

## BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of a Proposed Rulemaking	)	
Regarding Revision of the Commission's	)	<b>File No. EX-2010-0254</b>
Chapter 22 Electric Utility Resource	)	
Planning Rules.	)	

### COMMENTS OF DOGWOOD ENERGY, LLC

Comes now Dogwood Energy, LLC and for its Comments regarding the Commission's proposed new Chapter 22 Integrated Resource Planning (IRP) rules states as follows:

1. The Commission's proposed new IRP rules are the result of lengthy and extensive efforts by the Commission, its staff, and many interested parties. Dogwood appreciates that it has been allowed to participate in these proceedings, as well as having been afforded this additional opportunity for comment. In general, Dogwood supports the proposed rules.

2. Several interested parties have in various ways taken issue with the language in 4 CSR 240-22.010(1), that "compliance with these rules shall not be construed to result in commission approval of the utility's resource plans, resource acquisition strategies, or investment decisions." Many good ideas have been exchanged in the discussions about this part of the rules. Commission Davis commented on this topic in his dissenting opinion in this case as well. But these rules are about long-term resource planning, not approval of specific projects. Other states have properly addressed the related but distinct topics of resource planning versus project construction approval and ensuing cost reviews

by means of separate rules. In an effort to avoid encumbering implementation of these new planning rules with further disputes on this point, Dogwood suggests that the Commission state its intention to commence separate rulemaking proceedings (or simply commence such proceedings) to consider potential rules concerning pre-approval of construction of specific major projects. Such an approach will allow this resource planning rulemaking to conclude and afford all interested parties an opportunity to continue to address these other important issues.

3. As the operator of a combined cycle generation facility in Missouri, Dogwood is naturally most interested in 4 CSR 240-22.040, the supply side resource analysis rule.

4. Consistent with its prior comments, Dogwood suggests that cost rankings of potential supply-side options should take into account the additional costs that will be incurred to assure reliable integration of intermittent or uncontrollable supply sources, such as the costs of more frequent cycling of coal and gas plants. If such additional costs are disregarded, the utility's analysis will be incomplete. [Additional information on this topic can be found in an article written by J. Nicholas Puga of Bates White LLC that was published in the August/September 2010 issue of The Electricity Journal, titled *The Importance of Combined Cycle Generating Plants in Integrating Large Levels of Wind Power Generation*.] Accordingly, Dogwood proposes to add the following text to the end of **subsection 22.040(2)(A)**:

**The utility shall include the costs of ancillary and/or back-up sources of supply required to achieve necessary reliability levels in connection with intermittent and/or uncontrollable sources of generation (i.e. wind and solar).**

5. There also appears to be an unintended limitation on the scope of analysis in **subsection 22.040(3)(A)**. Referring first to subsection 22.040(3), the proposed rule properly makes clear that a broad set of potential supply-side resources should be studied. In contrast, subsection 22.040(3)(A) appears to call for an analysis of transmission constraints only with regard to a specific list of six supply-side options. The better approach would be to eliminate the list of six options, and make subsection 3(A) end with the phrase: **“and to provide an adequate foundation of basic information for decisions about supply-side resource alternatives.”**

6. On the subject of risk analysis, which is addressed by rule 22.060, there appears to be an unjustified assumption that each identified risk can be evaluated in isolation, without taking into account the potential interaction between risks. When risks are interrelated, they are referred to as covariant risks. The lack of any covariant risk consideration is a serious flaw in any risk analysis, because it will tend to underestimate the impacts of any individual risk. For example, high carbon prices may be correlated with high generation construction costs for coal-fired units, if those units are outfitted with carbon capture. If covariant risks are ignored, the utility may erroneously determine that certain risks are not “critical uncertain factors” and improperly disregard them in its

ongoing analysis under the rule. Accordingly, Dogwood proposes to add a **new subsection (8) to 22.060**, as follows:

**(8) In conducting risk analysis pursuant to this rule, the utility shall take into account the interrelationships between risk factors, including by employing best practices for such covariant risk analysis.**

7. Under **proposed rule 22.080(12)**, a utility would be required to notify the Commission of any determination that its business plan or acquisition strategy has become materially inconsistent with the preferred resource plan or has otherwise become inappropriate. The Commission should **add an express requirement that such notice be served on all parties** to the docket regarding the preferred resource plan.

8. Dogwood would also observe that the itemizations of proposed changes that precede each rule section do not appear to be totally accurate. The generic statement at the beginning of 22.010 – that changes are made throughout this rule to enable it to meet current and future Missouri energy policies – may be the best approach to use for the other sections as well when the rulemaking order is published.

CURTIS, HEINZ,  
GARRETT & O'KEEFE, P.C.

/s/ Carl J. Lumley

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Carl J. Lumley, #32869  
130 S. Bemiston, Suite 200  
St. Louis, Missouri 63105  
(314) 725-8788  
(314) 725-8789 (FAX)  
Email: clumley@lawfirmemail.com

Attorneys for Dogwood Energy, LLC

**Certificate of Service**

A true and correct copy of the foregoing was served upon the parties identified on the attached service list on this 3<sup>rd</sup> day of January, 2011, by either placing same in the U.S. Mail, postage paid, by fax or email transmission.

/s/ Carl J. Lumley

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General Counsel Office  
Missouri Public Service Commission  
200 Madison Street, Suite 800  
P.O.Box 360  
Jefferson City, Mo 65102  
[gencounsel@psc.mo.gov](mailto:gencounsel@psc.mo.gov)

Office of Public Counsel  
200 Madison Street, Suite 650  
P.O. Box 2230  
Jefferson City, Mo 65102  
[opcservice@ded.mo.gov](mailto:opcservice@ded.mo.gov)

Nathan Williams  
Missouri Public Service Commission  
200 Madison Street, Suite 800  
P.O. Box 360  
Jefferson City, MO 65102  
[Nathan.williams@psc.mo.gov](mailto:Nathan.williams@psc.mo.gov)

Morris Woodruff  
Commission  
200 Madison Street  
Jefferson City, Mo 65101  
[morris.woodruff@psc.mo.gov](mailto:morris.woodruff@psc.mo.gov)