AGGRESSIVE PURSUIT OF DSM
Challenges in Missouri

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ENERGY EFFICIENCY IS A PREFERRED RESOURCE

• Several appealing attributes:
  – Mitigates capital expenditure exposure to large baseload plants and environmental retrofits
  – Mitigates environmental exposure
  – Improves customer satisfaction

• Aligning utility financial incentives is critical:
  – Traditional ratemaking does not support demand-side resources
  – Utilities cannot ignore significant negative financial impacts to shareholders associated with energy efficiency
  – As savings levels increase so do the negative financial impacts
• Realistic Achievable Potential = 7% reduction of 2030 load.
• Maximum Achievable Potential = 11% reduction of 2030 load.
• Source: Ameren Missouri DSM Market Potential Study
FIXED COST RECOVERY IS OF CRITICAL IMPORTANCE

- Program Cost Recovery is Important
  - Contemporaneous expense recovery helps cash flows
  - Expensing offers more stability to funding levels
- Fixed Cost Recovery is Critical
  - Energy efficiency efforts put full recovery of fixed costs at risk
  - Negative financial effects compound between rate cases

Rate Design in Missouri

Costs

- Variable Costs (Net Fuel)
- Fixed Costs

Collection Method

- Fuel Rider
- Volumetric Rate

Fixed Customer Charge

AT RISK
NOTEWORTHY STATE REGULATORY CHALLENGES

• Revenue collection through riders is not allowed in Missouri unless specifically authorized by the legislature
  – Reduces flexibility and responsiveness to market conditions

• Decoupling in Missouri
  – Not politically ripe
  – Probably not Straight Fixed Variable for electricity
  – Revenue Per Customer model would likely rely on frequent adjustments outside a rate case
  – Could increase negative impacts of regulatory lag
CONCLUSIONS

• DSM offers benefits to utilities and customers

• Fixed Cost Recovery poses significant financial risk

• As a result, Ameren Missouri has proposed a fixed cost recovery mechanism in our ongoing rate case

• Aligning utility incentives is a necessary link to the aggressive pursuit of energy efficiency