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September 15, 2006

FILED

SEP 15 2006

Public Service Commission
Governor Hotel
200 Madison Street
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Missouri Public
Service Commission

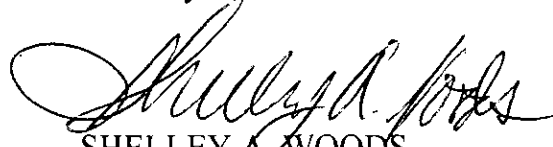
RE: *In the Matter of the Consideration of Adoption of the PURPA Sections
Case Nos. EO-2006-0495; EO-2006-0494; EO-2006-0493; and EO-2006-0497*

Dear Sir/Madam:

Enclosed for filing please find an original and 9 copies of Missouri Department of Natural Resources' Responses to Questions Posed in the August 17, 2006, Commission Order in the four cases listed above. Please stamp "filed" on the extra copy for my files. Thank you.

Sincerely,

JEREMIAH W. (JAY) NIXON
Attorney General


SHELLEY A. WOODS
Assistant Attorney General

SAW:mg
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c: Counsel of Record

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

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Service Commission

In the Matter of the Consideration of Adoption)
of the PURPA Section 111(d)(12) Fuel Sources)
Standard as Required by Section 1251 of the)
Energy Policy Act of 2005)

Case No. EO-2006-0494

DEPARTMENT OF NATURAL RESOURCES' RESPONSES TO QUESTIONS
POSED IN THE AUGUST 17, 2006, COMMISSION ORDER

1. Can this case be closed based on "prior state actions" as provided in Section 1251 (b)(3) of the Act, 16 U.S.C. 2622(d), and why or why not?

The EPAct Fuel Sources Standard states, "[e]ach electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies." § 111(d)(12) of the Public Utility Regulatory Policy Act of 1978 (PURPA), as amended, 16 U.S.C. § 2621(d)(12)

Missouri's Integrated Resource Planning (IRP) rule, 4CSR 240-22-040(1), addresses analysis of a "variety of potential supply-side resource options"; however, the rule does not include fuel and technology diversity as an objective of the resource planning process.

In 4 CSR 240-22.010, the rule's "fundamental objective" is identified as providing "the public with energy services that are safe, reliable and efficient, at just and reasonable rates, in a manner that serves the public interest." 4 CSR 240-

22.010(2). One of the ways the utility is to meet this objective is to "use minimization of the present worth of long-run utility costs as the primary selection criterion in choosing the preferred resource plan." 4 CSR 240-22.010(2)(B).

By identifying the lowest cost as the primary selection criterion in choosing future resources, the use of different fuels and technologies that may be higher in cost, but that could contribute to diversity and reduced dependence on one fuel, would likely not be included in a utility's preferred resource plan.

Section 1251 of EPAAct explicitly requires that the "diverse range of fuels and technologies" included in the utility's fuel sources plan must include renewable technologies. 16 U.S.C. § 2621(d)(12). Missouri's IRP rule requires the utility to consider renewable technologies in its planning analysis, but does not require the utility's preferred resource plan to include renewable technologies. Under the lowest cost criterion, it is possible and likely that renewable technologies will be excluded from the preferred resource plan. For example, in the utility IRP submitted in December 2005, which was the first IRP submitted in several years, the preferred resource plan did not include renewable technologies.

At present, Missouri electric utilities subject to Missouri's IRP rule rely heavily on a few fuel sources for electric generation. The following table summarizes electric generation at *in-state* power plants operated by Missouri investor-owned utilities in 2005. About 99 percent of this generation came from just three fuel sources: coal, nuclear and natural gas. The only renewable resource

reported to the U.S. Department of Energy for Missouri in 2005 was hydroelectric power. (We are aware that two of Missouri's electric utilities subject to the IRP rule have or will soon have electric generation from out-of-state wind farms.)

Fuel type	MWh generated	Percent share
Coal	56,487,552	82.8%
Nuclear	8,030,577	11.8%
Natural Gas	2,914,809	4.3%
Hydro	540,013	0.8%
Diesel	74,944	0.1%
Tire derived fuel	66,263	0.1%
Petroleum Coke	66,113	0.1%
Fossil-derived gases	2,383	0.0%
Total	68,182,654	100.0%

Data Source: U.S. Department of Energy, Energy Information Administration, EIA-906 database, 2005 data.

2. Can this case be consolidated with any, some or all of the following cases -- EO-2006-0493, EO-2006-0495, EO-2006-0496 and EO-2006-0497 -- because the issues addressed in one or more of these cases are similar, and why or why not?

The Commission might address the Fuel Sources Standard in the same docket with EO-2006-0495, "Fossil Fuel Generation Efficiency Standard." As

discussed above, both of these topics are subject to the Commission's Electric Utility Resource Planning Rule, 4 CSR 240-22.010 through 240-22.080.

3. What type of proceeding (e.g., rulemaking, rate case implementation, etc.) should the Commission use to address the issues in this case in order to meet the Public Utility Regulatory Policies Act of 1978 ("PURPA") Section 111(a) and 111(b) "consideration and determination" requirements [16 U.S.C. 2621(a), 2621(b)], and why?

The Department suggests that the Fossil Fuel Generation Efficiency Standard and Fuel Sources Standard be considered and a recommendation made as to whether Missouri should adopt the new standards, in a rulemaking proceeding, which would revise the Commission's Electric Resource Planning Rule.

WHEREFORE, the Missouri Department of Natural Resources submits its response to the list of questions posed by the Commission in its Order dated August 17, 2006.

Respectfully submitted

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served by mailing a copy thereof, via U.S. Mail, this 15th day of September, 2006, to:

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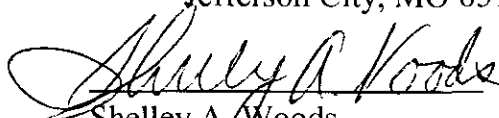
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