Missouri Energy Task Force

Status Report

December 2008

Missouri Energy Task Force

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Speaker of the House, Rod Jetton
President Pro Tem of the Senate, Michael Gibbons
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Senator Kevin Engler
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Foreword

This report is prepared in accordance with SB 1181, which was truly agreed to and finally passed during the Second Regular Session of the 94th Missouri General Assembly (2008). This legislation, in part, directs the Missouri Energy Task Force, created by Gov. Matt Blunt through Executive Order 05-46, to reconvene at least one time per year for the purpose of reviewing progress made toward meeting the recommendations set forth in the Task Force's final report in 2006.

Overview

Executive Order 05-46, created the Missouri Energy Task Force and charged it with making specific recommendations to the governor on the following topics:

1. Lessen Missouri's dependence on oil and other fossil fuels;
2. Assist Missourians who need help paying their winter heating bills;
3. Promote the development of alternative fuel sources in ways that strengthen the farm economy of rural Missouri; and
4. Encourage Missouri utilities to develop and operate electric power generation resources to provide low-cost electricity well into the future.

This status report considers these recommendations in the order established by the original report, and in the context of the Task Force Action Plan that was released with the original report.

Recommendations and Status Update

I. <u>Recommendation to Maintain, Upgrade and Expand our Existing Utility Infrastructure and Improve Reliability.</u>

Goal 4: Encourage Missouri utilities to develop and operate clean and affordable power generation well into the future

<u>Action Item 1:</u> The Missouri Public Service Commission (PSC) and the Missouri Department of Natural Resources (DNR) shall provide for the continuing operation of cost-effective and environmentally sound generation resources to meet existing needs.

<u>Status</u>

- As of May 2008, Missouri's residential electric customers were paying the fifth lowest electric rates in the country. Commercial class rates were the second-lowest in the nation and industrial rates were sixth-lowest. (source: U.S. Department of Energy, see attachment)
- Between 2000 and 2008, the aggregate electric rates paid by Missouri residential customers declined by an average of 10 percent. During the same period, aggregate electric rates paid by residential customers nationwide increased by an average of 24.1 percent. (source: BusinessWeek, July 24, 2008).
- Missouri was one of only three states in the country that did not have the state average electric rate go up between 2000 and 2008.

- The PSC approved innovative experimental regulatory plans for Kansas City Power and Light (EO-2005-0329) and the Empire Electric District (EO-2005-0263).
- Integrated Resources Plan filings have been re-instituted and updated for Kansas City Power and Light (EE-2009-0237)and the Empire Electric District (EO-2008-0069), AmerenUE (EO-2007-0409) and Aquila (EO-2007-0298) to assure adequate generation and service of essential utilities.
- The Department of Natural Resources has intervened in utility regulatory rate cases to advance the use of energy efficiency and demand-side management programs.
- The PSC has implemented Fuel Adjustment Clauses as authorized by the Legislature for Empire District Electric (ER-2008-0093) and Aquila (ER-2007-0004) to reduce the impact of generation fuel pricing volatility, apportion prudently incurred fuel costs between utilities and consumers, and to help utilities access capital markets essential to maintain infrastructure and sustain optimal operations.
- The PSC is working to implement an Environmental Cost Recovery Mechanism as authorized by the Legislature to reduce the impact of state and federally mandated environmental projects, reduce carrying costs between rate cases, and to help utilities access capital markets essential to maintaining infrastructure and sustain optimal operations.
- Full rate cases have been conducted by the PSC for all investor-owned electric and gas utilities in which utility providers were required to justify rates and affirm quality of services: AmerenUE (ER-2007-0002 & GR-2007-0003) Aquila (ER-2007-0004) Empire (ER-2008-0093) Atmos (GR-2006-0387) Laclede Gas (GR-2007-0280) MGE (GR-2006-0422) Missouri Gas Utility (GR-2008-0060) and Missouri Southern Gas (GR-2000-0485).
- The PSC authorized the acquisition of Aquila by Great Plains Energy in hopes of achieving synergies and improving operations.
- The PSC has promulgated detailed rules requiring regular inspections of electric system infrastructure (4 CSR 240-23.020), vegetation management (4 CSR 240-23.030), and tracking and improvement of system reliability (4 CSR 240-23.010).

Action Item 2: The PSC should continue to require investor-owned utilities to maintain capacity reserve margins in compliance with regional reliability requirements.

Status

- The electric utilities regulated by the PSC are maintaining reserve margins in the range of 12 percent to 16 percent to minimize the additional costs of off-system energy purchases and to maximize reliability and availability of essential utility services.

- Most of the investor-owned electric utilities are members of Regional Transmission Organizations (RTO), which allow the electric utilities access to available generation from other electric utilities in their RTO.

Action Item 3: The PSC should continue to work with the Midwest Independent Transmission System Operator (MISO) and the Southwest Power Pool (SPP) to develop firm, long-term transmission rights from generating plants to the customers they are serving.

- The PSC is aggressively pursing securing transmission rights through involvement with the Organization of MISO states and activities involving the Federal Energy Regulatory Commission for not only access to local generation customer accessibility but in the area of transmission corridors that may be developed as part of large-scale renewable transmission systems.

Action Item 4: The PSC should continue to work with MISO and the SPP on expanding transmission infrastructure where such transmission will help reduce wholesale power costs and improve deliverability and power flows.

Status

- The PSC continues to be actively engaged with MISO and SPP in efforts to improve transmissions systems to realize wholesale cost savings and improve deliverability. It is expected that SPP will approve a transmission expansion plan in January 2009 that will provide both economic and reliability benefits to the transmission system.

Action Item 5: The PSC should work to develop more fluid seams agreements between Missouri utilities.

Status

- The Missouri PSC, through its membership in the Regional State Committee (RSC) for the Southwest Power Pool, is considering hiring outside consultants to help facilitate better seams agreements between regional transmission organizations (RTOs) and Missouri utilities.

Action Item 6: The PSC should continue to investigate cost-effective opportunities for demand response programs that will enhance the reliability of the system.

Status

- All four of Missouri's major investor-owned electric utilities have implemented demand-response programs for their largest customers.

- Kansas City Power and Light has implemented a successful demand response program for its residential and small commercial customers.
- The other investor-owned utilities continue to evaluate demand response programs as a part of their resource planning process.
- The PSC and DNR staffs continue to work through regulatory proceedings and through collaborative groups, with other state agencies, interested parties and the utilities to establish demand response programs and to measure their effectiveness.

Action Item 7: The PSC should review and revise the PSC's Integrated Resource Planning rules, as necessary to ensure that cost-effective energy, efficiency conservation and verifiable demand response programs are given the same consideration as supply side resource options.

Status:

- The PSC is continually reviewing the electric utilities IRP compliance filings and rules to achieve cost-effective energy, efficiency, conservation and demand response programs.
- The PSC has hired MSB Energy Associates to assist the Commission in the first major rewrite of the Commission's integrated resource planning rules since their inception more than 15 years ago. The Commission expects to propose changes to the existing rules by December 31, 2009, including language that demand response programs, energy efficiency programs and renewable energy resources are given equal treatment with traditional supply-side resources.

II. Recommendations to Lessen Missouri's Dependence on Oil and Promote the Rural Farm Economy:

Goal 1: Lessen Missouri's dependence on oil and other fossil fuels

- Current annual ethanol production capacity in Missouri is now approximately 275 million gallons.
- Current biodiesel production capacity in Missouri is approximately 158 million gallons. Approximately 60 million gallons in capacity are under construction with an expected production date of on or before March 1, 2009 (source: Missouri Department of Agriculture).

Goal 3: Promote the development of alternative fuel sources in ways that strengthen the rural farm economy.

- All ethanol production facilities in Missouri are either majority or wholly owned by farmers.
- All biodiesel production facilities in Missouri are either majority or wholly owned by farmers.

- Biodiesel production facilitates currently under construction will be farmer-owned.

Action Item 1: The state should require the use of at least 10 percent Ethanol-blended gasoline in Missouri by 2008.
Status

HB 1270, (93rd General Assembly, 2006) RSMo. Sec. 142.031 and 142.029, Missouri Renewable Fuel Standard Act.

- Requires that on and after Jan. 1, 2008, all gasoline sold or offered for sale in Missouri at retail shall be fuel-ethanol blended gasoline.
- If distributors are unable to obtain fuel ethanol or ethanol-blends at the same or lower price than unblended gasoline, the sale of the fuel will not be a violation of this Act.

