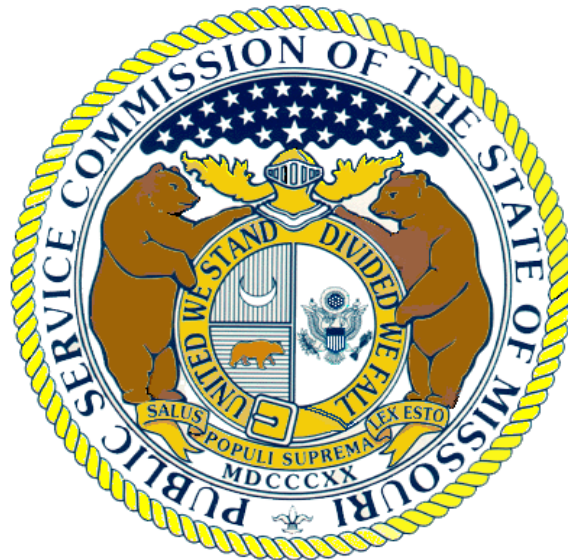


# The Missouri Energy Task Force: An Overview of the Issues



# DISCLAIMER:

- The opinions expressed here today are the opinions/impressions of the author. Nothing in this presentation should be attributed to any position in any particular case before the Missouri Public Service Commission, the commission as a whole, any member(s) of the MO PSC staff or anyone else.

# Mission Statement:

The purpose of the Missouri Energy Task Force is to make recommendations to the Governor and the General Assembly as to policies that will:

- lessen Missouri's dependence on oil and other fossil fuels;
- promote the development of alternative fuel sources in ways to strengthen Missouri's farm economy;
- encourage the development of policies that will insure Missourians have affordable, reliable electric service in the future; and
- assist Missourians who need help affording this year's winter heating bills as well as future heating bills;

# Resources for Task Force Study:

- Prior to this task force, there were at least three task forces appointed to study all or some of these issues in the last fifteen years.
- The Public Service Commission and Attorney General have also issued reports in the last five years.
- Numerous other studies have been prepared.

# The Costs of Fossil Fuel Dependence:

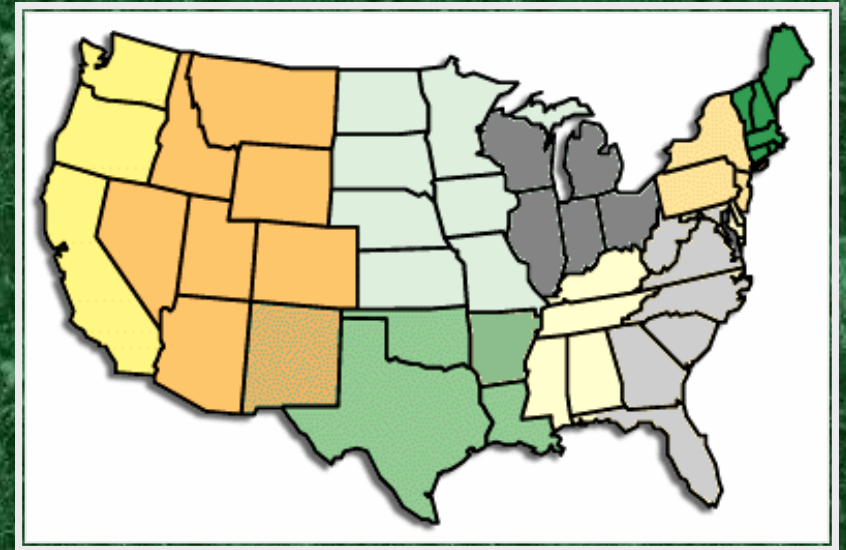
- Missouri depends on fossil fuel imports (natural gas, coal and petroleum) for virtually all of its energy needs.
- At current prices, Missourians will spend more than \$11.7 billion to import fossil fuels for energy.
- More than \$3 billion of these imports are due to the high price of natural gas used for home heating, manufacturing and electricity generation.

