

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

In the Matter of Ameren Missouri's Renewable)
Energy Standard Compliance Plan for)
2013-2015)

File No. EO-2013-0503

**STAFF REPORT ON AMEREN MISSOURI'S RES
COMPLIANCE PLAN AND FINDING OF DEFICIENCY**

COMES NOW Staff of the Missouri Public Service Commission ("Staff"), by and through the undersigned counsel, and submits this Report to the Missouri Public Service Commission ("Commission"). In support of the Report, Staff respectfully states the following:

Background

1. On May 28, 2013,¹ Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri") filed its annual *Renewable Energy Standard* ("RES") *Compliance Plan 2013-2015* ("Plan").

2. Commission rule 4 CSR 240-20.100(7) states in part "...Each electric utility shall file an annual RES compliance plan with the commission. The plan shall be filed no later than April 15 of each year." On April 12, the Commission granted Ameren Missouri a variance from the rule in Case No. EE-2013-0451, and directed Ameren Missouri to file its RES plan no later than May 27.²

3. Rule 4 CSR 240-20.100(7)(B) specifies what information the RES Compliance Plan shall provide.

¹ All dates herein refer to calendar year 2013, unless otherwise specified.

² May 27, 2013 was Memorial Day. Ameren Missouri filed its RES plan on the next business day.

4. Rule 4 CSR 240-20.100(7)(D) provides that:

The staff of the commission shall examine each electric utility's annual RES compliance report and RES compliance plan and file a report of its review with the commission within forty-five (45) days of the filing of the annual RES compliance report and RES compliance plan with the commission. The staff's report shall identify any deficiencies in the electric utility's compliance with the RES.

5. On May 29, the Commission issued its *Order Directing Notice And Setting Filing Deadline*, directing Staff to file a report of its review of Ameren Missouri's *Plan* before July 12, forty-five (45) days from Ameren Missouri's filing.

Staff Report

6. In its *Memorandum* attached hereto, Staff reports on its review of Ameren Missouri's *Plan*. Ameren Missouri's *Plan* does not calculate the RES retail rate impact in accordance with Rule 4 CSR 240-20.100 (5).

7. As explained in the *Memorandum*, Staff considers the *Plan* deficient because of Ameren Missouri's averaging of the non-renewable portfolio and its determination of the RES-compliant portfolio.

8. Ameren Missouri is current on the filing of annual reports and its quarterly payment of the fiscal year 2014 assessment is not due until July 15.

9. The Commission's decision in this case may affect, or be affected by a decision in Case No. EC-2013-0381, Earth Island Institute d/b/a Renew Missouri, et. al. v. Union Electric Company d/b/a Ameren Missouri. Complainants allege in that case that Ameren Missouri's 2012-2014 RES Compliance Plan fails to comply with Subparagraph (7)(B)1.F in Rule 4 CSR 240-20.100 for calculating the RES retail impact limit.

WHEREFORE, Staff submits this Report for the Commission's information and consideration.

Respectfully submitted,

/s/ Jennifer Hernandez

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail to all parties of record as listed in the Commission's Electronic Filing and Information System this 12th day of July 2013.

/s/ Jennifer Hernandez

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. EO-2013-0503, Ameren Missouri Renewable Energy Standard Compliance
Plan for Calendar Years 2013, 2014, and 2015

FROM: Claire M. Eubanks, PE, Energy Unit – Engineering Analysis

/s/ Dan Beck / 7/12/13 /s/ Jennifer Hernandez / 7/12/13
Energy Unit / Date Staff Counsel's Office / Date

SUBJECT: Staff Report and Conclusion of Deficiency on Ameren Missouri's 2013 Renewable
Energy Standard Compliance Plan

DATE: July 12, 2013

CONCLUSION

The Staff has reviewed Union Electric Company d/b/a Ameren Missouri's ("Ameren Missouri" or "Company") *Renewable Energy Standard Compliance Plan 2013-2015* ("Plan"). Based on its review, the Company has met the minimum requirements for the plan, except for calculating the RES retail rate impact. Rule 4 CSR 240-20.100(7)(B)1.F. requires a detailed explanation of the Renewable Energy Standard ("RES") retail rate impact limit calculation made in accordance with section (5) of the rule. Although the Company provided a detailed explanation of the calculation of the RES retail rate impact, Staff believes Ameren's calculation does not follow the method outlined in Section (5) of the rule and therefore considers this a deficiency. There are two parts of the Company's retail rate impact calculation which Staff considers deficient: (1) averaging the non-renewable portfolio, and (2) its determination of the RES-compliant portfolio. Additionally, Staff is reviewing the retail rate impact calculation in the context of the Renew Missouri Complaint¹ and may address additional or more detailed concerns at a later time.