- Alternative Fuel Incentives: RSMo 142.028, 142.029, 142.031:
    - Section 142.028 establishes the Qualified Fuel Ethanol Producer Incentive Fund. Qualified, Missouri-owned producers of ethanol can receive a grant of $0.20 per gallon for the first 12.5 million gallons plus $0.05 per gallon for the next 12.5 million gallons produced from Missouri qualified agricultural products or biomass in the fiscal year. Qualified producers are eligible for 60 months, unless the producers failed, due to a lack of appropriations, to receive the full amount. In this case, producers shall remain eligible for 24 months or until they receive the maximum amount of funding for which they were originally eligible.
    - Section 142.029 establishes a sunset of Dec. 31, 2015 on Sec. 142.028, the Qualified Fuel Ethanol Producer Incentive Fund.
    - Section 142.031 establishes the Missouri Qualified Biodiesel Producer Incentive Fund. Qualified, Missouri-owned producers can receive a grant of $0.30 per gallon for the first 15 million gallons plus $0.10 per gallon for the next 15 million gallons of biodiesel produced from feedstock in a fiscal year. Producers are qualified for annual incentives for up to 60 months, unless producers fail, due to a lack of appropriations, to receive the full amount. In this case, producers shall remain eligible for 24 months or until they receive the maximum amount of funding for which they were originally eligible. This section contains a sunset date of Dec. 31, 2009. Producers qualifying before that date remain eligible for the incentives for which they were originally eligible.

SB 1181, (94th General Assembly, 2008) (RSMo. Sec. 30.750: Linked-Deposit Loans for Alternative Energy.

- Allows for low-interest loans through the linked-deposit loan program for eligible alternative energy operations producing and selling fuel or power from alternative (non-fossil) energy sources including solar, hydroelectric, wind and qualified biomass. SB 270, (93rd General Assembly, 2005) RSMo. Sec. 30.860 expanded the categories of eligible applicants for linked-deposit loans to include eligible facility borrowers, which are Missouri facilities using agricultural products to produce non-fossil fuels such as ethanol and biodiesel.

Action Item 2: The state should remove regulatory obstacles for renewable fuels.

Status:

SB 1270**,** Second Regular Session, 93rd General Assembly (2006) RSMo. Sec. 414.255: Missouri Renewable Fuel Standards Act

- Categorizes and clarifies renewable fuels standards and classes regarding ethanol, biodiesel, ethanol-blended fuels, and compounds and adopts ASTM International Standard D 4806 as the applicable benchmark standard.

SB 931**,** Second Regular Session, 94th General Assembly (2008) RSMo. Sec. 135.710**:** Tax Credit for Renewable Fuel Stations

- Creates an income tax credit for the costs of constructing a qualifying alternative fuel vehicle refueling property. The tax credit shall not exceed the lesser of $20,000 or 20 percent of the costs directly associated with the purchase and installation of any alternative fuel storage and dispensing equipment. The cumulative amounts of credits that may be claimed shall not exceed $3 million for tax year 2009. The limit is reduced to $2 million in tax year 2010 and further reduced to $1 million for tax year 2011.

HB 2058**,** Second Regular Session, 94th General Assembly (2008) New Generation Cooperative Incentive Tax Credits

- Extends the sunset date on the New Generation Cooperative Incentive Tax Credits to Dec. 31, 2016.

Action Item 3: DNR should work with Missouri automakers, other states, groups and the federal government to support the Corporate Average Fuel Economy (CAFÉ) standards.

Status

- Air quality officials at DNR have consistently worked with stakeholders to achieve workable air quality standards.
- On April 22, 2008, U.S. Transportation Secretary Mary E. Peters announced fuel efficiency standards would increase by 4.5 percent in the period between 2010 and 2015 -- a total improvement of 25

percent. For passenger cars, the proposal would increase fuel economy from the current 27.5 mpg to 35.7 mpg by 2015. For light trucks, the standard calls for increases from 23.5 mpg to 28.6 mpg (source: DOT 56-08)

Action Item 4: Revise Missouri Ethanol & Other Renewable Fuel Sources Commission (Section 414.420 RSMo. 2000) to focus on the development of all alternative fuels and expand the membership of the commission to include members that will provide subject matter and expertise.

Status

SB 54, First Regular Session of the 94th General Assembly (2007), RSMo. 414.772

- Renames the Missouri Ethanol and Other Renewable Fuel Sources Commission to the Missouri Alternative Fuels Commission and expands its membership from seven to nine members. The two additional members shall be appointed by the Governor, bringing the total number of Governor-appointed members to five. The Governor-appointed members shall be engaged in the production or sale of alternative fuels.
- The act directs the Commission to:
    - Make recommendations on legislation to facilitate the sale and distribution of alternative fuels and alternative fuel vehicles;
    - Promote the development and use of alternative fuel vehicles and other related technology;
    - Educate consumers about alternative fuels;
    - Develop a long-range plan to reduce petroleum fuel use;
    - Report annually to the General Assembly.

Action Item 5: DNR and OA should continue exploring cost-efficient opportunities to reduce the state's consumption of petroleum fuels in the state's fleet vehicles.

Status

- Between 2005 and September 2008, mileage reimbursements for state travel were reduced by $15 million.
- Gov. Blunt's Executive Order 07-09 give the Commissioner of Administration the authority to replace vehicles in the state fleet if it would reduce costs for taxpayers, and called for no less than 70 percent of the state vehicles to be flex fuel vehicles that can operate on fuel blended with 85 percent ethanol.
- Fleet Energy Efficiency

  Compared with fiscal year 2006, state employees drove 3 percent fewer miles in fiscal year 2007.

  All state entities that purchased new vehicles in fiscal year 2007

met or exceeded the fleet energy-efficiency requirements (state agencies are required to purchase CAFE-compliant vehicles).

- Purchase of Alternative-Fuel Vehicles

  State law required that 50 percent of all vehicles purchased be capable of using an alternative fuel. Sixteen agencies met this requirement; two did not. This is an improvement over fiscal year 2006.

  During the 2007 legislative session, the General Assembly passed and Governor Blunt signed into law (SB 54), which places more focus on purchase of alternative fuel vehicles by state agencies. The law, effective January 1, 2008, now requires that 70 percent of new state vehicles purchased must be capable of using 85 percent ethanol (E-85) alternative fuel. Now, 93 percent of the 2008 model year passenger vehicles in the State Fleet Information System are alternative fuel vehicles capable of operating on E-85. (This does not include vehicles purchased by the departments of Conservation, Transportation or the Missouri Highway Patrol. Fleet data for these agencies is not included in the State Fleet Information System.)

- Use of Alternative Fuels in State Vehicles

  For vehicles capable of using alternative fuels, state law requires that the appropriate alternative fuel be used in these vehicles 30 percent of the time. For fiscal year 2007, the percentage of alternative fuel use was 36 percent (which is a slight improvement over FY 2006).

- Efforts to Increase Efficiency and Alternative Fuel Use in State Vehicles

  The Department of Natural Resources Energy Center carries out a number of information and assistance efforts regarding energy efficiency and alternative fuel use in state vehicles: The Energy Center hosts an annual meeting of state/university/college fleet managers; provides information and staffing at rideshare/alternative fuel displays at state agency buildings in Jefferson City; provides alternative fuel signs for state agencies' fleet parking lots to remind employees to refuel with alternative fuels; provides window stickers and fuel door stickers to make sure employees know when they're driving alternative fuel vehicles and writes newsletter articles for state agencies' newsletters.

III. Recommendations to Reduce Missouri's Dependence on Oil and other Fossil Fuels.

Goal 1: Lessen Missouri's dependence on oil and other fossil fuels

Action Item 1: Missouri should continue to lead the state by example on energy efficiency and conservation issues.

1. The Office of Administration (OA) should construct new buildings to the 2006 International Energy Efficiency Code (IEEC), ENERGY STAR specifications or other stringent guidelines.

Status:

SB 1181, RSMo Sec. 8.295 - 8.837: Energy Efficiency in State Buildings

- Requires that up to 10 percent of the funds appropriated each year for the Facilities Maintenance Reserve Fund to be used for otherwise eligible projects that are also energy projects with a 15-year or sooner payback. This was accomplished by OA with the FY 2010 Facility Maintenance and Repair Budget that included approximately $13.5 million on lighting projects, laundry ozone projects, etc.
- Design documents submitted to the Office of Administration for new construction or substantial renovation of certain state building shall include a projection of the energy savings resulting from meeting the state minimum energy efficiency standard. OA has implemented this requirement.
- By Jan. 1, 2009, DNR shall modify the minimum energy standard to be as least as stringent as the 2006 International Energy Conservation Code (2006 IECC) or the latest version of the code. OA Facilities Maintenance, Design and Construction developed energy efficiency standards internally meeting this requirement and submitted those standards to DNR suggesting they be accepted.
- By July 1, 2009, all design for state buildings larger than 5,000 square feet involving new construction or renovation considered for purchase or lease shall comply with the minimum energy efficiency standard. O.A. may make exception for safety or in cases where the cost of compliance exceeds energy cost savings. This requirement has been implemented by OA.

