

2012 Special Contemporary Issues Ameren Missouri Comments

Introduction and Summary

The Missouri Public Service Commission's ("PSC" or "Commission") Chapter 22 rules governing electric utility resource planning include requirements for Annual Updates by utilities {4 CSR 240-22.080(3)} and consideration of special contemporary issues {4 CSR 240-22.080(4)} as ordered by the Commission. 4 CSR 240-22.080(4) characterizes special contemporary issues generally as, "evolving regulatory, economic, financial, environmental, energy, technical, or customer issues," that utilities must adequately address in their resource planning. The Commission has provided additional guidance on the assessment of proposed special contemporary issues in its order in Docket EO-2012-0039. Staff and other parties have filed proposed special contemporary issues pursuant to 22.080(4)(A). Ameren Missouri provides these comments pursuant to 22.080(4)(B), which allows the subject utility and other parties to file comments on the proposals of Staff and the other parties no later than October 1, 2012.

In making its decision about what specific issues utilities must address, the Commission must consider the significance and urgency of issues and the time available in which to address them, both individually and in total. As a basic test, such issues must be "special", they must be "contemporary", and they must, in fact, be "issues". This means that the issues must not only meet a threshold of significance in terms of their potential effect on resource decisions, but that the potential effect must also be imminent. Based on the provisions and administration of the Commission's Chapter 22 rules, it is reasonable to conclude that an issue that is not likely to significantly alter a utility's current implementation plan (i.e., specific plans for resource acquisition between triennial compliance filings) does not need to be addressed prior to the conclusion of that implementation plan.

Consideration must also be made with respect to the time available to address the various issues. 22.080(4)(C) provides that the Commission issue an order no later than November 1st listing the special contemporary issues the utility must address and document in its upcoming triennial filing or annual update. Since annual updates, by rule, are to be held on or around April 1st, and since reports must be filed by the utility at least 20 days prior to that, or early March, primary analysis of any issue that is to be addressed must largely be completed by early January. This allows time for drafting, reviewing and revising reports as well as any follow-up analyses necessary based on initial conclusions drawn from the primary analysis. That means that the utility has approximately two months in which to define, schedule, perform, validate, refine and finalize the bulk of its analysis, not only of the prescribed special contemporary issues, but also any other analysis the utility believes is significant and urgent. If the purpose of annual updates is to ensure the consideration of significant and urgent issues that could affect the utility's acquisition of resources, then it must be truly focused on only those issues and must be unencumbered by lesser issues. Otherwise, the annual update process risks becoming a meaningless exercise that provides no insight into critical resource planning issues.

The Commission's Order on special contemporary issues for Ameren Missouri's 2012 IRP Annual Update in Docket EO-2012-0039 reflected agreement with the Company's framework for evaluating proposed special contemporary issues and included language clarifying the Commission's standards for determining what issues should be addressed. In particular, the Commission noted that because Ameren Missouri would be filing an annual update rather than a triennial compliance filing in 2012, the Company was, "only expected to address changing conditions since the last filed triennial compliance filing or annual update filing. For that reason, the requirement to examine special contemporary issues should not be allowed to expand the limited annual update report into something more closely resembling a triennial compliance report." As Ameren Missouri is again expected to file an annual update rather than a triennial compliance filing in 2013, this guidance is important in assessing the issues proposed by the parties for this case.

The Company's review of the suggested special contemporary issues proposed by the parties indicates that none of the issues proposed by the parties merit treatment as special contemporary issues by the Commission. The Company does not come to this conclusion lightly or out of an interest in avoiding genuinely important work. The Company agreed with several issues proposed by stakeholders for its 2012 IRP Annual Update, and those issues comprised the bulk of issues included in the Commission's order. For the 2013 IRP Annual Update, the parties simply have not provided a compelling case for their suggestions. In fact, most of the suggestions made by stakeholders this year are issues that have already been addressed by the Company in its last triennial filing or annual update.

