Title 4--DEPARTMENT OF ECONOMIC DEVELOPMENT
Division 240--Public Service Commission
Chapter 20 – Electric Utilities

Proposed Rule

4 CSR 240-20.092 Definitions for Demand-Side Programs and Demand-Side Programs Investment Mechanisms

PURPOSE: This rule incorporates definitions for all terms used in 4 CSR 240-20.093 Demand-Side Programs Investment Mechanisms (DSIM) and 4 CSR 240-20.094 Demand-Side Programs.

(1) As used in 4 CSR 240-20.093 and 4 CSR 240-20.094, the following terms mean:

(A) Annual report means a report of information concerning a utility's demand-side programs having the content described in 4 CSR 240.093(8);

(B) Approved demand-side program means a demand-side program or demand-side program pilot which is approved by the commission in accordance with 4 CSR 240-20.094 Demand-Side Programs;

(C) Avoided cost or avoided utility cost means the cost savings obtained by substituting demand-side programs for existing and new supply-side resources. Avoided costs include, but are not limited to, avoided utility costs resulting from demand-side programs' energy savings and demand savings associated with plant in service, operations and maintenance, administrative and general expenses, probable environmental compliance costs, and non-energy benefits~~generation, transmission, and distribution facilities including avoided probable environmental compliance costs. The utility shall use the same methodology used in its most recently adopted preferred resource plan to calculate its avoided costs~~;

(D) Baseline demand forecast means a reference forecast of summer or winter peak demand at the customer class level in the absence of any new demand-side programs but including the effects of naturally-occurring energy efficiency and any codes and standards that were in place and known to be enacted at the time the forecast is completed;

(E) Baseline energy forecast means a reference forecast of energy at the customer class level in the absence of any new demand-side programs but including the effects of naturally-occurring energy efficiency and any codes and standards that were in place and known to be enacted at the time the forecast is completed;

(F) Cost recovery amount means the amount approved by the commission in a utility's filing for demand-side program approval or a DSIM rate adjustment case to provide the utility with cost recovery of demand-side program costs based on the approved cost recovery component of a DSIM;

(G) Cost recovery component of a DSIM means the methodology approved by the commission in a utility's filing for demand-side program approval to allow the utility to receive recovery of costs of approved demand-side programs with interest;

(H) Customer class means major customer rate groupings such as residential, small general service, large general service, and large power service;

(I) Deemed savings means the measure-level annual energy savings and/or demand savings documented or calculated in the approved statewide TRM, multiplied by the documented measure count. The demand-side program deemed savings is the sum of the deemed savings for all measures installed in a demand-side program. The demand-side portfolio deemed savings is the sum of all demand-side program deemed savings;

(J) Demand means the rate of electric power use over an hour measured in kilowatts (kW);

(K) Demand response means measures that decrease peak demand or shift demand to off-peak periods;

(L) Demand-side portfolio means all of a utility's demand-side programs at a defined point in time;

(M) Demand-side program means any program conducted by the utility to modify the net consumption of electricity on the retail customer's side of the electric meter, including, but not limited to, energy efficiency measures, load management, demand response, interruptible or curtailable load, conservation voltage reduction, combined heat and power, and distributed generation;

(N) Demand-side programs investment mechanism, or DSIM, means a mechanism approved by the commission in a utility's filing for demand-side program approval to encourage investments in demand-side programs. The DSIM may include, in combination and without limitation: cost recovery component of a DSIM, throughput disincentive component of a DSIM, and earning opportunity of a DSIM;

(O) Demand savings target means the annual demand savings level approved by the commission at the time of each demand-side portfolio's approval, or adjusted based on an approved mechanism. Demand savings targets are the baseline for determining the utility's demand-side portfolio's demand savings performance levels for the earnings opportunity component of a DSIM;

(P) DSIM amount means the sum of the cost recovery amount, throughput disincentive amount and earnings opportunity amount;

(Q) DSIM rate means the rate used to determine the charge on customers' bills for the portion of the DSIM amount assigned by the commission to a rate class;