SB 54, Section 1, First Regular Session of the 94th General Assembly (2007): State Requirement for Flex-Fuel vehicles in fleet.

- The Commissioner of the Office of Administration shall ensure that at least 70 percent of new state fleet vehicles are flexible fuel vehicles. The provisions of the act become effective January 1, 2008. Now, 93 percent of the 2008 model year OA fleet vehicles are E-85 capable.

Action Item 2: The state should promote the adoption of county and municipal energy efficiency codes on a county-by-county, city-by-city basis. The Missouri General Assembly should develop a Model Energy Efficiency Code for Missouri based on the 2004 IEEC; If the General Assembly does not adopt a code, the DNR Energy Center should develop and promote a code for first and second-class counties.

Status:

A model energy-efficiency code has not yet met with approval by the General Assembly. The Department of Natural Resources has indicated that budget allocations have not been approved for the development and promotion of an energy-efficiency code for first and second-class counties.

Action Item 3: Missouri should monitor the adoption of minimum efficiency standards for appliances

Status:

SB 1181, RSMO. Secs. 701.500 - 701.515: Product Energy Efficiency Standards.

Creates minimum energy efficiency standards for certain new products sold or installed in the state.

Action Item 4: Missouri should work to diversify its electric generation portfolio in a cost-efficient manner.

Status:

- The electric utilities regulated by the PSC are required to conduct detailed integrated resource planning. This process carefully considers, analyzes and identifies a range of resources for future construction that results in the lowest impact on future electric rates. Where cost-effective, this results in deployment of a range of electric generation resources. This process has been modified recently by initiative petitions and the Legislature as detailed below.

SB 54, First Regular Session, 94th General Assembly, RSMo. Secs. 393.1020 - 393.1040: Green Power Initiative.

- Creates the Green Power Initiative under which electric companies shall make good-faith efforts toward meeting the following renewable energy targets:
    - 4 percent of total retail electric sales from renewable technologies by 2012;
    - 8 percent of total retail electric sales from renewable technologies by 2015;
    - 11 percent of total retail electric sales from renewable technologies by 2020

SB 1181, RSMo. Sec. 143.121: Tax Incentives for Energy Efficiency

- Creates an income-tax deduction for either the cost of a home energy audit performed by a DNR-certified home energy auditor or for the cost of implementing any of the recommendations made by such an audit, or both. The deduction is limited to $1,000 per taxpayer per year, up to $2,000 cumulative lifetime total per taxpayer.

SB 1181, RSMo. Sec. 144.526: Show-Me Green Sales Tax Holiday

- Beginning in 2009, during a seven-day period beginning on April 19 and ending April 25 of each year, all sales of Energy Star certified new appliances will be exempt from state sales tax. Local political subdivisions may opt out at their choosing.

Proposition C, approved by voters on Nov. 4, 2008, RSMo. Secs. 393.1020 - 393.1030: Renewable Energy Standard.

- Establishes the Renewable Energy Standard under which the Public Service Commission shall proscribe by rule a portfolio standard for investor-owned electric utilities to generate or purchase electricity from renewable energy resources that constitute the following portion of each utility's electric sales:
    - No less than 2 percent for calendar years 2011 through 2013;
    - No less than 5 percent for calendar years 2014 through 2017;
    - No less than 10 percent for calendar years 2018 through 2020; and
    - No less than 15 percent in each calendar year beginning in 2021.

  At least 2 percent of the portfolio must be derived from solar energy. The resulting rate increase is capped at 1 percent of the company's total, non-renewable electric sales per year.

SB 54, RSMo. 386.890: Net Metering and Renewable Energy

- Requires retail electric suppliers to make net metering available to customers who have their own electric generation units that are powered by renewable resources.
- Missouri's regulated electric utilities have achieved significant deployment of energy efficiency and renewable resources.
    - Prior to January 1, 2009, Empire District Electric Company achieved the milestone of receiving 15% of their energy from renewable resources. Empire was the first electric service provider in the state to do this. They achieved this prior to any state or federal mandates and are currently selling the renewable attributes of this energy as Renewable Energy Credits (REC). Revenues from the sale of RECs

help to offset the cost of these resources, a benefit to the customers served by Empire District Electric. (Source: Missouri Energy Development Association)
    - If future investment expectations are achieved, Missouri should be among the top 10 states in per-capita energy efficiency spending by 2015.
    - Over the next 15 years, Missouri should be able to offset more than 1,000 MW of generation that would have been needed otherwise as a result of PSC regulated electric utility energy efficiency programs.
    - By 2015 or sooner, PSC regulated electric utilities will be receiving power from more than 1,000 MW of renewable energy resources. (source: MEDA)

Action Item 5: The state of Missouri should work with key stakeholders to improve and expand consumer education efforts.
Status:

- Be Energy Efficient (BEE): The Public Service Commission and the Department of Natural Resources have worked with community action agencies, agencies advocating for older citizens and natural gas and electric utilities to set up an informational program including brochures, appearances and a web site to inform and encourage consumers about the importance and methods of conserving energy.
- All PSC-regulated electric utilities currently have customer education campaigns in place and additional programs are being considered for deployment.

IV. Recommendations to Ensure Missourians Have Affordable Utility Service.
Goal 2: To provide affordability assistance to low-income Missourians

Action Item 1: The Governor, Missouri General Assembly, PSC, DNR and Divisions of Family Services, (DFS) should work with Missouri's congressional delegation to obtain at least $3.16 billion in funding for the Low-Income Heating Assistance Program, LIHEAP

Status:

- On Sept. 30, 2008, President Bush signed the continuing resolution that funds most government programs through March 6, 2009. This legislation provided $5.1 billion in LIHEAP for FFY 09, doubling the FFY 08 level. The U.S. House Appropriations Committee indicated the increased funding would allow LIHEAP to serve an additional 2 million qualifying households (nationally) and raise the average grant from $355 to $550.
- Historical Missouri LIHEAP Funding

- FFY 09 Regular: $102,541,119 Contingent: $11,361,193
- FFY 08 Regular: $ 45,762,000 Contingent: $ 13,330,000
- FFY 07 Regular: $ 45,240,083 Contingent: $ 0
- FFY 06 Regular: $ 59,540,905 Contingent: $ 18,678,651
- FFY 05 Regular: $ 43,032,954 Contingent: $ 5,032,667
- FFY 04 Regular: $ 40,820,662 Contingent: $ 921,356
- FFY 03 Regular: $ 40,796,025 Contingent: $ 2,957,449
- FFY 02 Regular: $ 38,745,874 Contingent: $ 2,308,716

SB 720**,** Second Regular Session, 94th General Assembly, 2008, RSMo. 660.115 - 660.135 Utilicare.

- Increase the maximum amount, from $600 to $800 per year, that may be paid from the Utilicare Stabilization Fund to providers of heating or cooling on behalf of eligible households.
- Removes the $5 million cap on the annual appropriations to the Utilicare Stabilization Fund, instead making it simply subject to appropriations each fiscal year.
- Oct. 16, 2008 -- Lt. Gov. Peter Kinder requested a special session to allow lawmakers to consider an additional $103 million to increase winter-heating assistance for low-income families and the elderly.
- January, 2008: Missouri General Assembly approves $6.44 million in state funds for Utilicare**,** which helps pay to make the homes of low-income residents more energy efficient and to subsidize winter heating bills.
- Most of the major natural gas and electric utilities have instituted programs that provide funds to local community action agencies for weatherization of homes for low-income customers.

Action Item 2: The state should fully fund Missouri's Utilicare Stabilization Fund.

Status:

- The state successfully funded Missouri Utilicare Stabilization Fund for FY 2008 in the amount of $6,440,785.

Action Item 3: The State should work to ensure stable funding for both of these programs so the Community Action Agencies have adequate funds to assist low-income families throughout the winter.

Status:

- The Department of Social Services has been asked to look at placing Utilicare Stabilization Fund into their core budget. The Department of Natural Resources annually requests that a portion of any Utilicare funds appropriated be designated for the department's Low-Income Weatherization Assistance Program.

Action Item 4: In the event the state is unable to provide funds, a permanent funding for the Utilicare program should be found.
Status:

- This action item remains pending based on possible inclusion of Utilicare Stabilization funds into the DSS core budget.

