

Regulatory Assistance Project Electric Resource Long-range Planning Survey¹
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Policies

1. Is any form of long-range electrical resource and/or investment planning required?
 Yes No

2. If yes, what planning processes are going on?

Informal resource plan meetings

3. Please describe (the process). (Who files what, when, how often? Who analyzes filings? Formal docket? Who responds? Who are regular parties? How is it used?)

Missouri has had IRP rules in place since the early 1990s. Currently, however, the utilities operate under a waiver that allows them to opt out of the IRP process and instead participate in semi-annual informal resource plan meetings with Commission staff. During the meetings, the utilities update Commission staff about their plans. The Office of Public Counsel is involved in the process, and in recent years, the Department of Natural Resources has also been involved. Other intervenors, such as industrial groups, may be invited, depending on the utilities involved; this occurs on a case-by-case basis.

In December 2005, the waiver will expire and Missouri will be returning to an IRP process. Revisions are expected to the IRP rules, but a docket has not yet been opened.

4. Is it statewide or utility-specific planning? What types of entities are required to participate?

¹ All responses written from notes compiled and edited by Liz Baldwin, RAP researcher. Corrections to the draft document, suggested by the contact person(s), have been incorporated.

It is utility-specific, and only IOUs participate in the planning process.

5. Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?

Historically, there has not been a relationship. Utilities in Missouri don't need PSC siting authority for generation or transmission construction within their own service territory, and by statute, there can be no rate recovery of building expenses until a new plant is in service.

Recently, two utilities have come to the PSC requesting "regulatory plans" that can be used to help them obtain financing from lenders for new plants. The plans are comprehensive 5-year plans that include the new capital investments and are used to inform potential lenders about the soundness of the utilities' resource decisions and likelihood of inclusion in rates. These regulatory plans are unique, and while the process is evolving as the need for capacity grows, it is possible that in the future, there may be a connection between this financial planning process and the IRP process.

6. This form of planning has been required since what date?

The waiver process was put in place in 1999. The existing IRP rules have been in place since 1993.

7. How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?

Enforcement has not been needed, partly due to the informal nature of the process, but also because new capacity has not been needed. If enforcement was necessary, it would occur in the context of a rate case.

8. Is anything similar required for natural gas-related planning? Yes No

If yes, what is that process called?

Required Elements

9. Back to (the electric resource process). Which of the following resources must be explicitly evaluated/included:

Generation
Transmission
Distribution
Energy efficiency

Load Management

Other demand side measures

Specific generation (e.g. renewable, distributed)

Others Typically EE is discussed only as it applies to low income customers.

Load management is discussed as it applies to interruptible or load curtailment programs. There has been some discussion of wind energy, but this is not a requirement.

What tests must be included/utilized?

For supply, present-value revenue requirement (PVRR) is looked at, but is not necessarily the final consideration. Risk is also considered, by considering the revenue requirement for a variety of scenarios. For DSM programs, there are no tests that must be included.

10. Describe the analysis required by the regulatory body (what is compared to what to make decision? How are resources compared to each other? Cost with one set of resources vs another, economic, environmental?)

No specific analysis is required by the PSC; utilities are responsible for developing their preferred methods. During the informal meetings, the utilities demonstrate their analysis, and PSC staff look at it to determine its reasonableness.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

Utilities are expected to consider a range of gas prices, particularly since gas is a major driver of the purchase power market, and recently added capacity has generally been gas powered. The utilities are also expected, at a minimum, to consider high and low demand forecasts and to consider the risk of future federal controls on emissions or other environmental regulations.

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? Yes No

Demand side programs have received little consideration under the informal process, although the previous IRP rules gave equal weight to supply and demand side options. (Currently, only one utility in the state has proposed DSM programs.) Supply costs are low enough in the region that T&D upgrades are generally not considered as viable alternatives, and a comparison of this kind is not required.

13. The plan's objectives, from the regulatory perspective:

To stay informed about utilities' current and future activities, and to have some input in their planning process.

14. The plan's objectives, from the utility perspective:

For some utilities, the objective is to receive assistance and expertise from the PSC. For others, the main objective is to fulfill their planning requirement.

15. Are alternative scenarios analyzed as part of the plan? Yes No
Different scenarios are analyzed based on varying demand forecasts, fuel costs, emissions regulations, and technology changes. Economic and weather related shifts are considered indirectly, through varying demand forecasts.

Are externalities considered? If so, which ones and how are they considered?

Consideration of externalities is not a requirement, either under the old rules or as part of the current process, although it has been done by some utilities.

16. What is the planning horizon?

The horizon varies from utility to utility. The range is between 10 and 20 years.

Length of Energy and Demand forecasts Varies by utility; see above.