(R) Earnings opportunity amount means the amount approved by the commission in a utility's filing for demand-side program approval or a rate adjustment case to provide the utility with an earnings opportunity amount based on the approved earnings opportunity component of a DSIM;

(S) Earnings opportunity component of a DSIM means the methodology approved by the commission in a utility's filing for demand-side program approval to allow the utility to receive an earnings opportunity. Any earnings opportunity component of a DSIM shall be implemented on a retrospective basis, and all energy and demand savings used to determine a DSIM earnings opportunity amount shall be verified and documented through EM&V reports;

(T) Economic potential means the theoretical subset of the technical potential that is economically cost-effective as compared to conventional supply-side energy resources, assuming the immediate implementation of efficiency measures with no regard for the gradual "ramping up" process of real-life programs, ignoring the market barriers to ensuring the actual implementation of such measures, and only considering the costs of efficiency measures themselves while ignoring any programmatic costs (e.g., marketing, analysis, administration) that would be necessary to capture them;~~Economic potential means energy savings and demand savings relative to a utility's baseline energy forecast and baseline demand forecast, respectively, resulting from customer adoption of all cost-effective measures, regardless of customer preferences~~;

(U) Electric utility or utility means any electric corporation as defined in section 386.020, RSMo;

(V) Energy means the total amount of electric power that is used over a specified interval of time measured in kilowatt-hours (kWh);

(W) Energy efficiency means measures that reduce the amount of electricity required to achieve a given end-use;

(X) Energy savings target means the annual energy savings level approved by the commission at the time of each demand-side portfolio's approval, or adjusted by an approved mechanism. Energy savings targets are the baseline for determining the utility's demand-side portfolio's energy savings performance levels for the earnings opportunity component of a DSIM;

(Y) Evaluation, measurement, and verification, or EM&V, means the performance of studies and activities intended to evaluate the process of the utility's program delivery and oversight and to estimate and/or verify the estimated actual annual energy and demand savings, benefits, cost effectiveness, and other effects from demand-side programs. If a statewide TRM has been approved by the commission in accordance with the provisions of 4 CSR 240-20.094(10)(B), then EM&V studies and

activities shall use the statewide TRM in accordance with the provisions of 4 CSR 240-20.093(7)(B) and 4 CSR 240-20.094(10)(E);~~;~~

(Z) Filing for demand-side programs approval means a utility's filing for approval, modification, or discontinuance of demand-side program(s) which may also include a simultaneous request for the establishment, modification, or discontinuance of a DSIM;

(AA) General rate proceeding means a general rate increase proceeding or complaint proceeding before the commission in which all relevant factors that may affect the costs or rates and charges of the electric utility are considered by the commission;

(BB) Interruptible or curtailable rate means a rate under which a customer receives a reduced charge in exchange for agreeing to allow the utility to withdraw the supply of electricity under certain specified conditions;

(CC) Market potential study means a quantitative analysis of the amount of energy and demand savings that may exist, is cost-effective, and could be realized through the implementation of energy efficiency programs and policies. Market potential studies provide estimates of the projections of possible future scenarios for energy efficiency and are not definitive statements of what is possible;

(DD) Market transformation means the strategic process of intervening in a market to create lasting change in market behavior by removing identified barriers or exploiting opportunities to accelerate the adoption of all cost-effective energy efficiency as a matter of standard practice;

(EE) Achievable Potential means the amount of energy use that efficiency can realistically be expected to displace assuming the most aggressive program scenario possible (e.g., providing end-users with payments for the entire incremental cost of more efficiency equipment). Achievable potential takes into account real-world barriers to convincing end-users to adopt efficiency measures, the non-measure costs of delivering programs (for administration, marketing, tracking systems, monitoring and evaluation, and so on), and the capability of programs and administrators to ramp up program activity over time~~Maximum achievable potential means energy savings and demand savings relative to a utility's baseline energy forecast and baseline demand forecast, respectively, resulting from expected program participation and ideal implementation conditions. Maximum achievable potential establishes a maximum target for demand-side savings that a utility can expect to achieve through its demand-side programs and involves incentives that represent a very high portion of total programs costs and very short customer payback periods. Maximum achievable potential is considered the hypothetical upper boundary of achievable demand-side savings potential, because it presumes conditions that are ideal and not typically observed~~;