Action Item 5: DSS should transfer to DNR in FY 2007 an amount equal to 5 percent of the total LIHEAP funds received by DSS to be used for weatherization. In FY 2008 and FY 2009, this amount should increase to 10 percent.

- DSS allocated 4.4 percent of federal LIHEAP funds in FY 2007 and 1.1 percent of LIHEAP funds for FY 2009 to the DNR Weatherization Assistance Program. Both agencies will continue to monitor its success as it relates to studying the electricity and heating fuel consumption before and after weatherization.

Action Item 6: DSS should modify its rules to require individuals who live in owner-occupied dwelling and who receive energy assistance to be referred to the appropriate agency for weatherization. Recipients failing to follow up on referrals may have benefits sanctioned
Status:

- While a specific rule has not been adopted by DSS, local community action agencies are referring applicants to weatherization programs including weatherization kits, audits performed by auditors certified through the DNR certification program and actual weatherization of homes.

Action Item 7: To the extent possible, all utilities should be encouraged to work together to standardize low-income customer assistance programs that will make mass-communication efforts easier.
Status

- All utilities, DNR and MoPSC have collectively worked on developing an education program for energy efficiency. This program is referred to as Be Energy Efficient (BEE). A website has been developed and is online at www.dnr.mo.gov/bee/links.htm, as well as printed materials containing energy saving tips. A biannual newsletter is distributed and a PowerPoint presentation is available.
- The Department of Natural Resources has worked with investor-owned utilities in an effort to make low-income weatherization assistance programs offered by utilities more cohesive.
- Most of the major natural gas and electric investor-owned utilities provide funds to local community action agencies for weatherization of homes for low-income customers.

Action Item 8: The PSC should lower the percentage of money required for customers to reconnect their utility services during winter months.
Status:

- The PSC reduced the amount required for customers to reconnect utility services during winter months through the adoption of amendments to 4 CSR 240-13.055.

Action Item 9: The PSC should monitor the need for a "hot weather" rule
Status

- On June 16, 2008, Lt. Gov. Peter Kinder, acting as governor, signed SB 720, which in Sec. 393.108 establishes a hot weather rule in effect between June 1 and Sept. 30 of each year. During this time, natural gas or electricity providers are prohibited from disconnecting service to residential customers on days when either the temperature is expected to rise above 95 degrees or the heat index is expected to rise above 105 degrees during the subsequent 24-hour period or on days when service personnel will be unavailable to reconnect service and the temperature or heat index is expected to rise above these marks. This statute implemented provisions practiced on a voluntary basis by PSC- regulated utilities.

Action Items to Ensure Affordable Natural Gas and Electricity

Action Item 1: At minimum, the PSC should consider innovative rate designs that allow customers to "lock-in" their rate for natural gas for as long as a year.
Status:

- A pilot program was permitted, but no further programs have been implemented. Dramatic natural gas market volatility has made these programs more difficult to design and implement and the number of parties available to provide these services has been reduced. (Aquila Gas ET-2008-0396, EO-2007-0395 and EO-2007-0427).

Action Item 2: The PSC should study the results of Aquila's "Fixed Bill" pilot program that allowed customers to obtain a fixed bill for a year with no true-up for the utility at the end of the year.
Status:

- This program resulted in the company making a requested change the Commission could not grant. At the same time, Aquila was acquired by Great Plains Energy and the program was discontinued

Action Item 3: The PSC should investigate the cost-feasibility and uses of advanced metering to allow customers to monitor their usage and consumption patterns.
Status:

- PSC staff and utilities continue to investigate smart grid technology to help Missourians gain greater knowledge of usage and consumption patterns without incurring unacceptable equipment cost increases. This is an area of rapid technological advancement and the PSC continues to monitor deployment opportunities by regulated electric utilities.

Action Item 4: The PSC should closely monitor the wholesale markets for price manipulation.
Status:

- The PSC continues to monitor, consistent with its statutory authority, the wholesale markets for price manipulation to recover costs for consumers resulting from transportation/loss pricing irregularities in the natural gas market.
- The PSC has pursued litigation, MO PSC v. ONEOK, Inc. et. al, to recover costs it believes were wrongly passed to consumers.

Action Item 5: The PSC should consider rate designs that reward customers for conservation efforts.
Status:

- The utilities regulated by the PSC currently operate under rate designs that clearly reward customers for conservation efforts (reduced usage = reduced bill). The PSC staff will continue to support rate designs that result in these benefits flowing through to customers. The PSC has implemented rate designs that do not penalize utility service providers for aggressively supporting energy efficiency programs.

Action Item 6: The PSC should work with Missouri utilities to develop a program that will target low-income, high-use electricity users and natural gas customers for weatherization assistance and education programs.
Status:

- Most of the major natural gas and electric utilities have instituted programs that provide funds to local community action agencies for weatherization of homes for low-income customers.
- The PSC continues to work with utilities, DNR and CAA weatherization groups to target individuals who would benefit from weatherization.

Action Items to Ensure Affordability of Natural Gas.

Action Item 1: The PSC should continue encouraging gas distribution utilities to create additional natural gas storage to enhance reliability and mitigate price volatility.
Status:

- The PSC continues to encourage gas distributions utilities to create additional natural gas storage when cost effective.

Action Item 2: The PSC should consider revising its price volatility mitigation rule for natural gas to include a minimum hedging requirement.
Status:

- Rule not amended regarding setting specific hedging minimums.
- All PSC-regulated natural gas utilities have hedging programs. The PSC staff and other parties have discussed this issue at length and caution that the focus of hedging programs is reduced volatility, not necessarily the lowest price.

SB **558**, (Second Regular Session, 93rd General Assembly, 2006) RSMo. Sec. 393.310

- This act removes the termination dates for experimental tariffs enacted by the Public Service Commission that provide for the aggregate purchase of natural gas for schools in the state.

Action Items to Improve Affordability of Electricity

Action Item 1: The PSC should closely monitor any activities at the federal level related to carbon emissions to ensure that any new rules prohibiting or taxing carbon emissions do not injure Missouri ratepayers.
Status

- The PSC has closely watched proposals at the federal level, such as S. 2191, introduced in 2008, which would establish a carbon cap-and-trade or carbon tax system. This legislation was not approved this year, and such a system would potentially result in higher costs for Missouri ratepayers.
- PSC-regulated electric service providers are required to evaluate a range of future generation resource options and their relative cost under different environmental regulations -- including carbon regulations. This process is currently resulting in changes to future resource options -- including greater deployment of energy efficiency, renewables and nuclear energy.

Action Item 2: The PSC should work to lower the costs and provide cost certainty for transactions involving Regional Transmission Authorities (RTOs)
Status:

- The PSC is actively engaged through organizations such as the Organization of MISO States and the Southwest Power Pool, through cases before the Commission and through the Federal Energy Regulatory Commission to help contain transmission costs that are reflected in rates for utility services in Missouri.

Action Item 3: The PSC should work with state, federal and other agencies to ensure that Missouri utilities investing in power generating plants are guaranteed firm transmission rights from those plants to their Missouri customers.
Status

- The PSC, through involvement with organizations of states served by ISPs and through communications with the Federal Energy Regulatory Commission, is working to help assure transmission rights from Missouri plants to Missouri customers.

Action Items for Improving Affordability of Propane

Action Item 1: DFS should work with the Community Action Agencies participating in its propane prepayment program to determine the benefits of the program, if any, to consumers.
Status

- Status regarding DFS actions with community action agencies regarding prepaid propane benefits is indeterminate.

SB 720**,** Second Regular Session of the 94th General Assembly, (2008) RSMo. Secs. 660.115 - 660.135 -- Utilicare:

- Increases the maximum amount, from $600 to $800 per year, which may be paid from the Utilicare Stabilization Fund to provide heating or cooling on behalf of eligible households. Among the various issues this attempts to address is the problem of assistance matching minimum amounts required to fill liquid-propane tanks.

