**4 CSR 240-20.092 Definitions for Demand-Side Programs and Demand-Side Program 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) Demand savings target means the annual demand savings level approved by the commission at the time of each demand-side program’s approval. Demand-side savings targets are the baseline for determining the utility’s demand-side programs’ demand savings performance levels (in the methodology for the utility incentive component of a demand-side programs investment mechanism (DSIM) (Ameren questions if this should be moved to GG.)

(B) Energy savings target means the annual energy savings level approved by the commission at the time of each demand-side program’s approval. Energy savings targets are the baseline for determining the utility’s demand-side programs’ energy savings performance levels in the methodology for the utility incentive component of a DSIM;

(C) Annual report means a report of information concerning a utility’s demand-side programs having the content described in section (8);

(D) 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;

(E) 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;

(F) Baseline demand forecast means a reference forecast of summer and winter demand at the 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;

(G) Baseline energy forecast means a reference forecast of energy at the 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;

(H) 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;

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

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

(J) Demand response means measures that decrease peak demand or shift demand to off-peak periods; (this definition is from the statute, Ameren suggested alternative language.)

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

(K) 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, and interruptible or curtailable load, and combined heat and power applications;

(L) Demand-side program plan means a particular combination of demand-side programs to be delivered according to a specified implementation schedule and budget;

(M) 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:

1. Cost recovery of demand-side program costs through capitalization of investments in demand-side programs;

2. Cost recovery of demand-side program costs through a demand-side program cost tracker;

3. Accelerated depreciation on demand-side investments;

4. Recovery of lost revenues Renew – remove or change with 6 OPC agrees either 4 or proposed 6; and

5. Utility incentive based on the achieved performance level of approved demand-side programs;

6. Recovery of throughput disincentive (Ameren-how we do business now.) make consistent throughout rules.

(N) DSIM cost recovery revenue requirement means the revenue requirement 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;

(O) DSIM rate means the charge on customers’ bills for the portion of the DSIM revenue requirement assigned by the commission to a rate class;

(P) DSIM revenue requirement means the sum of the DSIM cost recovery revenue requirement, DSIM utility lost revenue requirement, and DSIM utility incentive revenue requirement;

(Q) DSIM utility incentive revenue requirement means the revenue requirement approved by the commission to provide the utility with a portion of net shared benefits based on the approved utility incentive component of a DSIM;

(R) DSIM utility lost revenue requirement means the revenue requirement explicitly approved (if any) by the commission to provide the utility with recovery of lost revenue based on the approved utility lost revenue component of a DSIM;

(P) 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;

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

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

(U) Energy efficiency means measures that reduce the amount of electricity required to achieve a given end-use; measure seems limiting (Ameren) example, behavior programs and automation (Walmart and Rich) definition is statutory. May be broad enough depending on definition of ‘end use’? OPC – prepayment? Create definition for Behavior Programs.

(V) 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 energy and demand savings, utility lost revenue, cost effectiveness, and other effects from demand-side programs;

(W) Filing for demand-side program 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;

(X) 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;

(V) 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;

(Y) Lost revenue means the net reduction in utility retail revenue, taking into account all changes in costs and all changes in any revenues relevant to the Missouri jurisdictional revenue requirement, that occurs when utility demand-side programs approved by the commission in accordance with 4 CSR 240-20.094 cause a drop in net system retail kWh delivered to jurisdictional customers below the level used to set the electricity rates. Lost revenues are only those net revenues lost due to energy and demand savings from utility demand-side programs approved by the commission in accordance with 4 CSR 240-20.094 Demand-Side Programs and measured and verified through EM&V; ‘Ameren – if we believe EE is real, that first Kwh we don’t sell or is saved by the customer costs us money whether we sell more electricity overall than not.

(X) Market potential study means a quantitative analysis of the amount of energy and demand savings that either exists, is cost-effective, or could be realized through the implementation of energy efficiency programs and policies.

(X) 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;

(Y) Measure means any device, technology, operating procedure, or behavioral response mechanism that makes it possible to deliver an adequate level and quality of energy service while— what does operating procedure mean? (Renew) modify ‘U’ through this definition? (DE)

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 from more fuel-efficient units;

(Z) Net shared benefits means the program benefits? measured and documented through evaluation, measurement, and verification (EM&V)reports (Ameren suggests strike) for approved demand-side programs less the sum of the programs’ costs including design, administration, delivery, end-use measures, OPC suggests adding utility performance incentive payment and, incentive payments to customers, EM&V, utility market potential studies, and technical resource manual; Ameren adding utility performance incentive payment would not be consistent with statute. KCPL how does that relates TDNSB? Collecting TD for 3 year and then backing out incentive payment. OPC disagrees. Ameren - doesn’t change anything. OPC - Does end-use measures need to be defined or clarified? Incentive payment and end-use is the same thing. OPCs position has been that incentive payments included utility performance incentives.

(AA) 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 and 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; and
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 shall be included in cost-effectiveness tests such as the total resource cost test and the societal cost test unless they cannot be calculated with a reasonable degree of confidence;

(BB) Non-participant test (sometimes referred to as the ratepayer impact measure 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;

(CC) Participant test means the 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;

(DD) 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;

(EE) Probable environmental compliance cost means the expected 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 be 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, and related federal and state laws and regulations;

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

(GG) Program potentialrefers 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;

(HH) 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;

(II) 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;

(JJ) Statewide technical resource manual means a document that is used by electric utilities to assess energy savings and demand savings attributable to energy efficiency and demand response;

(KK)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;

(LL) Throughput Disincentive means the electric utility’s lost margin revenues that result from decreased retail sales volumes do to its demand-side programs.

(MM)

Total resource cost test, or TRC, means the test of the cost­effectiveness of demand­side programs that compares the long term net present value costs and benefits. Benefits include the avoided costs or avoided utility 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 in rules. Costs include the sum of all incremental costs of end­use measures that are implemented due to the program (including both utility and participant contributions), plus utility costs to administer, deliver, and evaluate each demand­side program. In estimating 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; reduction in transmission and distribution costs; reductions in the utility’s load factor or peak load; reductions in fuel costs; health and safety improvements; and so on;.;

NN. Add definition of TRM where appropriate, also add addtional examples.

(NN) Utility cost test means the test that compares the avoided utility costs to the sum of all utility incentive payments, plus utility costs to administer, deliver, and evaluate each demand-side program to quantify the net savings obtained by substituting the demand-side program for supply-side resources;

(OO) Utility incentive 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 a portion of net shared benefits achieved and documented through EM&V reports; OPC questions whether there’s a limitation on utility performance incentive. Should there be a cap? Ameren – why put restrictions in the rule? Can the commission impose a cap? Walmart – ROE or WACC?

(PP) Utility lost revenue 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 lost revenue; and

(QQ) Utility market potential study means an evaluation and report by an independent third party of the energy savings and demand savings available in a utility’s service territory broken down by customer class and major end-uses within each customer class.

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

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