(FF) Measure means any device, technology, behavioral response mechanism, or operating procedure that makes it possible to deliver an adequate level and quality of energy service while—

1. Using less energy than would otherwise be required; or

2. Altering the time pattern of electricity so as to require less generating capacity or to allow the electric power to be supplied by more fuel-efficient units;

(GG) MEEIA means the Missouri Energy Efficiency Investment Act, Section 393.1075, RSMo.

(HH) Net shared benefits means the program benefits measured and documented through EM&V reports or a statewide technical ~~resource~~ reference manual for demand-side programs, less the sum of the programs' costs including design, administration, delivery, end-use measures, incentive payments to customers, EM&V, utility market potential studies, and statewide technical ~~resource~~ reference manual;

(II) Non Energy Benefits means:

1. Direct benefits to participants in utility demand side programs, including but not limited to, increased property values, increased productivity, decreased water and sewer bills, reduced operations and maintenance costs, improved tenant satisfaction, and increases to the comfort, health, and safety of participants and their families;

2. Direct benefits to utilities, including but not limited to, reduced arrearage carrying costs, reduced customer collection calls/notices, reduced termination/reconnection costs, and reduced bad debt write-offs; or

3. **Indirect benefits to society at large, including but not limited to, job creation, economic development, energy security, public safety, reduced emissions and emission related health care costs, and other environmental benefits.**

4. **Non Energy Benefits ~~may~~ shall be included in cost-effectiveness tests unless they cannot be calculated with a reasonable degree of confidence;**

(JJ) Non-participant test (sometimes referred to as the ratepayer impact test or RIM test) is a measure of the difference between the change in total revenues paid to a utility and the change in total cost incurred by the utility as a result of the implementation of demand-side programs. The benefits are the avoided cost as a result of implementation. The costs consist of incentives paid to participants, other costs incurred by the utility, and the loss in revenue as a result of diminished consumption. Utility costs include the costs to administer, deliver, and evaluate each demand-side program;

(KK) Participant test means a test of the cost-effectiveness of demand-side programs that measures the economics of a demand-side program from the perspective of the customers participating in the program;

~~(LL) Preferred resource plan means the utility's resource plan that is contained in the resource acquisition strategy most recently adopted by the utility's decision-makers in accordance with 4 CSR 240-22;~~

(MM) Probable environmental compliance cost means the likely, expected, or anticipated cost to the utility of complying with new or additional environmental legal mandates, taxes, or other requirements that, in the judgment of the utility's decision-makers, may be reasonably expected to be incurred by the utility and which would result in environmental compliance costs that could have a significant impact on utility rates. In estimating its avoided probable environmental compliance costs, the utility shall consider factors including, but not limited to, reductions in risks, liabilities, and other costs under the Clean Air Act, the Clean Water Act, the Endangered Species Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, Clean Power Plan, and related federal and state laws and regulation;

(NN) Program pilot means a demand-side program designed to operate on a limited basis for evaluation purposes before full implementation;

(OO) Program potential refers to the efficiency potential possible given specific program funding levels and designs. Program potential studies can consider scenarios ranging from a single program to a full portfolio of programs. A typical potential study may report a range of results based on different program funding levels

~~Realistic achievable potential means energy savings and demand savings relative to a utility's baseline energy forecast and baseline demand forecast, respectively, resulting from expected program participation and realistic implementation conditions. Realistic achievable potential establishes a realistic target for demand-side savings that a utility can expect to achieve through its demand-side programs and involves incentives that represent a moderate portion of total program costs and longer customer payback periods when compared to those associated with maximum achievable potential~~;

(PP) Societal cost test means the total resource cost test with the addition of societal benefits (externalities such as, but not limited to, environmental or economic benefits) to the total benefits of the total resource cost test;