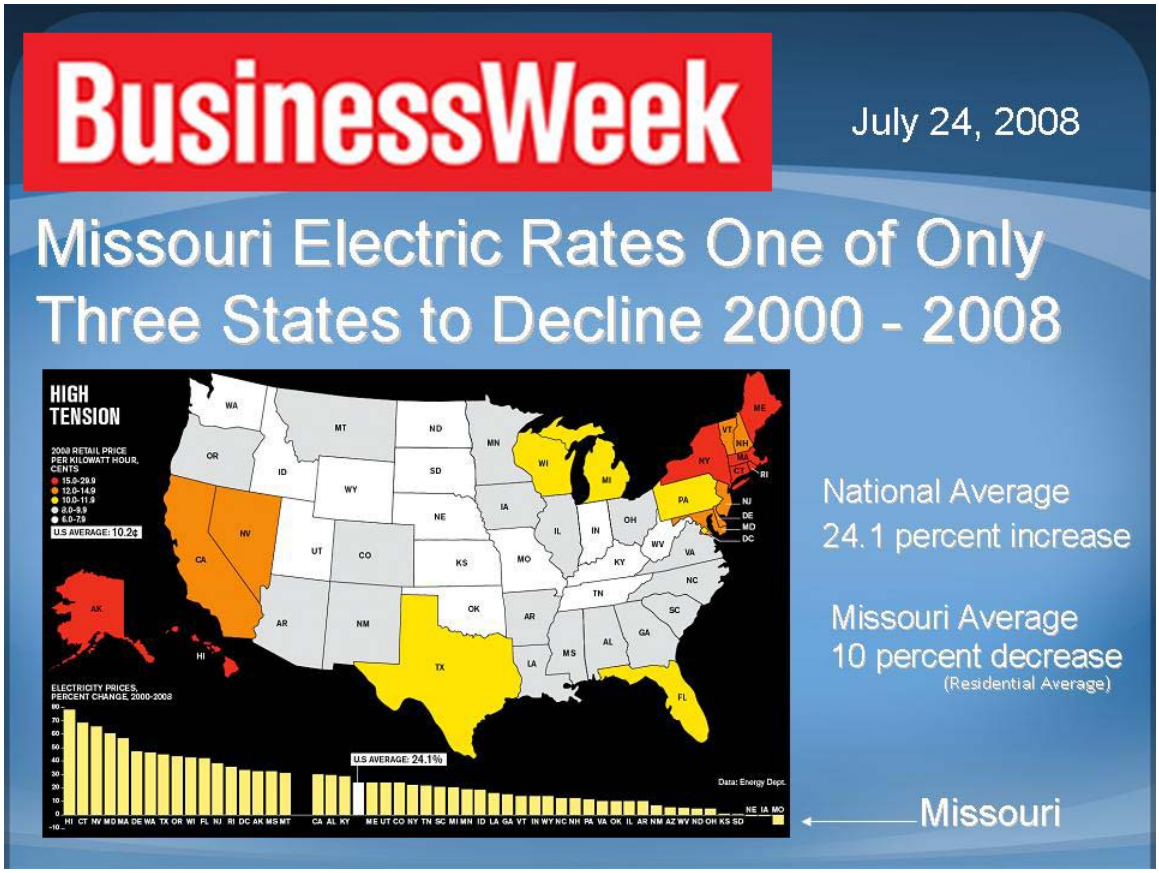
V. Recommendations for Future Task Force Action:

Action Item 1: The task force should reconvene in November, prior to the start of the prefiling of bills on Dec. 1, 2006, to consider comments in response to the recommendations contained herein and any legislative proposals.
Action Item 2: A similar task force should be reconvened every three or four years to monitor the state's progress in these areas and to update recommendations.
Status

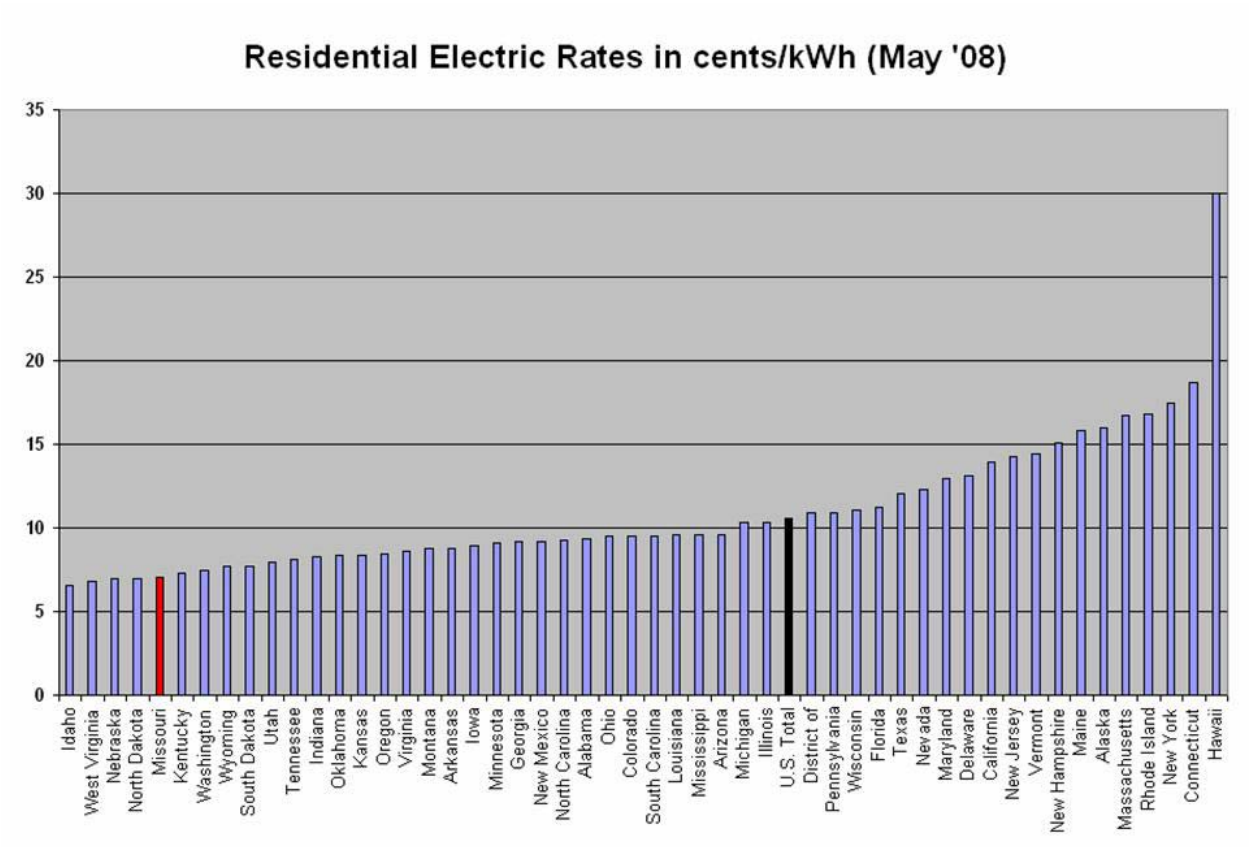
SB 1181**,** Second Regular Session 94th General Assembly (2008) RSMo. Sec. 386.850:

- The Missouri Energy Task Force created by Executive Order 05-46 shall reconvene at least annually to review progress toward meeting the recommendations made in its final report as issued under the Executive Order. The task force shall issue its findings in an annual status report to the Governor and General Assembly.