# Missouri's Generation Capacity & Low Rates

- Missouri's fleet of coal-fired baseload power plants has contributed to the highly reliable power supply we have in Missouri and our lower than average electric rates.
- The baseload power plants we receive service from were largely built in the 1970s and early 1980s.
- Missouri is approaching a point in demand vs. available generation resources where additional base load generation units will need to be added over the next 10 years.

# High, Low, & Average Residential Electric Rates Per kWh U.S. Census Regions November 2004

<u>Census Region</u>	<u>Low</u>	<u>High</u>	<u>Avg.</u>
Pacific Contiguous	6.31¢	11.97¢	9.86¢
Mountain	6.03¢	10.40¢	8.04¢
West South Central	7.12¢	9.28¢	8.62¢
West North Central	6.65¢	8.75¢	7.40¢
East North Central	7.89¢	9.07¢	8.41¢
East South Central	6.51¢	8.12¢	7.28¢
South Atlantic	6.46¢	9.07¢	8.47¢
Middle Atlantic	9.67¢	15.07¢	11.78¢
New England	10.66¢	13.46¢	11.91¢



**Missouri Residential Rate**                    **6.65¢**  
**U.S. Average Residential Rate**        **8.96¢**  
**# of states with lower Residential rate**    **4**  
**# of states with higher Residential rate**   **46**

# Electricity: Missouri's Supply Outlook

- By 2009, the Missouri PSC staff projects that the state will need more than 1,200 MW of additional generation resources and/or purchased power contracts.
- Retirement of older, inefficient plants may add to the need for new plants.
- Assuming 1.5% growth on a baseload of 16,000 MW, we'll have to add approximately 240 MW of generation every year to keep pace.
- Adding new plant is expensive.



# Western Missouri

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Existing Capacity</b>					
<b>Generation</b>	6,892	6,895	7,061	7,070	7,070
<b>Net Purchases</b>	677	373	373	372	281
<b>Capacity Available</b>	7,569	7,268	7,434	7,442	7,351
<b>Forecasted Peaks with DSM</b>	6,417	6,576	6,735	6,908	7,069
<b>Required Reserves</b>	873	895	917	940	964
<b>Capacity Required</b>	7,290	7,471	7,652	7,848	8,033
<b>Excess (Shortage) Capacity</b>	279	(203)	(218)	(406)	(682)

# Eastern Missouri

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Existing Capacity</b>					
<b>Generation</b>	8,985	9,044	9,062	9,062	9,062
<b>Net Purchases</b>	574	169	169	169	169
<b>Capacity Available</b>	9,559	9,213	9,231	9,231	9,231
<b>Forecasted Peaks with DSM</b>	8,303	8,396	8,489	8,582	8,543
<b>Required Reserves</b>	1,245	1,259	1,273	1,287	1,281
<b>Capacity Required</b>	9,548	9,655	9,762	9,869	9,824
<b>Excess (Shortage) Capacity</b>	11	(442)	(531)	(638)	(593)

