BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Proposed Amendment of 4 CSR 240-20.065 and 4 CSR 240-20.100, Regarding Net Metering and Renewable Energy Standard Requirements	))))	**File No. EX-2014-0352**

STAFF COMMENTS

COMES NOW the Staff of the Missouri Public Service Commission and respectfully submits its Comments in this rulemaking matter.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 1st day of June, 2015.

In the Matter of Proposed Amendment of	)	
4 CSR 240-20.065 and 4 CSR 240-20.100,	)	File No. EX-2014-0352
Regarding Net Metering and Renewable	)	
Energy Standard Requirements	)	

Comments of the Staff of the Missouri Public Service Commission

In the May 1, 2015, edition of the *Missouri Register*, the Missouri Public Service Commission Commission) published proposed amendments to 4 CSR 240-20.065 and 4 CSR 240-20.100. The proposed amendments are necessary to bring existing Commission rules in line with statutory changes to solar rebate and net metering standards and requirements and to clarify existing confusion with provisions related to the retail rate impact calculation. The Staff of the Missouri Public Service Commission (Staff) generally supports the proposed amendments to 4 CSR 240-20.065 and 4 CSR 240-20.100, but offers these comments on specific provisions of the amendments.

4 CSR 240-20.100 (5)(G). This proposed new section of the amendment calls for a "carry-forward" component to be incorporated into the overall required retail rate impact (RRI) calculation. Briefly, the carry-forward amount is calculated by comparing the actual amount of renewable energy standard (RES) compliance expenditures made by the utility in each year compared to 1% of its non-renewable generation and purchased power portfolio for that same year, with any positive or negative differential in the amount of actual expenditures being taken into account in calculation of the RRI percentage going forward. The effect of using a carry-forward provision in the calculation of the RRI is that, over any ten-year period, the actual rate impact to customers from RES compliance activities would be effectively capped at a 1% average cumulative rate impact over any ten-year period.

The Staff supports inclusion of a carry-forward calculation provision in the amendment, and agrees with the language on this point found in section (5)(G). The RRI provisions in the existing rule language called for the RRI calculation to be made on an entirely forward-looking basis over succeeding ten-year periods. Under this approach, large RES compliance expenditures made in any one year would not be accounted for in any way in calculating the permissible cap amount over the next ten years, and it is possible under that approach that the actual rate impact to customers from compliance with RES might greatly exceed 1% on an average annual basis over a ten-year period. In this event, the RRI cap would be largely ineffective as a means of setting an upper limit on the amount of rate recovery sought from customers due to RES compliance activity.

A numerical example will illustrate this significant potential problem with the existing rule language regarding the RRI calculation.

- Assume a utility's average non-RES revenue requirement over a ten-year forward looking period (Years 1 – 10) is $100 million.

- Under the RRI cap, calculated using the required ten-year average "cumulative" approach, that utility's RES compliance expenditures should be limited to $10 million over that ten-year period (($100 million x 1%) x 10 years).

- Then assume in Year 1, the utility spends $5 million on RES compliance costs (for example, both generation addition and procurement costs, and solar rebate payments).
    - The amount spent in Year 1 equals one-half of the calculated RRI cap limit for Years 1 - 10.
    - However, for purposes of calculating the RRI for the next ten year period (Years 2 – 11), the RES compliance expenditures made in year 1 are not taken into account in any way, since the RRI is calculated on an entirely forward looking basis.

- Then, assume that the RRI cap amount remains the same for Years 2 – 11 as it was for Years 1 - 10 (i.e., the cap amount remains $10 million dollars).
    - Then, assume in Year 2 the utility again spends a total of $5 million in total compliance costs. In this scenario, the utility will have expended an amount equal to the RRI cap for Years 1 – 10 in the first two years of that analysis period.

The problem is the combined actual RES compliance expenditures made in Years 1 and 2 will not factor in any way into the RRI cap calculation for Years 3 – 12 and succeeding ten-year periods, in the same manner that the compliance expenditures made in Year 1 were not accounted for in the RRI calculation for Years 2 -11. Under this approach, it is very probable that the utility will be required to make material additional RES compliance expenditures in years 3 through 10, with the end result that customers could potentially pay far more than an average increase of 1% over the Year 1 – 10 period (and succeeding ten-year periods) for RES compliance activities.

Under the existing rule language, it is theoretically possible that a utility might have to spend an amount equal to the ten-year RRI cap limit each and every year, meaning the rate impact on customers from RES compliance activities would be ten times higher than the stated one percent average rate impact stated in the statute and rule.

The proposed carry-forward language in amended Section (5)(G) addresses this concern. Assuming the same scenario discussed above:

- The $5 million RES compliance expenditure in Year 1 would be "carried forward" for purposes of the Year 2 – 11 RRI cap calculation

    - With the effect that the utility would be limited to making RES compliance expenditures for years 2 through 10 of approximately $5 million
    - For total RES compliance costs of $10 million for years 1 – 10, equal to the RRI cap limit for that period. ($10 million - $5 million Year 1 expenditure = $5 million for Years 2-10).
- This mechanism would also enforce an effective 1% average rate limit over succeeding ten-year periods.

In Staff's view, the carry-forward concept included in the amendment would better balance the goals of utilizing more environmentally-friendly renewable generating resources in Missouri with maintaining reasonable and affordable rates for Missouri electric consumers, and should be approved.

4 CSR 240-20.100 (8)(J) This proposed new section of the amendment includes reporting requirements for acquisition of electrical energy and/or renewable energy credits (RECs) from customer generators. The Staff supports inclusion of these reporting requirements and agrees with the language found in section (8)(J). The language proposed in (8)(J) would require similar reporting as section [(7)](8)(I) but is tailored specifically to customer generators.

The reporting requirements would assist Staff in reviewing the aggregation of customer-generated S-RECs which are transferred to the utility as a condition of receiving a solar rebate. After a period of ten years from the operational date of each customer's system, the utilities no longer have the rights to the S-RECs produced. The reporting requirements would assist Staff in verifying when the utilities' rights to these S-RECs expire.

By providing this information in the compliance report rather than through a data request, the process of S-REC aggregation becomes transparent to all parties. It also benefits Staff to obtain information in the compliance report rather than taking time out of the review period to request this data.