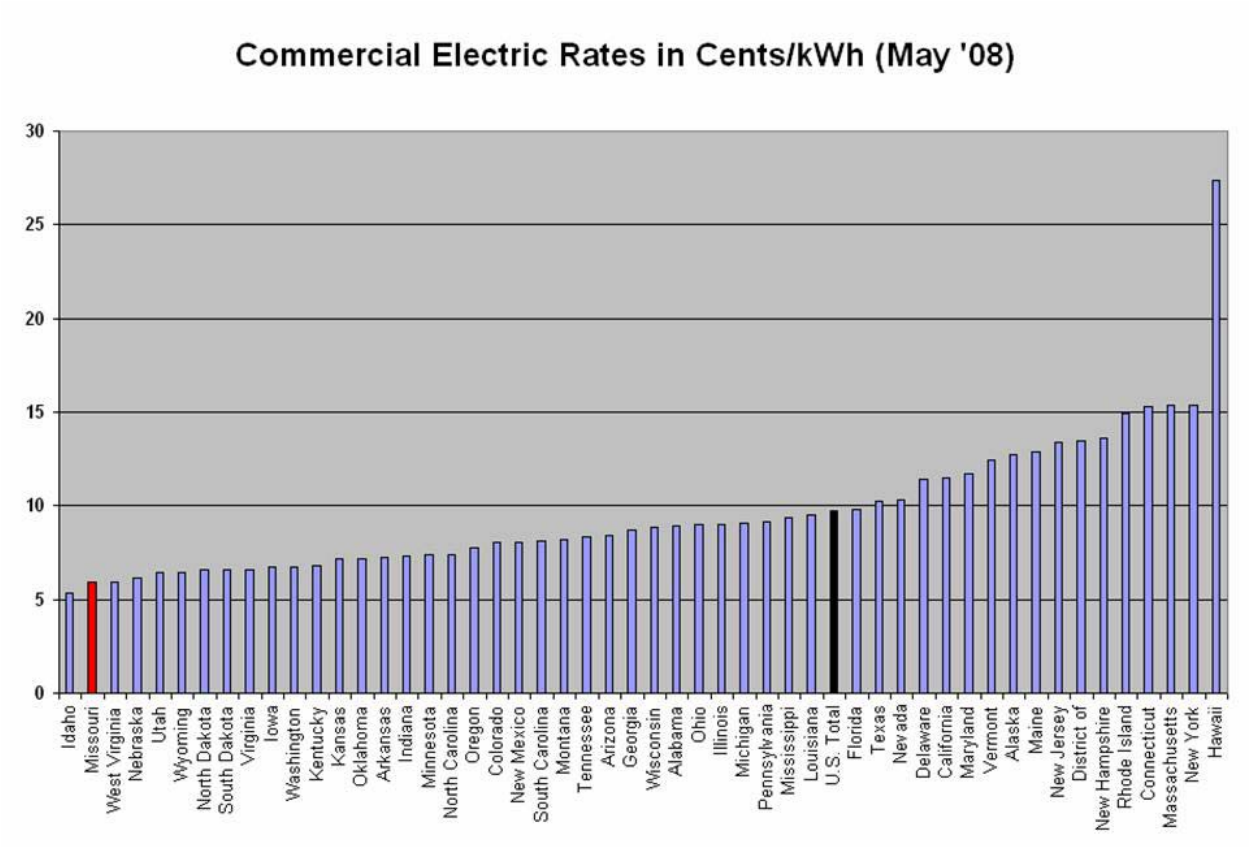
Attachments



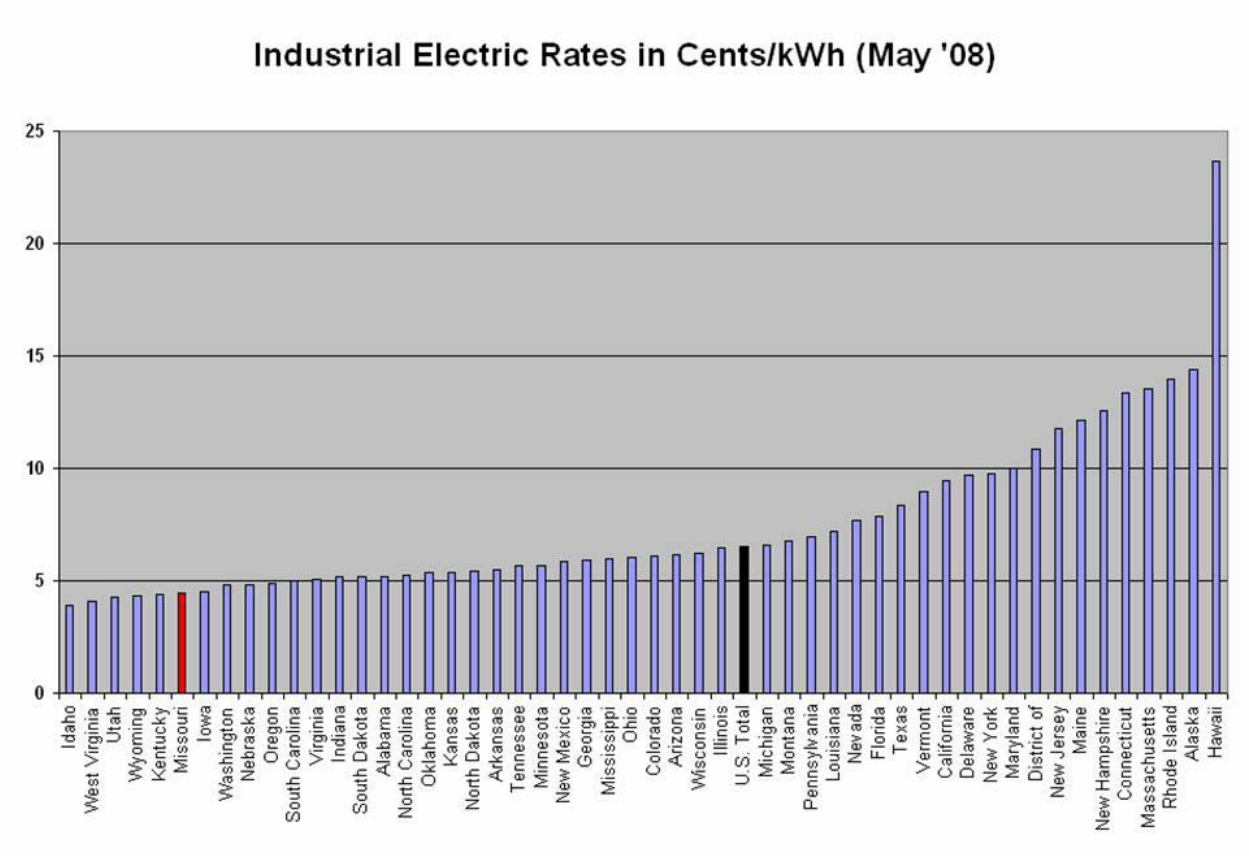
Source: BusinessWeek, July 24, 2008



Source: U.S. Department of Energy – Energy Information Administration (U.S. DOE/EIA), Electric Power Monthly



Source: U.S. Department of Energy – Energy Information Administration (U.S. DOE/EIA), Electric Power Monthly.



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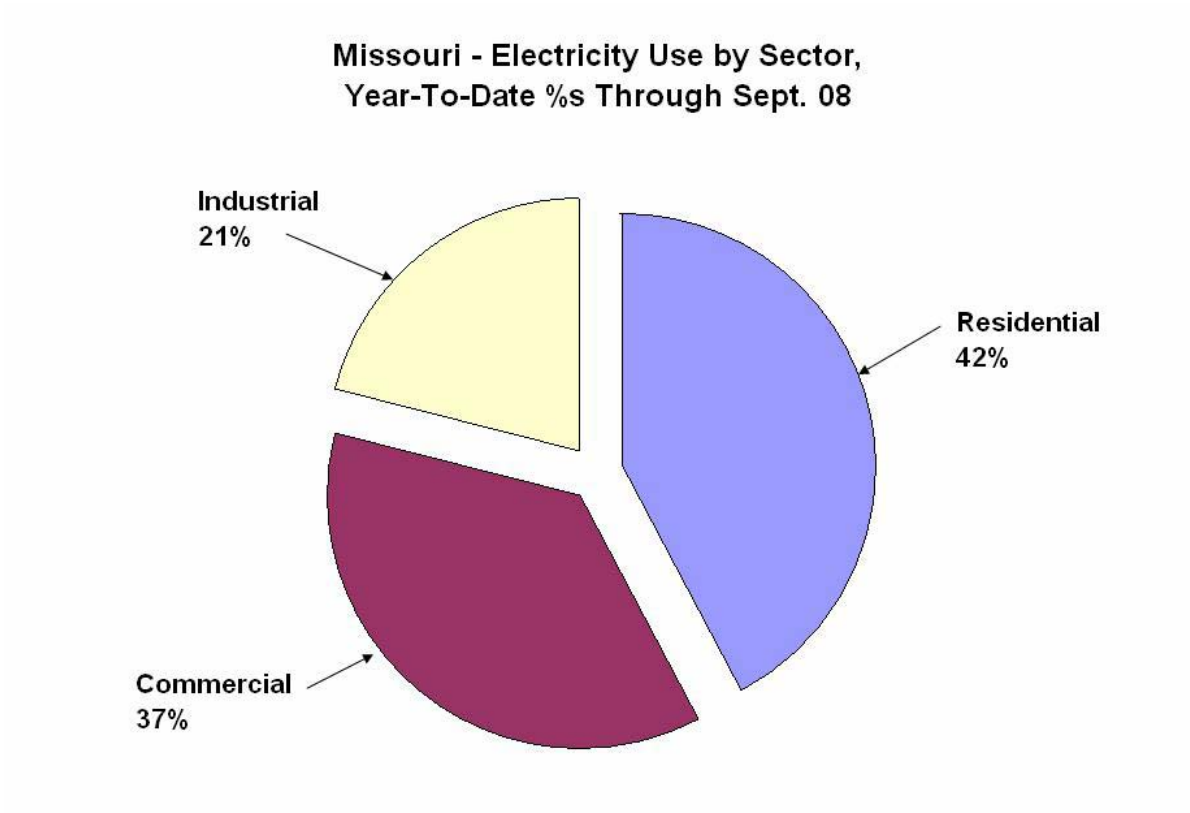

