

The  
Missouri  
Public  
Interest  
Research  
Group

# MoPIRG

Advocate for the Public Interest

July 30, 1992

Mr. Brent Stewart  
Executive Secretary  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

RE: Proposed Chapter 22 Rules and Proposed Amendments to Chapter  
14 Rules Filed With Secretary of State on June 6, 1992.

Dear Mr. Stewart:

Enclosed for filing in the above-mentioned case is an original  
and fourteen (14) copies of our comments. Copies have also been  
mailed to the attached service list.

Thank you for your attention to this matter.

Sincerely yours,

*Tom Regan*  
Tom Regan

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JUL 31 1992  
PUBLIC SERVICE COMMISSION



Before the Public Service Commission  
of the State of Missouri

In the matter of the proposed )  
rule 4 CSR 240-22.010--080, on )  
Electric Utility Resource Planning, )  
and proposed amendments to 4 CSR )  
240-14.010-050, on Utility Promotional )  
Practices. )

EX-92-299  
OX-92-300

My name is Tom Regan, I am an organizer for the Missouri Public Interest Research Group (MoPIRG), my business address is 4069A Shenandoah, St. Louis, MO 63110, and I our organization's comments follow.

We Support Staff's IRP Proposal

We agree with Staff's position, stated during the IRP discussions, that IRP does not and should not address rate-making. We agree with staff, for the reasons they cited, that rate-making belongs in rate case hearings.

We also support the proposed IRP rules and Promotional Practices amendments written by Staff. These rules define a process that will help electric utilities implement cost effective demand side management programs, if the utility in question wants to do so.

We support, and understand the need for a strong IRP process. But we know that process is not enough. The process needs a goal--a goal set by the Public Service Commission, not the various investor-owned electric utilities.

Process Alone is Insufficient

As an analogy, consider the Community Reinvestment Act. The CRA requires banks to invest in the communities that they reside in; in practice, this means that banks cannot discriminate against, or "redline," low and moderate income and minority neighborhoods in making loans.

I worked on challenges to banks under the CRA. In the early years of CRA challenges activists keyed on the process, just as the PSC staff now keys on the IRP process. Activists believed that forcing banks to adhere to a fair loan application process would result in fair treatment for low and moderate income and minority loan applicants.

This process campaign failed. The reason was, bank loan officers did not want to make loans to low and moderate income and minority applicants. No matter how stringent the process, loan officers easily found reasons to deny loans to these applicants.

7. Similarly, electric utilities that do not want to invest

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will not invest in DSM, no matter how strong an IRP process. Even a strong, tightly-written IRP process must be flexible, and this flexibility leaves plenty of room for electric utilities to evade any significant DSM investment.

After years of frustration, CRA activists arrived at the solution of requiring banks to set dollar lending goals for low and moderate income neighborhoods. Banks resisted this idea, and only agreed when under incredible duress, such as when an expensive bank merger was being held up by a CRA challenge. But the spending mandate worked. With a spending goal as motivation, bank loan officers found reasons to make loans, instead of finding reasons to deny them. Today, dollar lending goals are standard procedure in bank-community CRA agreements.

Similarly, electric utilities need a goal to motivate them to follow the DSM process. Currently, their goal is to sink DSM. Utility executives complained repeatedly during the IRP informal sessions about the "disincentive" to invest in DSM. Why, utilities ask, should they invest in selling less electricity? Why should they follow any other investment strategy except that designed to maximize sales, and thus profits for utility stockholders?

With this motivation DSM is doomed, no matter what IRP process the commission approves.

### "Incentive" Schemes

An approach to this problem is to set incentives, such as a higher rate of return for DSM investment, or decoupling schemes to separate utility profits from utility sales. We see most incentive schemes as dangerous. Many of these schemes detract from public utility commission power to regulate utility rates of return, or to decide what utility investments even deserve a return. In any case, utilities already receive plenty of incentive to deliver electricity in the most efficient manner possible--their monopoly franchise.

If utilities really cannot overcome the "disincentive" to deliver electrical power in the most efficient manner possible, then the commission and city and county governments must act to buy out the utility stockholders and bring the utilities under public control. Utility complaints about "incentive" are thinly-disguised extortion, designed to win a bonus return for doing what they should already be doing--delivering electricity in the most efficient and safe manner possible.

### Our Proposal

We propose that the commission require electric utilities to provide 4.5% of their gross revenues yearly for DSM, with 4% of their gross revenues provided as financing for energy efficiency and renewable energy projects. With this "incentive," utilities could implement Staff's excellent IRP rules.

By financing, we mean utilities providing low- or no-interest loans for energy efficiency and renewable energy projects. Financing is best because it spreads available money over the widest possible area.

Along with financing, utilities must provide free energy audits, by a certified energy auditor. This solves the problem of end use efficiency of DSM programs, because each efficiency project can be tailored to individual needs. Using the energy audit, utilities should provide financing for all cost effective energy efficiency programs.

Utilities, of course, could apply for cost recovery for all expenses of this program--cost of capital minus interest charged, and program and overhead costs.

To help implement this program we ask that the commission form an advisory group, composed of electric utilities, state regulators, and members of the public. This group would share information, monitor implementation, and suggest policy changes to the commission. The commission could request, but not demand, funds from electric utilities to help defray the participation expenses of not-for-profit, non-governmental public interest groups. The commission could distribute these funds at its own discretion.

### Conclusion

We support Staff's recommendation on IRP and Promotional Practices. However, we believe Staff's proposal will fail to win significant DSM investment from electric utilities. The commission should couple Staff's IRP proposal with an order directing electric utilities to invest 4.5% of their gross revenues into energy efficiency and renewable energy.

MoPIRG  
Service List  
7/30/92

Mr. Steven Cattron  
Kansas City Power and Light  
P.O. Box 41879  
Kansas City, MO 64105-1910

Mr. Dan Brown  
Cuivre River Electric Service Co.  
P.O. Box 160  
Troy, MO 63379

Mr. Rick French  
Laclede Gas  
720 Olive Street  
St. Louis, MO 63101

Mr. John K. Davis  
Sho-Me Power Corporation  
P.O. Drawer D  
Marshfield, MO 65706

Mr. Bob Fancher  
Empire District Electric  
P.O. Box 127  
Joplin, MO 64802

Mr. Bruce Hollinger  
Missouri Industrial Energy Consumers  
c/o Monsanto  
800 N. Lindbergh F2WD  
St. Louis, MO 63167

Mr. Lewis Mills  
Office of the Public Counsel  
P.O. Box 7800  
Jefferson City, MO 65102

Mr. Bradley Lewis  
Missouri Public Service  
10700 East 350 Highway  
P.O. Box 11739  
Kansas City, MO 64138

Mr. Joe Norton  
St. Joseph Light & Power  
P.O. Box 998  
St. Joseph, MO 64502

Mr. Michael Pendergast  
KPL Gas  
818 Kansas Ave  
Topeka, KS 66612

Mr. Gary Rainwater  
Union Electric  
P.O. Box 149  
St. Louis, MO 63166

Mr. Frank Stork  
Association of Missouri  
Electric Cooperatives  
2722 E. McCarty  
Jefferson City, MO 65101