## Affordability Concerns (An Overview):

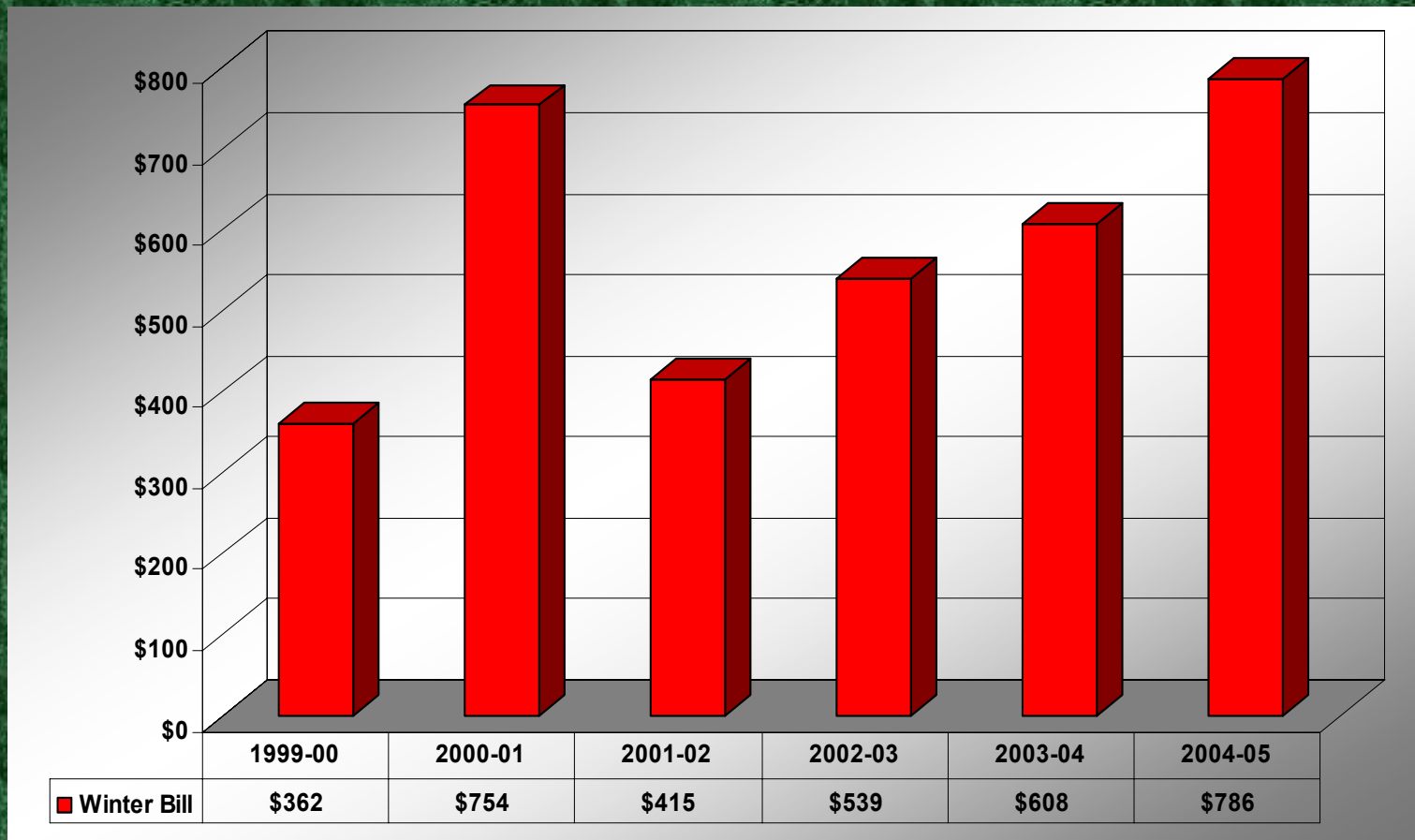
- According to 2000 census data, there are more than 250,000 Missouri households at or below 100% of the federal poverty level (FPL).
- Approximately 200,000 more Missouri households are at or below 150% of the FPL.
- Almost 60% of Missourians depend on natural gas to heat their homes.
- Through 1999 the price of natural gas was relatively stable. Most Missourians saw their residential gas bills double from 2000 – 2004.