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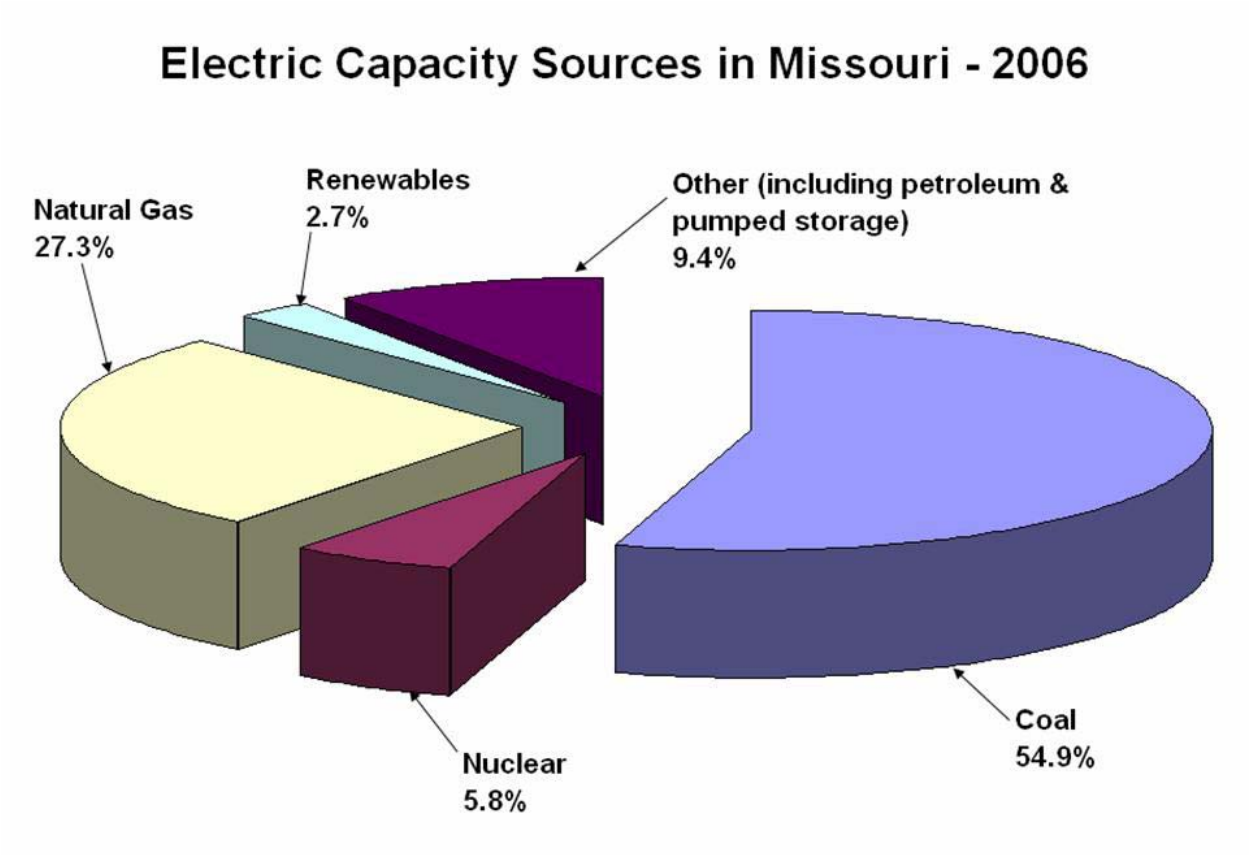

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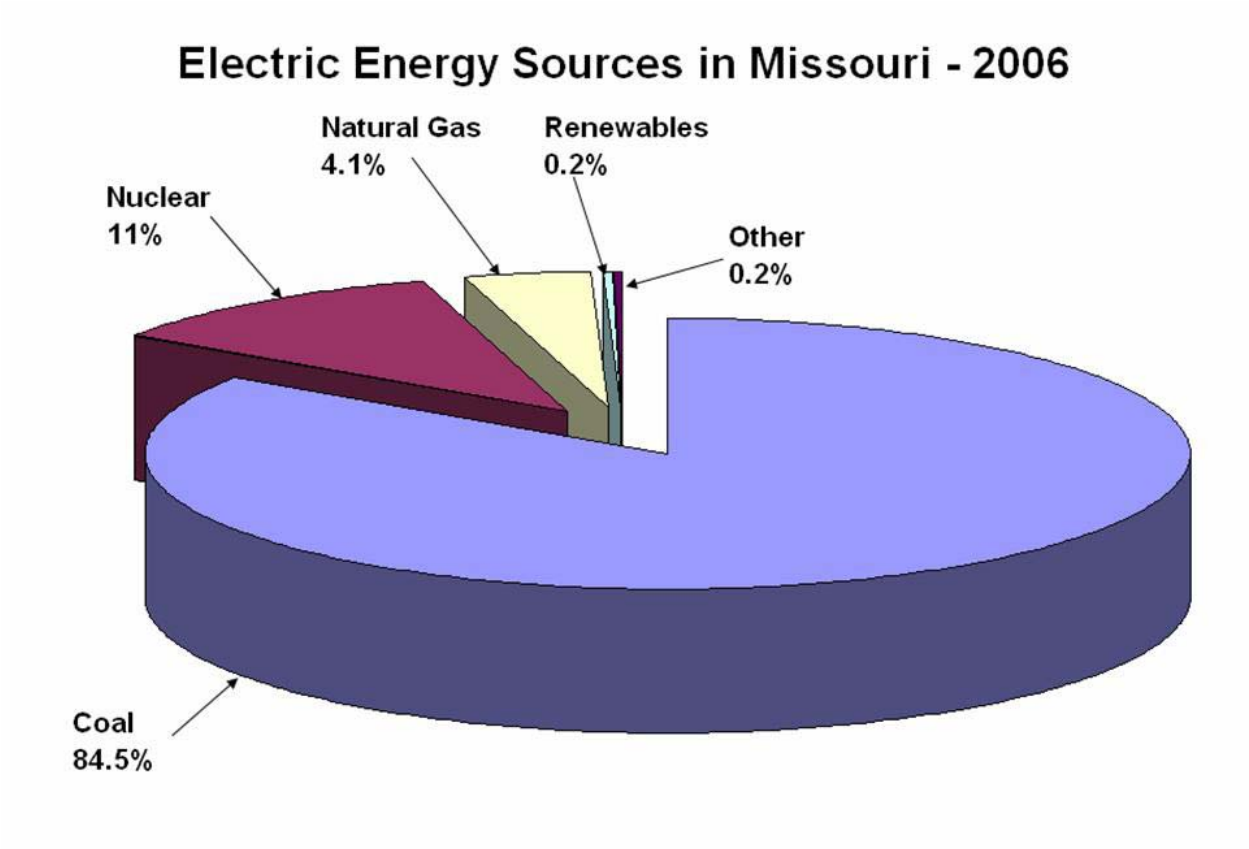

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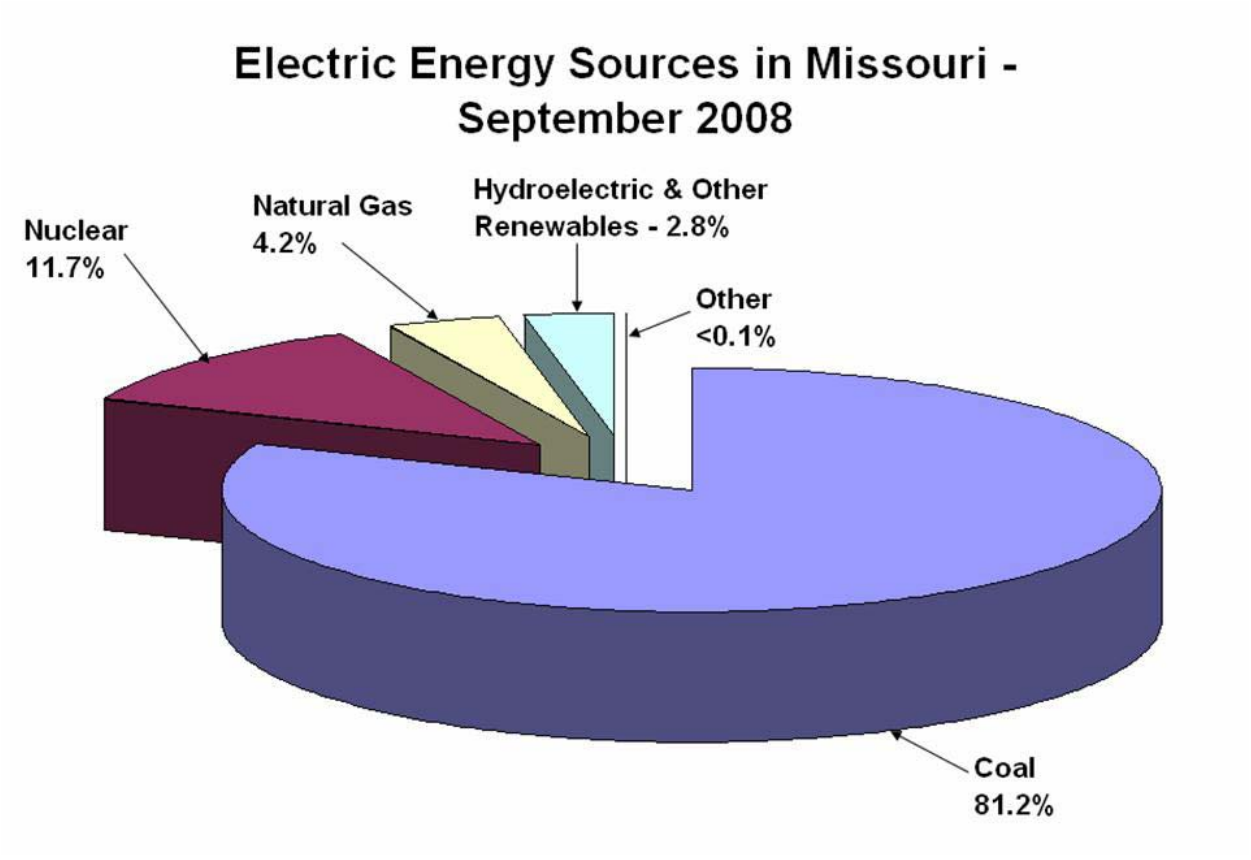