Length of Short-term Action Plan None

17. How often do utilities have to file plans? Update plans? What actually happens?

Utilities meet with PSC staff every six months.

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

Monitoring occurs during the planning meetings, through rate cases, and through any related actions filed with the PSC. There are no consequences for non-compliance with the plans, but in order to receive rate treatment for capital investments, a project must be deemed "used and useful". For DSM programs, used and useful wouldn't apply, but the PSC would need to examine the program to ensure that it benefits ratepayers before rate treatment would occur.

19. Are environmental issues considered in the planning process? Yes No
If yes, please describe.

Environmental issues can be considered in a number of ways. In the informal process, there are long-range considerations about how to deal with older plants. The cost of environmental compliance, and the future cost of new regulation, is also considered. In the formal process, environmental issues are more explicitly considered.

20. Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?

Unknown.

Agency Process

21. Is there a formal acceptance and/or acknowledgement process used for the resource filing? Yes No

22. Does the agency hold public hearings on draft/final utility plans? Yes No
If not, describe what does happen.

There is no public input per se. Certain intervenors are invited to participate in the meetings.

If yes, what is the duration of the public hearing process?

23. Other ways the public participates and comments on plans are:
(Prompts if needed: email or mailing lists, interactive web sites)

None.

24. What action can the Commission take on the plan(s)?

Review it

Accept it

Approve it

Reject it

Acknowledge it

Require utility to modify and resubmit it

Other The Commission takes no action, unless the plans get into another case in some manner.

25. Have resource acquisition decisions changed as a result of the planning process?
 Yes No

[If "Yes", get recent example (docket number, etc.)]

In one instance, a utility's plan included the use of wind energy for baseload, with gas used for to increase capacity when needed. The PSC staff determined that this strategy would expose customers to price risks, particularly in the summer, when more energy is needed but fewer wind resources exist, and more use of natural gas would be needed. Based on staff input, the utility revised its plan to include a coal plant for that baseload.

26. Are competitive processes used to acquire new resources? Yes No
Some of the smaller utilities use competitive processes. It is required for one utility as a result of a case.

27. If yes, do you require regulatory review and approval of the competitive solicitations used?

For the utility required to use competitive bidding, the solicitations and the resulting bids are reviewed by PSC staff.

28. Do utilities file an energy efficiency or DSM plan? Yes No
If so, is it separate or integrated with other plans?

If a utility has any DSM programs, the impact must be included in the demand forecasts.

29. Is competitive bidding used to acquire EE resources? Yes No

30. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? Yes No

31. Citation and description:

Docket EO-2005-0263 and EO-2005-0329 include the regulatory plan information (described in Question 5) for Empire and Kansas City Power and Light, respectively. Docket EO-2005-0293 deals with a similar plan for Aquila.

32. Are utility plans available on-line? Yes No If so, what is the address?

Resource plans are not available online. (The regulatory plans, minus some appendices, are available from the Commission website through their Electronic Filing and Information System EFIS).

Is on-line publication voluntary or mandatory? Voluntary

33. Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:

The Unanimous Stipulation and Agreement reached in Case EO-99-365 governs this Alternative process. The rules governing the former IRP process are still on the books. They are found in 4 CSR 240-22
<http://www.sos.state.mo.us/adrules/csr/current/4csr/4c240-22.pdf> .

34. Do you anticipate any changes to this process in the near future? Yes No
If yes, please describe.

As IRP is returned to, there could be some revisions to the rules. The major components of the plans -- load forecasting, analysis, risk analysis, supply side

planning -- are expected to remain the same, but some amount of revision is anticipated.

35. Does your state do performance-based regulation? Yes No
If so, please describe briefly.

36. If your state uses PBR, is successful compliance with an approved resource plan one of the areas subject to incentives or penalties? Yes No

37. Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables? Yes No (Examples: lost revenue recovery, shared savings, bonus rate of return) If so, please describe briefly.

The regulatory plans include some provisions for DSM programs. Under these provisions, DSM-related costs will be collected into an account and amortized over 10 years, and the utilities will get a return on those costs.

38. Do any tariffs include a fuel/purchased power clause? Yes No
If so, how does it work?

New legislation signed in July 2005 has enabled fuel clause, but the details have not yet been determined.

39. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)? Yes No
If so, please describe, including how the mandate relates to power vs. RECs.

State Energy Plan

40. Is there a State Energy Plan? Yes No
41. Is it connected to the planning described above? Yes No
42. If yes, who is responsible for the Plan?

A few years ago the Governor appointed an Energy Policy Council, but this process didn't result in a comprehensive plan.

43. What is included in the Plan, apropos of long-range electrical planning?