**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of a Working Case to Review )

The Commission’s Missouri Energy )

Efficiency Investment Act (MEEIA) Rules ) File No. EW-2015-0105

4 CSR 240-3.163, 4 CSR 240-3.164, )

4 CSR 240-20.093, and 4 CSR 240-20.094. )

**MISSOURI DIVISION OF ENERGY’S COMMENTS**

**IN RESPONSE TO THE THIRD MEEIA RULEMAKING WORKSHOP**

 COMES NOW the Missouri Department of Economic Development – Division of Energy (“DE”)[[1]](#footnote-1) and submits the following comments and attached revisions, regarding the Commission’s rules implementing the Missouri Energy Efficiency Act[[2]](#footnote-2) following the third workshop convened by the Commission Staff (“Staff”) on May 12, 2015.

1. **Energy Savings Targets**

DE supports retaining the current energy savings targets. According to a recent ACEEE study of how states with Energy Efficiency Resource Standards (EERS) achieve greater energy efficiency (EE) savings than states with IRPs:

“…Overall, the inescapable conclusion is that having an EERS is clearly the most effective state policy driving energy efficiency program spending and savings in the U.S. utility sector today. There is little evidence that IRP alone produces meaningful energy efficiency results in the absence of other strong policies. Other supportive policies, such as decoupling and shareholder incentives, appear to be helpful and are associated with modest increases in energy efficiency investments and savings. Yet, the most important value of such policies to date may not be their stand-alone effects, but rather, their ability to establish a fair utility business model that encourages utilities to accept and work toward achieving EERS efficiency targets—instead of seeking to block or overturn the EERS policy. In a time when some state policymakers are becoming skittish about the concept of “mandates,” it is worth noting that the use of an EERS to set targets for cost-effective efficiency has been by far the most effective policy for achieving customer energy efficiency savings.…”[[3]](#footnote-3)

While MEEIA and its rules are not a mandatory EERS and Missouri falls into the category of having an IRP in ACEEE’s comparison study (referenced above), the inclusion of clear efficiency targets in the rules is a stronger policy than relying solely on utility-conducted IRPs – and utility-conducted potential studies - as is current practice in Missouri.

And although the MEEIA goal of achieving ‘all cost-effective’ demand side savings should be a very aggressive target (as is the case in other states with this goal), it is difficult to quantify without a means of comparison. Inclusion of the energy efficiency targets in the MEEIA rules provides a clear target that serves as a benchmark for assessing progress toward the statutory goal of achieving ‘all cost-effective’ savings.

Ultimately, the voluntary nature of MEEIA may continue to undermine the success of utility energy efficiency programs unless there are regulatory improvements such as inclusion of non-energy benefits in screening for cost-effectiveness, removing the regulatory barrier imposed by regulation subjecting energy efficiency programs to IRP analysis, and appropriately defining and assessing potential consistent with the National Action Plan for Energy Efficiency. Retaining the incremental and cumulative energy efficiency targets in the rules is the foundation upon which the other improvements can be built.

1. **Market Potential Studies**
2. Terms and definitions should be consistent with the National Action Plan for Energy Efficiency: Guide for Conducting Energy Efficiency Potential Studies (November 2007). Definitions have been added to the rules in DE’s redlines. See 2.4 Types of Efficiency Potential on pgs. 2-3 to 2-4 at <http://www.epa.gov/cleanenergy/documents/suca/potential_guide.pdf>
* Technical Potential
* Economic Potential
* Achievable Potential
* Program Potential
1. Statewide Market Potential Study:

4 CSR 240-20.094(3)(C) states that utilities are to conduct market potential studies until such time as a statewide market potential study is completed, which will then be used. 4 CSR 240-20.094(3)(A)3 also refers to a potential study ‘for all statewide investor-owned electric utilities’ which ‘shall be at the discretion of the electric utility’. There is currently no definition for ‘statewide potential study’ and it is unclear what is envisioned by this term. If a ‘statewide’ study as used in the rules is envisioned as a collaboration among other electric IOUs at their discretion (see 4 CSR 240-20.094(3)(A)3) and 4 CSR 240-20.094(4)(B)1), the term ‘statewide’ should not be used. Typically ‘statewide’ potential studies refer to studies conducted by an entity other than the utilities, such as a PSC or third party on behalf of a PSC or state agency.

If the latter is what is intended (a potential study conducted by an entity other than the utilities or a third party contracted by utilities), the following information from EPA and ACEEE reports should be considered:

1. **High-Level Policy Scoping** – uses publicly available data and past program experiences to provide a first-order indication of the magnitude of the energy efficiency resource available in the state at the sector level (residential, commercial, industrial). They are used to begin a discussion of the role of energy efficiency resources in a state’s energy policy portfolio. Can be completed fairly quickly and cost $25,000-$50,000.
2. **Policy and Planning Analysis** – have a greater level of detail with more desegregation of energy efficiency resources and policies and programs that could be implemented to realize the efficiency potential. They are used for informing state-level policy development. Can be completed in 5-6 months and cost $100,000 - $150,000.
3. **Detailed Program Planning and Targeting** – highly detailed analyses intended to inform the design and implementation of individual energy efficiency programs (specific approaches, key market allies, etc.) and used by program administrators. They may not be comprehensive and may focus only on key markets that have already been identified for program development. Can be time-consuming as they will probably include original field data collection and cost $100,000 to well over $500,000.

In selecting the levels of analyses in types of statewide potential studies it is important to understand the ultimate goal of the study. What level of a statewide potential study can substitute for the utility studies (i.e. Policy and Planning Analysis or Detailed Program Planning and Targeting)? Will the focus be limited to electric IOUs for purposes of MEEIA? Or will it include natural gas IOUs?

Probably the biggest challenge noted by ACEEE and EPA in papers on market potential studies for energy efficiency is the availability of state-specific consistent data and forecasts. The Arkansas PUC also cited the above potential study construct in its Order No. 7 (at pg 19) in Docket Nos. 13-002-U and more fully discusses the scope of a study <http://www.apscservices.info/pdf/13/13-002-u_72_1.pdf> . It also importantly recognizes the appropriate use of a potential study “…The Commission will consider the results of the Potential Study-not as a definitive statement of what is possible-but rather as part of its reasoning in establishing goals and incentives for 2016 and 2017 and in approving three-year plans.” (pg. 23) The Arkansas PUC established the 2015 targets for electric IOUs at 0.9% of kWh sales until the potential study was completed.

The Ten Pitfalls of Potential Studies by RAP, pg. 13 states:

‘Energy efficiency potential studies are by definition projections of possible future scenarios that entail a degree of uncertainty. Yet too often analysts rely heavily upon simplified quantitative modeling techniques that may lend an artificial sense of authority to predicted outcomes.’

Please also see DE’s proposed edits in the attached rule redlines. (Note that DE used track changes which appear to be attributed to ‘DNR’ in some cases.)

DE appreciates the opportunity to participate in the workshop process and provide comments.

Respectfully submitted,

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1. Effective August 29, 2013, Executive Order 13-03 transferred “all authority, powers, duties, functions, records, personnel, property, contracts, budgets, matters pending, and other pertinent vestiges of the Division of Energy from the Missouri Department of Natural Resources to the Missouri Department of Economic Development . . . .” [↑](#footnote-ref-1)
2. § 393.1075 RSMo. [↑](#footnote-ref-2)
3. <http://aceee.org/blog/2014/12/irp-vs-eers-there%E2%80%99s-one-clear-winner-> [↑](#footnote-ref-3)