(QQ) Staff means all personnel employed by the commission, whether on a permanent or contract basis, except: commissioners; commissioner support staff, including technical advisory staff; personnel in the secretary's office; and personnel in the general counsel's office, including personnel in the adjudication department. Employees in the staff counsel's office are members of the commission's staff;

(RR) Statewide technical reference manual, or statewide TRM, means a document developed by the state-wide collaborative and approved by the commission in accordance with the provisions of 4 CSR 240-20.094(10)(B), and that is used ~~by all electric utilities~~ to quantify energy savings and demand savings attributable to energy efficiency and demand response measures within an electric utility's service territory in accordance with the provisions of 4 CSR 240-20.093(7)(B) and 4 CSR 240-20.094(10)(E);

(SS) Technical potential means the theoretical maximum amount of energy use that could be displaced by efficiency, disregarding all non-engineering constraints such as cost-effectiveness and the willingness of end-users to adopt the efficiency measures. Technical potential is often estimated as a "snapshot" in time, assuming the immediate implementation of all technologically feasible energy saving measures, with additional efficiency opportunities assumed as they arise from activities such as new construction~~Technical potential means energy savings and demand savings relative to a utility's baseline energy forecast and baseline demand forecast, respectively, resulting from a theoretical construct that assumes all feasible measures are adopted by customers of the utility regardless of cost or customer preference~~;

~~(TT) Technical resource manual, technical reference manual or TRM means a document used to assess energy savings and demand savings attributable to energy efficiency and demand response programs within an electric utility's service territory;~~

(UU) Throughput disincentive means the electric utility's lost margin revenues that result from decreased retail sales volumes due to its demand-side programs;

(VV) Throughput disincentive amount means the amount approved by the commission in a utility's filing for demand-side program approval or a DSIM rate adjustment case to provide the utility with recovery of throughput disincentive based on the approved throughput disincentive component of a DSIM;

(WW) Throughput disincentive component of a DSIM means the methodology approved by the commission in a utility's filing for a demand-side program approval to allow the utility to receive recovery of throughput disincentive with interest;

(XX) Total resource cost test, or TRC, means the test of the cost-effectiveness of demandside programs that compares the long term net present value costs and benefits~~a test that compares the sum of avoided costs to the sum of all incremental costs of end use measures that are implemented due to the program~~, as defined by the commission in rules. Benefits include the avoided costs, avoided probable environmental compliance costs, other avoided resource benefits (*e.g.*, oil, natural gas, water), and other benefits that accrue to Missourians, including non-energy benefits as defined by the commission. Costs include the sum of all incremental costs of end-use measures that are implemented due to the program (including both utility and participant contributions), plus utility costs to administer, deliver, and evaluate each demand-side program. In estimating its avoided probable environmental compliance costs and non-energy benefits, the utility shall consider factors including, but not limited to: reductions in emissions liability under the Clean Air Act; reductions in transmission and distribution costs; reductions in the utility's load factor or peak load; reductions in fuel costs, health and safety improvements, etc; and

(YY) Utility cost test means a test that compares the sum of avoided utility costs to the sum of all utility costs.

AUTHORITY: section 393.1075.11, RSMo Supp. 2010.* Original rule filed Oct. 4, 2010, effective May 30, 2011.

****Original authority: 393.1075, RSMo 2009.***

PUBLIC COST: This proposed amendment will not cost state agencies or political subdivisions more than five hundred dollars ($500) in the aggregate.

PRIVATE COST: This proposed amendment will not cost private entities more than five hundred dollars ($500) in the aggregate.

NOTICE OF PUBLIC HEARING AND NOTICE TO SUBMIT COMMENTS: Anyone may file a statement in support of or in opposition to the proposed rescission with the Missouri Public Service Commission, 200 Madison Street, PO Box 360, Jefferson City MO 65102-0360. To be considered, comments must be received within thirty (30) days after publication of this notice in the ***Missouri Register****. A public hearing is scheduled for [time, place and address of hearing].*