Characterization of Parties' Proposed Special Contemporary Issues

Before characterizing and assessing the individual issues proposed by the various parties, it is important to note that the list of issues proposed by Staff are the very same issues ordered by the Commission to be addressed by Kansas City Power & Light (KCPL) in its 2012 triennial compliance filing. In its Order (Docket number EO-2012-0041), the Commission noted that, "The requirements for the full triennial compliance report are much broader and for that reason, it is appropriate to require KCP&L to address a more extensive and detailed set of special contemporary issues." Consideration of this distinction is important, as Ameren Missouri is only required to file an Annual Update in 2013.

In light of this fact, the considerations mentioned earlier, and the notion that special contemporary issues must meet some threshold tests of both significance and urgency, Ameren Missouri has attempted to categorize the issues proposed by the parties for consideration as follows:

- **Issues already addressed in the most recent IRP or Annual Update** – Unless conditions have changed such that the outcome of analyses are likely to change significantly, issues that have been addressed in the most recent triennial compliance filing or annual update do not warrant reconsideration in a subsequent annual update.

- **Issues to be addressed in the next IRP** – Some issues are complex enough that analysis is more appropriate as part of a full triennial IRP filing. While a less rigorous treatment may be possible in an annual update, analysis would have to be subsequently repeated in greater rigor and detail as part of a triennial filing. For such issues, it may also be appropriate in an annual update to provide an indication of the manner in which issues are expected to be addressed in the next full IRP, or it may be appropriate to leave consideration of the issue entirely for the next full IRP, depending on the number and nature of other issues being addressed and the level of urgency associated with the particular issue.
- **Issues that are either not significant or not urgent** – Any issue that fails to meet threshold tests of both significance and urgency should be deferred for consideration in a subsequent triennial filing or dismissed entirely.
- **Issues that are both significant and urgent** – These are issues that meet both threshold tests and should be considered for inclusion as special contemporary issues to be analyzed and documented by the utility. One means of considering the threshold tests is to ask whether, absent this process, the Commission would strongly consider opening a docket to evaluate a given issue. One clear example is the Commission’s interest in the cost of compliance with current and pending environmental regulations, for which the Commission opened a docket and directed Staff to lead discussions and prepare a report for the Commission by the second quarter of 2012. Staff filed its report in that docket in early May, and the file has remained opened, with little activity taking place since the Staff’s report.

Ameren Missouri included a category for “Issues in dispute in the current IRP case” in making its comments on proposed special contemporary issues for the Company’s 2012 Annual Update. That category has been eliminated since the Company’s 2011 IRP case has concluded. Using the above four categories, Ameren Missouri has classified each of the proposed issues of the parties. Following is a discussion of each of the proposed issues, by category.

Issues Already Addressed in the Company’s Last IRP or Annual Update

The following issues have been evaluated in Ameren Missouri’s 2011 IRP filing or its 2012 Annual Update to an extent that further analysis as proposed would not add any meaningful insight. These issues should be dismissed or deferred to such time as conditions have changed to a degree that reevaluation is warranted.

- **Staff Issue b: Aggressive RES with No Rate Cap** – This issue was proposed by Staff in 2011, included by the Commission in its special contemporary issues order, and analyzed by the Company as part of Ameren Missouri’s 2012 IRP Annual Update. Evaluations of more aggressive standards would simply show more of the same. Staff has offered no rationale to indicate that the urgency of re-addressing this issue has increased.