# Natural Gas – Historical Market Monthly Closings @ NYMEX:



\$/MMBtu

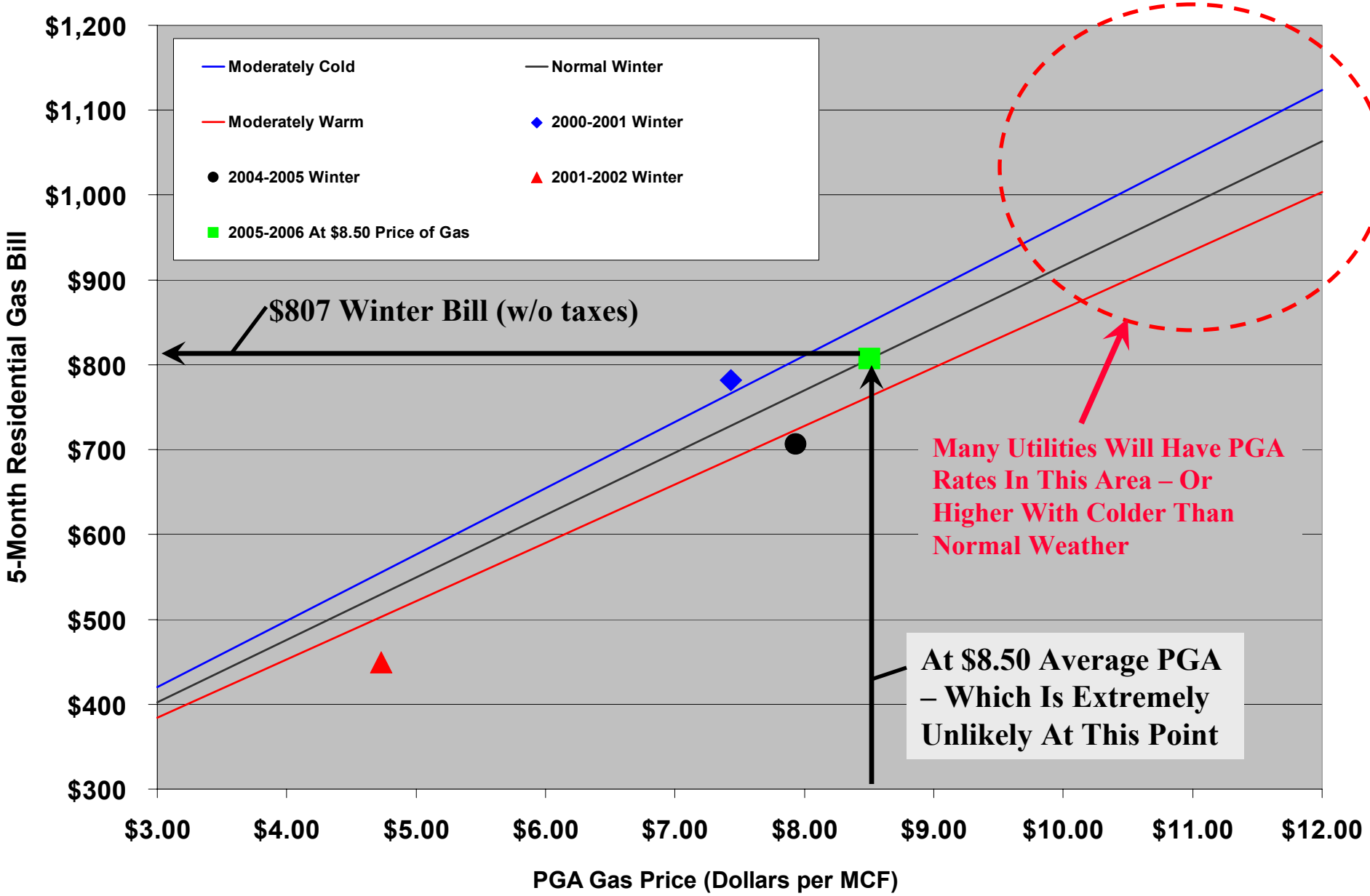
# Change in MO's Winter Residential Delivered Natural Gas Bills\* Over the Past 5 Years



Calculated as Total Winter Bill (w/o taxes)/Total Winter Usage

Winter = Billing periods covering November 1 – March 31 (Laclede Gas).

## Missouri Investor-Owned Natural Gas Public Utilities State Average Total Winter Bill vs. Natural Gas Rates



# Trade-Offs Faced By Missouri's Low-Income Households

A 2004 Missouri study found that among 734 participants:

- ✱ 46% of respondents report that they “often” or “sometimes” go without food in order to pay home energy bills.
- ✱ 45% of respondents report that they “often” or “sometimes” do not take medicine, or take a decreased dosage of medicine in order to pay home energy bills.
- ✱ 22% had moved twice in the past two years, or had moved once in the past year and intended to move again in the next year. 16% cited an energy-related reason as their motivation for moving.

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