OVERVIEW

On May 28, 2013, the Company filed its *Plan* for calendar years 2013 through 2015. The *Plan* was filed in accordance with Rule 4 CSR 240-20.100(7), Electric Utility Renewable Energy Standard Requirements, Annual RES Compliance Report and RES Compliance Plan. This rule states, in part, "Each electric utility shall file an annual RES compliance plan with the commission. The plan shall be filed no later than April 15 of each year." Subparagraphs 4 CSR 240-20.100(7)(B)1.A. through G.

¹ Case No. EC-2013-0379

provide the minimum requirements for the plan. Ameren Missouri requested and was granted an extension on the *Plan* filing date. Subsection 4 CSR 240-20.100(7)(D) requires that Staff examine the plan and file a report within forty-five (45) days of the filing. This is the third compliance plan filing for the Missouri electric utilities required by the Missouri RES, Sections 393.1020 through 393.1030, RSMo.

DISCUSSION

Staff has reviewed the Company's Compliance Plan in accordance with the established requirements to verify the Plan contains the information required by rule. The results of this review are detailed below, with appropriate rule subparagraphs A. through G. identified and quoted.

A. "A specific description of the electric utility's planned action to comply with the RES;"

The Company explained in detail its completed and planned actions for compliance with the RES for 2013 through 2015. For non-solar compliance, the Company will utilize renewable energy certificates ("RECs") from the Keokuk hydroelectric generating station, the Maryland Heights Renewable Energy Center ("MHREC") which utilizes landfill gas, and a purchased power agreement ("PPA") from the Pioneer Prairie II Wind Farm ("Pioneer Prairie II"). For solar compliance, the Company will utilize solar renewable energy credits ("S-RECs") purchased from brokers and net-metered customers as well as S-RECs from the solar generation facility installed at the Company headquarters. The MHREC and the net-metered and Company-owned solar generation will qualify for the Missouri in-state one and twenty-five hundredths (1.25) credit.²

B. "A list of executed contracts to purchase RECs (whether or not bundled with energy), including type of renewable energy resource, expected amount of energy to be delivered, and contract duration and terms;"

The Company has a 15-year PPA for energy and RECs from Pioneer Prairie II (beginning in 2009). The Company has Standard Offer Contracts ("SOCs") with a portion of its net-metered customers, has SOCs pending, and anticipates adding additional SOCs.³ The Company has executed purchase agreements with third parties to purchase S-RECs.

C. "The projected total retail electric sales for each year;"

The Company has provided values for its projected retail electric sales. The values appear to be reasonable estimates.

² 393.1030.1., RSMo; Rule 4 CSR 240-20.100(3)(G)

³ Ameren Missouri originally had different effective SOC tariff sheets than the 2012 SOC tariff sheets that remain effective at this time.

- D. “Any differences, as a result of RES compliance, from the utility’s preferred resource plan as described in the most recent electric utility resource plan filed with the commission in accordance with 4 CSR 240-22, Electric Utility Resource Planning;”**

The Company submitted its most recent triennial compliance filing in February 2011 and its most recent annual update report on March 15, 2013. The *Plan* is consistent with the information regarding renewable resources in its February 2011 preferred resource plan and its annual update for 2013.

- E. “A detailed analysis providing information necessary to verify that the RES compliance plan is the least cost, prudent methodology to achieve compliance with the RES;”**

The Company provided information regarding its utilization of existing resources to comply with the non-solar portion of the RES for 2013 through 2015. The costs associated with these resources are already included in revenue requirements. For compliance with the solar portion of the RES, the Company provided information regarding purchase of S-RECs from 3rd parties, purchase of S-RECs from net-metered customers, and the construction of a 100 kW solar generating facility at its headquarters building. The S-RECs purchased from third parties are in line with the market price for S-RECs. During 2013, the Company plans to evaluate constructing a utility-scale solar generation project. At this time, Staff cannot verify that a utility-scale solar generation facility would be the least cost, prudent methodology to achieve compliance with the RES. Staff expects the Company to provide Staff the results of the analysis of the utility-scale solar generation facility prior to making the decision to pursue the project.