- **Staff Issue c: Aggressive DSM with No Rate Cap** – This issue was proposed by Staff in 2011, but was not included in the Commission’s order on special contemporary issues for analysis by the Company in its 2012 IRP Annual Update. As the Company noted in its response to Staff’s suggestion in 2011, “Ameren Missouri evaluated a 2% annual load reduction portfolio, defined by DNR, as part of its 2011 IRP analysis. The analysis showed that, in addition to exceeding the economic potential identified in Ameren Missouri’s DSM Market Potential Study, the costs of such a portfolio would far outweigh its benefits. Ameren Missouri also evaluated a Maximum Achievable Potential (MAP) portfolio, which was agreed by DNR to be equivalent to a 1% annual load reduction portfolio. No rate caps were applied in the evaluation of any DSM portfolios.” Staff has offered no rationale to indicate that the urgency of re-addressing this issue has increased.
- **Staff Issue d: Loss of Significant Load** – This issue was proposed by Staff in 2011, but was not included in the Commission’s order on special contemporary issues for analysis by the Company in its 2012 IRP Annual Update. As the Company noted in its response to Staff’s suggestions in 2011, “Ameren Missouri evaluated both broad impacts of slower economic recovery and loss of its largest customer, Noranda, as part of its 2011 IRP analysis. The slower economic recovery was a primary driver for Ameren Missouri’s low load forecast case. Loss of Noranda starting in 2020 was evaluated at the integration stage and was shown to have minimal impact on the relative performance of supply side resource options. Evaluations of other load loss scenarios would be expected to yield similar results. OPC has proposed that declining use per customer and other drivers be considered in defining load loss scenarios. The drivers of load loss would not meaningfully impact the nature of the analysis. As the most direct impact of such events would be a delay in the need for new resources and as Ameren Missouri’s preferred resource plan shows no need for new resources until the late 2020’s, there is also no urgency in evaluating such a scenario at this time.” Staff has offered no rationale to indicate that the urgency of re-addressing this issue has increased.
- **Staff Issue e: Aggressive Environmental Regulations** – This issue was proposed by Staff in 2011, but was not included in the Commission’s order on special contemporary issues for analysis by the Company in its 2012 IRP Annual Update. As the Company noted in its response to Staff’s suggestions in 2011, “Ameren Missouri specifically evaluated the potential impact on resource decisions of more aggressive environmental regulations and explicitly included that possibility in its contingency planning. While knowledge regarding EPA rules has advanced since the time of the IRP analysis, the conclusions with respect to the impact of potential requirements for environmental retrofits on resource decisions are still valid. Ameren Missouri is updating its view on environmental compliance as part of its 2012 IRP annual update.” The Company subsequently included analysis of environmental regulations in its 2012 IRP Annual Update. Staff has offered no rationale to indicate that the urgency of re-addressing this issue has increased. In fact, the vacature of the Cross-State Air Pollution Rule (CSAPR) by the courts and delays in the implementation of other environmental regulations, such as Steam Electric Effluent Guidelines, has lengthened the timeline for compliance. While it is appropriate to discuss the

current state of environmental regulations in the Company's 2013 IRP Annual Update, and while it is still important that environmental compliance be appropriately addressed in a full IRP, there is in fact no urgency in re-analyzing this issue in the Company's 2013 Annual Update.

