

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

In the Matter of Staff’s Review of Commission )  
Rules 4 CSR 240-20.060 (Cogeneration) )  
4 CSR 240-3.155 (Filing Requirements for )  
Electric Utility Cogeneration Tariff Filings) and )  
4 CSR 240-20.065 (Net Metering) )

**File No. EW-2018-0078**

**MISSOURI DIVISION OF ENERGY’S RESPONSE TO  
ORDER OPENING A WORKING CASE TO REVIEW THE COMMISSION’S RULES  
RELATED TO COGENERATION**

COMES NOW the Missouri Division of Energy (“DE”), by and through the undersigned counsel, and in response to the questions propounded in the Public Service Commission’s (“Commission”) *Order Opening a Working Case to Review the Commission’s Rules Related to Cogeneration* (“Order”) in the above-captioned matter, states as follows:

DE’s mission is to assist, educate, and encourage Missourians to advance the efficient use of diverse energy resources to drive economic growth, provide for a healthier environment, and achieve greater energy security for future generations. In furtherance of this mission, DE suggests that the Commission’s revision of its cogeneration and net metering rules use the following guiding principles:

1. Customer-sited resources should be compensated based on a full evaluation of their benefits and costs. Otherwise, parties may continue to express concerns that customer-sited resources are valued insufficiently, or that those customers without customer-sited generation resources provide inappropriate “subsidies.”
2. Customers with on-site generation resources, including combined heat and power (“CHP”), should have access to just and reasonable rates for supplemental, back-up, and emergency

power. In DE's experience, utility tariffs have not always been clear to customers, been based on cost-causative principles, or fairly reflected the benefits of distributed resources to the grid.

3. The Commission's rules should provide the maximum flexibility to meet customer needs – and the greatest certainty as to rates and terms of service – that is permitted under Missouri and federal law. The current rules are not clear as to the treatment of arrangements such as aggregate metering, virtual net metering, and third party resource ownership.

Based on these principles and observations, DE makes the following general recommendations:

1. The Commission should initiate a process mediated by a third party to examine the value of distributed energy resources ("DERs"), including CHP. A proceeding to examine the value of DERs would allow stakeholders to comprehensively examine the benefits and costs of cogeneration and other customer-sited resources. These values could ultimately be used to determine fair compensation under the Net Metering and Easy Connection Act and the Public Utility Regulatory Policies Act of 1978. With respect to the Net Metering and Easy Connection Act, DE would note that Section 386.890.5(3), RSMo requires that customer-generators, "... be credited an amount **at least equal** to the avoided fuel cost of the excess kilowatt-hours generated during the billing period ..." (emphasis added). This statute therefore provides flexibility in the compensation afforded for excess generation from applicable resources. Many states use a rate higher than the avoided fuel cost of generation to compensate customer-generators (see <http://ncsolarcen-prod.s3.amazonaws.com/wp-content/uploads/2014/11/NEG-1.20161.pdf>).

2. The Commission should increase the flexibility afforded to customer-generators in how net metering occurs, to the maximum extent permitted by law. This should include consideration of whether aggregated net metering, virtual net metering, and third party ownership arrangements should be allowed under the Commission's rules. Additionally, the Commission should ensure that its rules lead to tariffs that address CHP, microgrids, multiple customer-sited units, and community solar arrangements. DE encourages the Commission to use the recommendations produced by Missouri University of Science and Technology's Microgrid Industrial Consortium<sup>1</sup> as a guide for its consideration of microgrid interconnection standards.
3. The Commission should consider whether a uniform structure for the rates for supplemental, back-up, and emergency service to customer-generators, including CHP, would be appropriate. This standardization could provide certainty that customer-generators have sufficient information to evaluate the costs and benefits of on-site generation.
4. All tariffs resulting from the Commission's rules should be fully compliant with the Public Utility Regulatory Policies Act of 1978, and should be structured to provide project developers with certainty as to rates paid by, and to, utilities over a reasonable period of time. Increased certainty will encourage the additional development of third party distributed energy resources.

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<sup>1</sup> See the document at <https://www.efis.psc.mo.gov/mpsc/commoncomponents/viewdocument.asp?DocId=936016677>.

DE further encourages the Commission to develop rules consistent with the recommendations and objectives in the Missouri Comprehensive State Energy Plan<sup>2</sup> that pertain to DERs. These include the following recommendations:

- 1.9: Expanding Energy Improvements in State Facilities (pp. 218-221) –
  - Examine the potential for CHP, geothermal, and solar thermal applications at existing and new state facilities as a means of addressing efficiency on a larger scale.
  - Promote the development of public-private partnerships to implement energy conservation measures, including CHP projects.
  - Examine the potential for generating renewable power at state facilities.
- 2.6: Maintaining Business Affordability and Competitiveness (pp. 226-227) –
  - Continue to review and recommend revisions to regulated utility tariffs to eliminate barriers or incent on-site customer generation of electricity for businesses.
  - Continue to identify and encourage opportunities for large commercial and industrial customers for cost-effective energy efficiency, demand response programs and on-site generation to help them reduce their energy consumption and resource use and manage their peak energy usage.
- 3.2: Improving Missouri’s Interconnection and Net Metering Rule (pp. 228-229) –
  - Allow for virtual net metering, aggregated net metering, and third party ownership.
  - Establish a working group to develop an approach for consistent implementation of the Net Metering and Easy Connection Act that results in a fair and expedited review process for all types of renewable energy systems.

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<sup>2</sup> The Missouri Comprehensive State Energy Plan is available at <https://energy.mo.gov/comprehensive-state-energy-plan>.

- Establish a “Value of Solar” calculation for all net-metered customers that includes costs associated with the use of the grid as well as benefits provided by solar (or other distributed) generation.
- Use real-time or near-real-time pricing if metering infrastructure allows.
- 3.6: Expanding Combined Heat and Power Applications (pp. 231-232) –
  - Establish cost-based stand-by rates and interconnection practices that reflect best practices.
- 3.7: Guiding the Development of Microgrids (pp. 232-233) –
  - Adopt standardized microgrid interconnection requirements and develop clear rules for how microgrid owners interact with utilities.
  - Develop tariff structures applicable to microgrids for Missouri utilities for review and approval by the PSC that would:
    - Not be punitive or discriminating and appropriately price various types of standby power.
    - Encourage microgrid development with an initial focus on areas of the grid that are congested or experiencing rapid demand growth.
  - Require that microgrid owners and operators provide utilities with information that could affect planning including information about capacity, system design, and location.

DE recommends that the following key areas of the cogeneration and net metering rules that should be re-examined:

- 4 CSR 240-3.155(2) and (4) (filing requirements for cogeneration tariffs);
- 4 CSR 240-20.060(1), (4), and (5) (cogeneration definitions and rates); and,

- 4 CSR 240-20.065(1), (7), and (8) (net metering definitions, measurement and rates).

WHEREFORE, the Missouri Division of Energy respectfully files its response to the questions posed in the Commission's Order and prays that the Commission consider the responses herein.

Respectfully submitted,

*/s/ Marc Poston*

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### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 13<sup>th</sup> day of October, 2017.

*/s/ Marc Poston*

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Marc Poston