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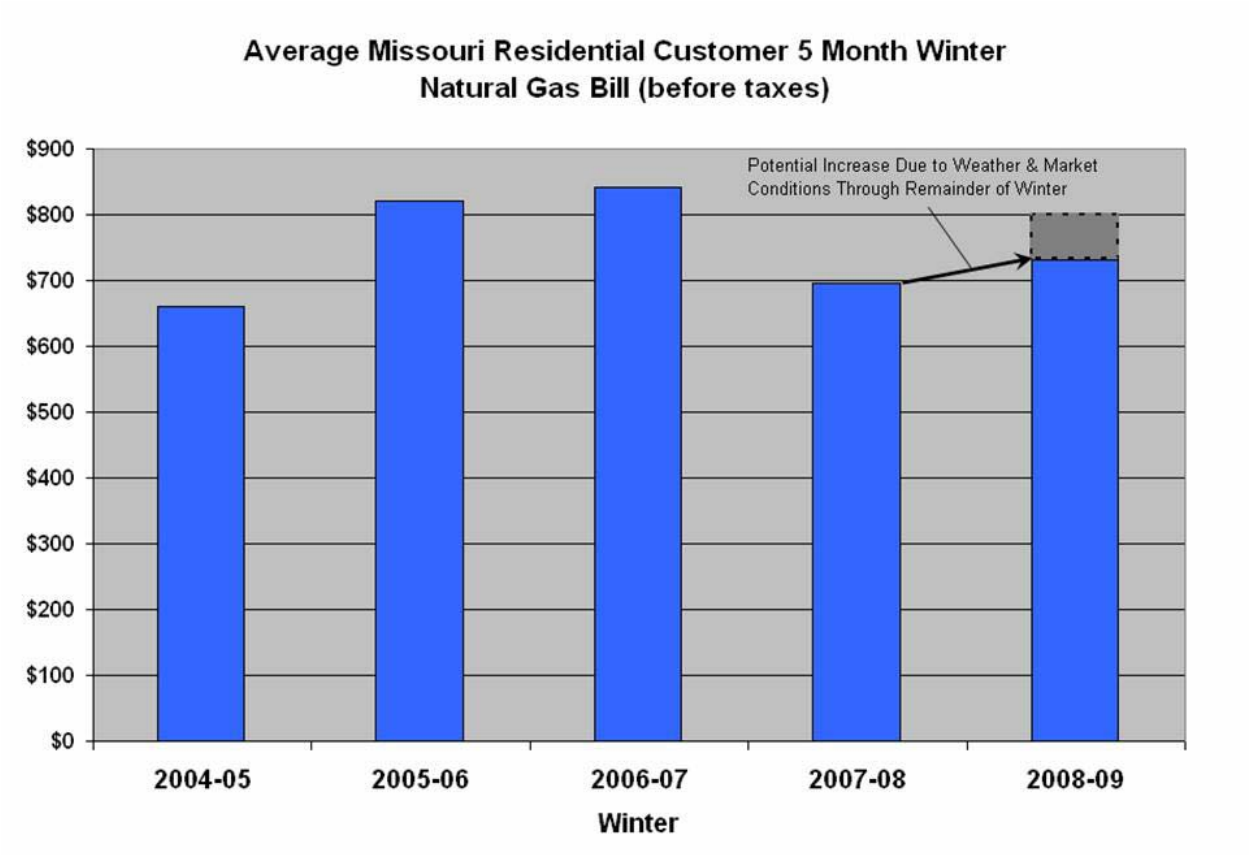
NYMEX Natural Gas Prices



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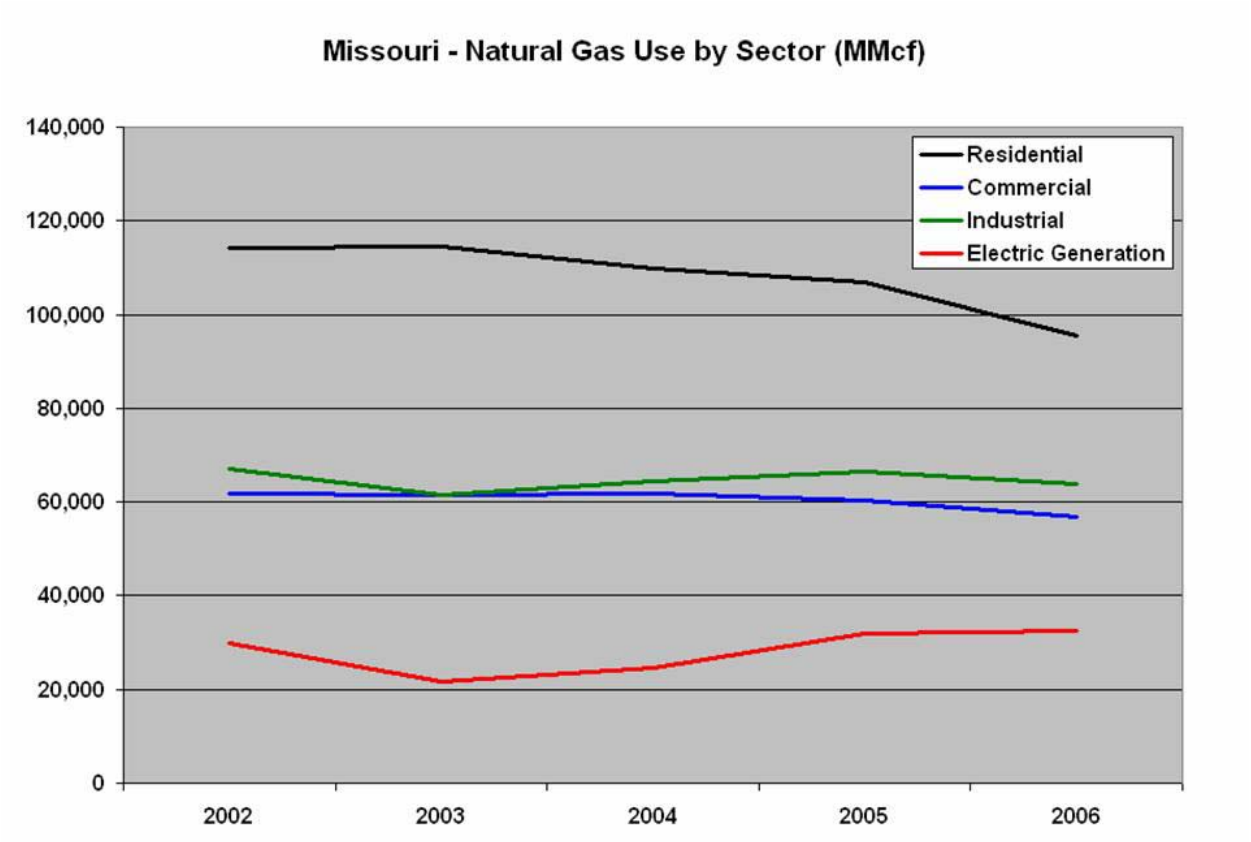

Source: U.S Department of Energy – Energy Information Administration (U.S. DOE/EIA)