Regulatory Assistance Project Electric Resource Long-range Planning Survey¹

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Name of Agency: Missouri Public Service Commission (PSC)
Source: Phone interview, faxed document, email

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Policies

1. Is any form of long-range electrical resource and/or investment planning required?

Yes

2. What is it called?

The current procedures are detailed in the Appendix (Alternative to Electric Utility Resource Plan Filings) of the Unanimous Stipulation and Agreement filed in Case No. EO-99-365. The meetings with the utilities are referred to as resource plan update meetings. There is no name for the process.

3. What is the process?

Missouri operated under more traditional IRP rules from 1993 through 1999, when a variance adopting the Stipulation and Agreement went into effect. The electric utilities filed a petition to rescind the IRP rules due to the environment of uncertainty making it difficult to do long-range forecasting and planning. The rules were not rescinded, but the utilities were allowed to proceed under this variance. The present process is the result of a negotiated settlement.

Under the alternative process, the PSC staff and the Office of Public Counsel (OPC) meet individually with utilities twice a year to review supply and demand forecasts and plans. The proceedings are confidential due to competitive issues.

The IRP rules are still on the books, and the PSC can go back to them if this process doesn't work.

¹ All responses written from notes compiled and edited by Cathie Murray at RAP. Any corrections to the draft document, suggested by the contact person, have been incorporated.

4. Describe the analysis required by the regulatory body.

While the IRP rule is very descriptive about the requirements of the resource planning process, the settlement allows the utilities to deviate from these requirements. Typically the utilities describe their short term (summer peak) and long term demand projections, including sales to wholesale customers, supply sources and future needs. They report types of generation and/or purchases to meet demand growth and/or supply retirements, including any planned alternatives to generation capacity additions such as build vs. buy options, affiliate transactions, and transmission constraints and planned/active transmission upgrades. Once per year they discuss expected responses to any regulatory or restructuring changes, and low-income programs.

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

It is utility-specific. Although the PSC regulates safety issues regarding electric cooperatives, only IOUs must participate in this planning process.

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

Since 1999.

Required Elements

7. Which of the following resources must be evaluated/included:

Generation Yes
Transmission Yes
Distribution No
Energy efficiency Optional
Load Management Optional

- 8. Is a comparison of supply and demand side options/resources required? No
- 9. The plans' objectives, from the regulatory perspective:

Assurance that utilities will meet needs, that they are including risk analysis in their planning process, and they are planning to meet their obligations in a cost-effective manner.

10. The plans' objectives, from the utility perspective:

Same as above, and to bring regulators up to speed on plans, so there are no surprises during rate cases.

11. Are alternative scenarios analyzed as part of the plan? Yes If so, what factors are considered?

Typically the utilities analyze different types of generation that might be built over a ten or more year period. They also analyze the scenarios given higher and lower growth rates, different fuel prices and potential environmental regulations.

12. Are externalities considered? Economic No Environmental No

- 13. What is the planning horizon? 5 year minimum, up to 20 years
 Length of Energy and Demand forecasts: 5-10 years
 Length of Short-term Action Plan: As needed. The PSC looks at the "capacity balance sheet" over a 5 to 10-year period. They expect an action plan to balance capacity with demand and reserve margins.
- 14. How often do utilities have to file plans? Update plans? What actually happens?

Regulated utilities must meet with the PSC Staff and OPC a minimum of two times per year to provide an update of their plans.

15. What monitoring or other processes are used to determine consistency of investments with plans?

The PSC does not pre-approve any plans or resource additions. During rate cases all factors leading to cost of service are investigated. The PSC performs an "in service criteria test" to make sure the new plant is used and useful. Utilities do <u>not</u> need PSC siting authority for generation or transmission construction if it is in their service territory.

16. Are environmental issues considered in the planning process? Yes

The cost of compliance with environmental regulations is considered.

Agency Process

- 17. Agency holds public hearings on utility plans
- No
- 18. Other ways public participates and comments on plans are:

The Office of Public Counsel represents the public in these meetings. As a result of a complaint filed with the PSC, the Department of Natural Resources was able to participate in recent planning meetings with the state's largest utility.

19. What action does the Commission take on the plans?

The Commission itself takes no action. The PSC Staff communicates what its likely opinion in subsequent rate cases will be about certain strategies (e.g. build vs. buy; reserve margins, affiliate transactions).

20. Have resource acquisition decisions changed as a result of the planning process?

Yes. Although it's difficult to credit changes directly to the process, there is no doubt that the utilities' plans have changed from meeting to meeting, and appear to be responsive, in part, to concerns raised by PSC Staff.

21. Are competitive processes used to acquire new resources? Yes, RFP's are used.

22. Do utilities file an energy efficiency or DSM plan? Yes

The utilities have to show the impact of DSM programs on load forecasts.

23. Is competitive bidding used to acquire EE resources? Not usually.

Most utilities use traditional vendors for programs.

- 24. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments?
- 25. Citation and description:

The PSC just finished a lengthy complaint case, Case EC-2002-1, charging that a utility had significantly over-earned. Items reviewed included transmission upgrade and generation investments.

26. Are filed plans available on-line?

No

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

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.

28. Do you anticipate any changes to this process in the near future?

There are no discussions to change this process at present. It is possible that the Department of Natural Resources will pursue the opportunity to be present at more utilities' meetings with PSC Staff.

29. Does your state do performance—based regulation?

The only type of performance-based regulation that the PSC currently allows for electric utilities is rate moratoriums. During the rate moratorium period, the utilities are allowed to earn whatever rate of return they can. Currently two of the electric utilities are under rate moratoriums. There may be some in telecommunications.

State Energy Plan

30. Is there a State Energy Plan?

The Governor appointed a task force, the Energy Policy Council, to provide comprehensive energy policy recommendations. A draft report is being composed currently.

31. Is it connected to the planning described above?

Some of the information from the PSC planning process is available in an aggregate form to the Energy Policy Council.

32. If yes, who is responsible for the Plan?

The Governor appointed the members, including the Chair of the PSC. A key person staffing the effort is Brenda Wilbers, the Department of Natural Resources Energy Center, 573-751-8509.

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

The PSC staff contributed an aggregated supply/demand portfolio to the effort.