- **Staff Issue g: Aggressive DSM Portfolios** – This issue was proposed by Staff for KCPL in 2011 and appears to have been specifically directed at KCPL for its 2012 triennial compliance filing. Ameren Missouri evaluated very aggressive DSM portfolios in its 2011 IRP and was not found to have done otherwise by the Commission in its order in that case. The Company is not aware of any ongoing issues with the general level of aggressiveness of DSM portfolios it has evaluated and has initiated a new DSM potential study for use in its 2014 IRP. This issue should be dismissed.
- **Staff Issue k: Potential/Proposed Changes in Environmental or RES Regulations** – This issue was proposed by Staff in 2011 and analyzed and documented by the Company in its 2012 IRP Annual Update. While the Company fully intends to include a discussion of the current state of environmental regulations in its 2013 Annual Update, it is unaware of any new proposed regulations since the time of the 2013 Annual Update. As mentioned previously, the timeline for a number of regulations is being extended, so there is no reason to initiate additional rigorous analysis as part of the annual update. Staff has offered no rationale to indicate that the urgency of re-addressing this issue has increased.
- **Staff Issue l: Levelized Cost of Energy for RES Compliance** – This issue was addressed by the Company in its 2012 IRP Annual Update. That analysis showed that the levelized cost of energy increased, and that various cost-effectiveness measures deteriorated, as a result of compliance with the existing RES. Staff has offered no rationale to indicate that the urgency of re-addressing this issue has increased.
- **Staff Issue m: Disclosure of State and Federal Subsidies** – This issue was addressed by the Company in its 2012 IRP Annual Update. Staff has offered no rationale to indicate that the urgency of re-addressing this issue has increased.
- **Staff Issue n: Evaluate Small Modular Reactor (SMR) Technology** – This issue was addressed by the Company in its 2012 IRP Annual Update. The Commission noted in its Order accepting the Company's annual update comments by MDNR on this subject. Staff has offered no rationale to support the need to re-address this issue. The Company will provide updated information on any plans relevant to potential SMR construction.
- **Sierra Club Issue 1: Prospects for Natural Gas Price Stability** – The Company addressed changes in natural gas prices in its 2012 IRP Annual Update, which was discussed with stakeholders just five months ago and reflected the shifts in the market due to unconventional gas supplies. The Company is already required to update the stakeholders on changing conditions through the annual update process and will necessarily include its current views on natural gas prices, one of the critical uncertain factors identified by the Company and included in its plans for monitoring critical uncertain factors. The Company's preferred resource plan, even before incorporating the Company's Commission-approved 3-year DSM plan, does not show a need for new gas-fired

resources before 2025. Sierra Club has offered no rationale to support its suggestion for further elevating gas prices to the level of a special contemporary issue.

- **Sierra Club Issue 2: Low, Base and High Natural Gas Prices** – As stated in response to Sierra Club Issue 1 above, the Company addressed changes in natural gas prices in its 2012 IRP Annual Update. That report included scenarios reflecting three different levels for natural gas prices. Sierra Club offers no rationale to support the notion that natural gas price markets have further shifted to such an extent that it would significantly alter the results of the Company's analysis. The Company will necessarily include its views on future natural gas prices as part of meeting the routine requirements of an annual update (i.e., reporting on the status of critical uncertain factors).
- **Sierra Club Issue 3: Capital and Operating Costs for Coal Units to Comply with Environmental Regulations** – This is similar to Staff Issue k, addressed above. Pursuant to a special contemporary issue ordered by the Commission and supported by the Company for its 2012 IRP Annual Update, Ameren Missouri provided information for capital and operating costs for each coal plant to comply with the list of regulations provided by Sierra Club in its proposed issue. The report included a table of the regulations on page 16 (Table 3.1), a table of the timing of equipment retrofits by plant on page 48 (Table 5.1) and a table of the capital and operating costs and operating performance impacts of compliance measures on page 49 (Table 5.2). In the five months that have passed since the report was discussed with stakeholders, very little has changed other than delays in the implementation of the rules. The Company will necessarily provide its updated view of environmental regulations as part of meeting the routine requirements of an annual update (i.e., reporting on changing conditions). Sierra Club has offered no rationale to support a need to elevate analysis of environmental compliance to a special contemporary issue.
- **Sierra Club Issue 6: Low, Base and High Off-system Sales Forecasts** – The Company's analysis for its 2012 IRP Annual Update included unique off-system sales forecasts for every combination of resources and uncertain factors analyzed, not just combinations of the variables for gas prices, coal prices and carbon price. This is a function of the Company's power system modeling, which dynamically dispatches resources to market power price curves that are based on scenario variable that were identified by the Company to be critical uncertain factors. Sierra Club has offered no rationale for re-examining, or because of the nature of their proposal limiting, the incorporation of off-system sales into the economics of resource plans.
- **Sierra Club Issue 7: Coal Economics Under Off-system Sales Forecasts** – This issues is premised on Sierra Club Issue 6 addressed above. Because the Company's analysis already includes consideration of plan- and scenario-dependent forecasts of off-system sales, there is no need to distinguish this issue from Sierra Club Issue 5, which is addressed in the next section.
- **Sierra Club Issue 9: Analyze Cumulative Annual Demand and Energy Savings of 0.5%, 1.0% and 1.5%** – This is similar to Staff Issue c addressed above. The Company has previously analyzed a wide range of DSM portfolios, including a 2% cumulative annual energy savings portfolio. The analysis of all portfolios was included in the Company's 2011 IRP filing and was not found by the

Commission to be deficient. The Company is conducting a new DSM potential study and will be able to properly assess the reasonableness of various levels of energy and demand savings upon completion of that study.

