allowing those companies to go to the Commission with a complaint; to date, no power producer has taken such an action.

9. CCR and Renew Missouri also argue that achieving the scale in a larger standard offer cap would allow the aggregate output of dispersed small systems to enhance the reliability of the larger electricity system. In fact, in many cases, such solar systems may introduce reliability challenges. The 1,000 KW size proposed in the rule revision is more appropriate.

10. With regards to Legally Enforceable Obligation, the Missouri Utilities understand the desire for a Legally Enforceable Obligation. However, what has been proposed by CCR and Renew Missouri is completely one-sided in favor of the power producer, and does not reflect an appropriate balance or reciprocity for the utility.

11. CCR and Renew Missouri also claim that solar energy sources utilizing PURPA PPA's will set a competitive cost benchmark for the Commission and the utilities when considering the merits of specific investments related to SB 564 utility-scale solar. This, however, is both unnecessary and inaccurate. PURPA PPAs are typically smaller scale and, because they are not utility-owned as

referenced by the statute, represent different financial risks and implications. The best benchmarking the Utilities can utilize is a competitive bidding process for utility-owned solar.

12. As the Utilities review the comments previously submitted by stakeholders in this process, many of the comments provided by CCR and Renew Missouri include requests for significant changes that are clear outliers as compared to comments filed by other parties. While the Utilities understand CCR's and Renew Missouri's desires to increase the amount of QF-style generation in the state of Missouri, this increase should not be done at the potential expense of the Utilities' customers.

13. On July 25, 2018, the Commission ordered that each electric utility file an evaluation of the impacts, including distribution system impacts, of the SOC size being raised to 1 MW, 2.5 MW, and 5 MW by August 24, 2018 in File No. EW-2018-0078. The Utilities will separately file the requested evaluations by August 24, 2018.

14. The Utilities appreciate the work of Staff on the proposed rule changes and are grateful for the opportunity to participate and provide comments in this docket.

WHEREFORE, the Utilities submit their joint additional comments in response to CCR and Renew MO for consideration by the Commission.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 26th day of July 2018, to all counsel of record.

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