2011 Legislative Agenda

Electric Renewable Energy Standard – Prop C
Site Permit
Rate Case Cycle Adjustment / OPC Funding
Water ISRS
Natural Gas PGA Bad Debt Recovery

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The purpose of MEDA is to develop, organize, and promote measures that will advance the ability of investor-owned utilities to **BUILD, MAINTAIN, PROTECT, and PROVIDE** the utility infrastructure and services that are critical to the economic well being of Missouri businesses.

MEDA Members are the investor-owned electric, gas, and water utilities in the state. Our companies are comprised of:

Ameren Missouri – St. Louis, MO  
Atmos Energy – Dallas, TX  
The Empire District Electric Company – Joplin, MO  
KCP&L – Kansas City, MO  
The Laclede Group – St. Louis, MO  
Missouri American Water – St. Louis, MO  
Missouri Gas Energy – Kansas City, MO

**Associate Members:**  
Missouri Public Utility Alliance—Columbia, MO  
Southern Missouri Natural Gas—Mt. Grove, MO  
Southern Star Central Gas Pipeline—Owensboro, KY

MEDA is a broad based trade association spreading across multiple industries and covering all regions of Missouri.

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Did You Know?

• MEDA member companies have a combined total of 3,837,322 customers in Missouri.

• MEDA member companies employ more than 11,500 people.

• From 2007-2009, MEDA member companies spent over $4.8 billion on capital expenditures.

• MEDA member companies and their employees contribute millions of dollars and thousands of hours in helping others in their communities.
Electric Renewable Energy Standard — Prop C

In November 2008, Missouri votes passed Proposition C, which requires that investor-owned utilities generate 15% of their electricity from renewable sources by 2021. Voters also agreed that this new renewable energy standard would not result in electric rates being more than 1% higher than they would be absent this requirement for consumers.

Over a period of months, starting in late 2009, the Missouri Public Service Commission (PSC) hosted several workshops with stakeholders to develop a “final” rule that was initially published on June 2, 2010. Three provisions of the rule went beyond what the voters approved when they voted for Prop C: 1) 1% Retail Rate Impact; 2) Solar Standard Offer Contract, and; 3) Geographic Sourcing/Bundling. The Joint Committee on Administrative Rules (JCAR) held 3 hearings on the PSC rule. During the JCAR process the PSC made the Solar Standard Offer Contract a voluntary provision, but did not fully address the investor-owned utilities concerns with regard to 1% Retail Rate Impact or Geographic Sourcing/Bundling. Specifically, is the 1% rate cap as set out in Proposition C truly 1% and what is the purpose of purchasing a Renewable Energy Credit to comply if the renewable energy project is mandated to be local, regardless of cost or competitiveness? On July 1, 2010, JCAR exercised its authority to disapprove only 2 sections of the rule that dealt specifically with Geographic Sourcing/Bundling.

MEDA supports a concurrent resolution to permanently disapprove and suspend the 2 sections of the rule as decided upon by JCAR that deal specifically with Geographic Sourcing/Bundling. The concurrent resolution must be approved by the legislature within the first 30 legislative days of the session. It is important that the ability for JCAR to procedurally review state agency rules be upheld, and in this case, ultimately protect Missouri consumers from increased costs.

In addition, MEDA supports additional legislation to align specific provisions of the PSC rule with the law voters approved in 2008.
Site Permit

The average age of the coal-fired power plants that provide about 80% of Missouri’s electricity is 40 years. Within the next 20 years, many of these plans could face retirement as they age and face ever more stringent environmental regulations.

Given the uncertainties of how best to replace aging power plants, the potential impact of anticipated federal regulations, and projected increase in demand of about 25% over the next 20 years, and continued consideration of federal emission regulations that would drive up the cost of power derived from fossil fuels, Missouri must keep open all options for new power generation. This is particularly true for nuclear power because it may be our state’s best strategy for keeping electric rates low over the long-term. All of Missouri’s electric service providers (cooperative, municipal and investor-owned utilities) support moving ahead with obtaining an Early Site Permit (ESP) for an additional nuclear plan at the Callaway site.

The cost to residential customers to keep nuclear power as an option for Missouri’s energy future is less than $2 per year. Missouri and its electric service providers must make long-range plans to replace aging plants as they are retired and to meet increasing electricity demands.

MEDA supports legislation in the 2011 legislative session that would allow investor-owned utilities (IOUs) to recover the costs for a site permit application, but only after the permit is actually issued, which would be sometime after 2014. Under the consumer protections in the proposed legislation, IOUs could not recover site permit costs until the permit is obtained; the costs would be returned to consumers if the permit is sold to another company; and costs would only be recoverable if the Missouri Public Service Commission (PSC) determines that they are prudent.

The construction of a second nuclear plant would create approximately 3,000 new construction jobs and an additional 8,000 indirect jobs during the six-year construction period, with a positive impact on Missouri’s economy of more than $1.2 billion per year.

Rate Case Cycle Adjustment/OPC Funding

MEDA and its member companies recognize the desire of all impacted parties to be represented appropriately in the regulation of Missouri energy providers. The Office of Public Counsel (OPC) is no exception in their role as an advocate for residential and small business customers. As such, we continue to support adequate funding from Missouri’s General Revenue for the OPC. Absent adequate GR funding, any move to provide assessment funding from our customers (as the Missouri Public Service Commission is structured) should be combined with improved efficiency in the regulatory process.
**Water ISRS**

Since it became law in 2003, Missouri’s Infrastructure System Replacement Surcharge (ISRS) has been a successful means of accelerating the process of replacing aging water pipelines in St. Louis County. Between October 2008 and January 2010, Missouri American Water invested over $52 million in water main upgrades to support public health, safety and economic development in St. Louis County, at a cost of about $1.07 per month on the average residential customer’s bill.

Based on an eight-year successful ISRS track record, MEDA supports legislation to allow water systems not under the original ISRS to use the process to accelerate their system upgrades. The potential benefit is enormous. For example, based on a modest one-half of one percent water main replacement rate in Joplin, St. Joseph and Jefferson City, approximately 30,000 feet of pipe in need of upgrading could be replaced annually for a cost of less than $1 a month for the average customer.

**Natural Gas PGA Bad Debt Recovery**

Natural gas bills are comprised of two basic components: the cost of the gas, referenced as the Purchased Gas Adjustment (PGA), and the non-gas or the fixed cost portion. The PGA represents approximately 65% of a customer’s bill and is the amount the utility pays suppliers for the gas and related costs. Bad debt expenses for natural gas customers are entirely embedded in the fixed cost portion even though the gas cost represents a much greater percentage of the overall bill.

MEDA supports legislation that would allow the recovery of the gas cost part of bad debts in the PGA component of the bill. It would also true up that portion to actual costs, not utilize historic estimates as the system operates today. Because the major drivers of bad debt (weather extremes, cost of gas, social policy, the economy, etc.) are largely uncontrollable, historic estimates are rarely accurate. The PGA would also serve as a better mechanism because it would allow periodic Public Service Commission (PSC) approved modifications (up or down) in gas cost bad debt recovery without the filing of an expensive rate case. This process would improve the present system and protect consumers from over payment and utilities from financial risk.