Issues to be Addressed in the Company's Next IRP

Analysis and documentation of the following issues are planned for the Company's 2014 IRP analysis and reporting. While it may be appropriate to include some discussion on certain issues, their full analysis is better left to the rigor of a full IRP.

- **Staff Issue f: Analyze and Rank Coal Fleet Retirement Candidates** – Ameren Missouri plans as part of its 2014 IRP analysis to analyze the cost effectiveness of its existing coal-fired plants in light of market conditions and environmental compliance. This will necessarily include an assessment of the long-term cost of operation of each coal plant. Because of the nature of the cost estimates involved and the array of environmental regulations and associated mitigation options, this issue is best addressed as part of a full IRP analysis. Ameren Missouri intends to discuss its plans for this analysis as part of its IRP annual update in the context of addressing a deficiency identified in the Commission's Report and Order in the Company's 2011 IRP case. That issue related to evaluation of existing coal generation relative to energy efficiency.
- **Staff Issue o: Impact of Smart Grid Technology on the Company's Supply Side and Demand Side Resources** – This kind of analysis is required by 4 CSR 240-22.045(1)(D) and is new since the Company made its last triennial compliance filing in 2011. The Company has received approval for DSM programs to be implemented in 2013-2015. It must therefore be addressed as part of the Company's 2014 IRP and is part of the scope of work, for demand side resources, of the Company's new DSM potential study, just underway and expected to be completed in the summer of 2013.
- **MDNR Issue 2: Analyze and Rank Coal Fleet Retirement Candidates** – This issue is the same as Staff Issue f above. The Company will address this issue in its 2014 IRP triennial compliance filing.
- **Sierra Club Issue 4: Transmission Upgrades Needed to Address Coal Retirements** – This issue could be related to Staff Issue f and MDNR Issue 2 addressed above. As described in response to those issues, the Company will be addressing the long-term viability of its entire coal fleet as part of its 2014 IRP analysis. That analysis will necessarily be more involved than can be addressed in an annual update. No party has offered any rationale to support requiring the Company to perform such a complex analysis sooner than its 2014 IRP.
- **Sierra Club Issue 5: Comparing Economics of Continuing to Operate Each Coal Plant vs. Replacement with Supply Side and Demand Side Resources** – This issue sounds like the bulk of a full IRP analysis, which cannot be expected to be completed as part of an annual update. As described above, the Company will be evaluating its entire coal fleet as part of the 2014 IRP, for which the Company has initiated the development of long-term cost assumptions for each coal

plant to be used in comparative analysis with supply side and demand side resources based on updated assumptions, including the Company's recently initiated DSM potential study update.

- **Sierra Club Issue 8: Analyze Technical, Maximum Achievable, and Realistic Achievable DSM Potential** – As described previously, the Company has recently initiated a new DSM potential study to be completed in the summer of 2013 to assess these levels of potential. The Company's Commission-approved three-year DSM programs cover the period 2013-2015. Implementation of DSM programs beyond that time will be driven by the results of the new potential study. Sierra Club has offered no rationale for accelerating the analysis of DSM programs to be implemented beginning in 2016.

Non-significant or Non-urgent Issues

The following issues are characterized as either non-significant or non-urgent or both as they would have no meaningful impact on resource decisions made or implemented before the next triennial compliance filing. These issues should be dismissed or deferred to such time as conditions and potential decisions warrant their consideration.