House Bill 142, signed by the Governor on July 3, 2013, includes a condition on solar rebates requiring customers to transfer the first ten (10) years of S-RECs to the utility. This condition may impact the *Plan* in regards to S-REC purchases.

- F. “A detailed explanation of the calculation of the RES retail rate impact limit calculated in accordance with section (5) of this rule. This explanation should include the pertinent information for the planning interval which is included in the RES compliance plan:”**

Although the Company provided a detailed explanation of the calculation of the RES retail rate impact, Staff believes the calculation does not follow the method outlined in Section 5 of the rule, i.e. Staff believes the calculation was not made in accordance with Section (5) of the

rule. There are two parts of the Company's retail rate impact calculation that Staff believes do not comply with Section (5): (1) averaging of the non-renewable portfolio and (2) its determination of the RES-compliant portfolio.

Averaging:

Section (5)(D) states:

For purposes of the determination in accordance with subsection (B) of this section, if the revenue requirement including the RES-compliant resource mix, averaged over the succeeding ten (10)-year period, exceeds the revenue requirement that includes the non-renewable resource mix by more than one percent (1%), the utility shall adjust downward the proportion of renewable resources...

The purpose of the averaging is to smooth out spikes in compliance costs caused by the addition of renewable resources. To determine the retail rate impact limit, the company calculated one percent (1%) of the rolling 10-year average of the revenue requirement for the non-renewable portfolio. The total revenue requirement excluding renewables increases at a fairly steady rate. Averaging the non-renewable portfolio does not address the spikes in costs due the addition of renewable resources in any given year.

RES-compliant portfolio:

Section (5)(A) states:

The retail rate impact shall be calculated on an incremental basis for each planning year that includes the addition of renewable generation directly attributable to RES compliance through the procurement or development of renewable energy resources, averaged over the succeeding ten (10)-year period, and shall exclude renewable energy resources owned or under contract prior to the effective date of this rule.

Section (5)(B) explains how to determine the RES-Compliant portfolio:

The RES-compliant portfolio shall be determined by adding to the utility's existing generation and purchased power portfolio an amount of renewable resources sufficient to achieve the standard set forth in section (2) of this rule and an amount of least-cost non-renewable resources, the combination of which is sufficient to meet the utility's needs for the next ten (10) years. These renewable resource additions will utilize the most recent electric utility resource planning analysis.

These two subsections indicate that the RES-compliant portfolio includes the existing non-renewable resources while it excludes renewable resources owned or under contract prior to the effective date of the rule. The Company first calculates the retail rate impact without limiting the additional renewable resources to meet the standard. The Company then scales

down the renewable resource additions to stay within the one percent limit. The RES-compliant costs used in the first run of the retail rate impact calculation (prior to scaling down renewable resource additions) does not include existing non-renewable resources; it is simply the total revenue requirement for a solely renewable portfolio. Additionally the RES-compliance costs include costs for the Pioneer Prairie II PPA which was entered into prior to the effective date of the rule.

G. “Verification that the utility has met the requirements for not causing undue adverse air, water, or land use impacts pursuant to subsection 393.1030.4. RSMo, and the regulations of the Department of Natural Resources.”

The Company states that the generating facilities utilized to meet the RES requirements have been certified by the Missouri Department of Natural Resources.⁴

⁴ Rule 10 CSR 140-8.010(4)

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Renewable Energy Standard Compliance)
Plan for 2013-2015) Case No. EO-2013-0503

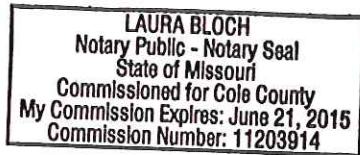
AFFIDAVIT OF CLAIRE M. EUBANKS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Claire M. Eubanks of lawful age, on oath states: that she participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.

Claire M Eubanks
Claire M. Eubanks

Subscribed and sworn to before me this 11th day of July, 2013.



Laura Bloch
Notary Public