- **Staff Issue a: Impact of ARC's on Load** – This issue was proposed by Staff in 2011, but was not included in the Commission's order on special contemporary issues for analysis by the Company in its 2012 IRP Annual Update. As the Company noted in its response to Staff's suggestions in 2011, "Because the value of demand response is driven in the short-term by the market price of capacity and since the market for capacity is currently severely depressed and is expected to remain so for the next several years, Ameren Missouri does not expect to see significant impacts from ARC activity even if it were unconstrained by regulation. As such, this issue should continue to be monitored, but not be made the subject of immediate rigorous analysis." Staff has offered no rationale to indicate that the urgency of addressing this issue has increased.
- **Staff Issue h: DSM/DG/CHP with Water Treatment and Waste Facilities** – This issue was proposed by Staff for KCPL in 2011 and ordered by the Commission for analysis in KCPL's 2012 triennial compliance filing. While there may be interest in looking at such possibilities, and while Ameren Missouri did evaluate the potential for very small projects as part of its evaluation of renewable resource potential, it certainly does not rise to a level of significance or urgency that warrants inclusion in the scope of an IRP annual update. The Company is including evaluation of DG and CHP technologies in its updated assessment of DSM potential for use in the Company's 2014 IRP and will investigate a potential pilot program on targeted DSM opportunities. MDNR had also proposed this issue be addressed in the Company's 2012 IRP Annual Update. The Commission appropriately excluded this item from the list of issues required in its Order in that case, and MDNR has provided no rationale for concluding that the urgency of this issue has increased. This issue should be deferred or dismissed.
- **Staff Issue i: DSM Programs Targeted to Agricultural Sector** – This issue was proposed by Staff for KCPL in 2011 and ordered by the Commission for analysis in KCPL's 2012 triennial compliance

filing. Because the Company has received Commission approval for DSM programs to be implemented in 2013-2015, this issue is best addressed in the Company's 2014 IRP. The Company has initiated a new DSM potential study to support the 2014 IRP and suggests that Staff and others propose specific issues to be addressed as part of the stakeholder process accompanying that effort.

- **Staff Issue j: Customer Information/Behavior Modification DSM Programs** – Evaluations of DSM programs will be conducted in support of the 2014 IRP for potential implementation starting in 2016, after the recently approved 3-year MEEIA programs are implemented. Ameren Missouri continues to monitor the EM&V results from the Ameren Illinois residential behavior modification program which uses OPower as the subcontractor. The Company will discuss the EM&V results when they become available. Because the implementation plan for the Company's 3-year MEEIA programs extends well beyond the filing and review period for the Company's next full IRP, this issue need not be addressed before then and can therefore be deferred or dismissed.
- **MDNR Issue 1: Analyze Changes in Load Forecast Associated with Ameren Missouri's MEEIA Portfolio** – Ameren Missouri clearly must reflect in its ongoing analysis the effects of the portfolio of Demand Side Programs approved by the Commission in Docket EO-2012-0142. However, because Ameren Missouri has received Commission approval of its MEEIA plan for 2013-2015, there is no urgency to analyze the issue prior to the 2014 IRP.
- **MDNR Issue 3: DSM/DG/CHP with Water Treatment and Waste Facilities** – This issue is the same as Staff Issue h above.
- **MDNR Issue 4: Customer Information/Behavior Modification DSM Programs** – This issue is the same as Staff Issue j above.
- **Sierra Club Issue 10: CHP Potential** – This issue is similar to Staff Issue h and MDNR Issue 3 addressed above. The Company's recently initiated DSM potential study will include CHP potential.

Issues that are Significant and Urgent

The Company has not identified any of the issues proposed by Staff, MDNR or Sierra Club as issues that are significant and urgent. This is not to say that an annual update in 2013 is unimportant. Clearly, there are always changing conditions that must be addressed. It simply means that the issues proposed by the parties do not rise to the level of a special contemporary issue to be considered in addition to the many issues that must already be regularly addressed.

Ameren Missouri looks forward to the Commission's decision on this matter and to preparing its second IRP annual update.