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**Division of Energy**

**Public Meeting Report #4  
Energy Pricing and Rate-Setting Processes**

**Missouri Comprehensive State Energy Plan**

**Stakeholder Engagement**

**October 22, 2014**

**Kansas City, Missouri**

**Metropolitan Community College, Penn Valley Campus, Education Center**

**BACKGROUND**

Under Governor Jay Nixon's Executive Order 14-06, the Division of Energy will gather public input to identify the policies and practices that will meet Missouri's need for clean, affordable and abundant energy in the future.

This meeting represented the fourth of seven public meetings held around the State of Missouri to collect public input and feedback into the Comprehensive Statewide Energy Plan (the Plan).

The Plan will recommend policies that encourage efficient use of energy in all sectors of the economy; spur job creation and economic growth; and promote development, security and affordability of diverse energy sources.

The meeting topic centered on energy pricing and rate-setting processes. The objectives of the meeting included:

- 1) To convene individuals who were appointed to the Plan's Steering Committee and develop a culture for dialogue;
- 2) Discuss opportunities and issues around the topics of Energy Pricing and Rate-Setting Processes;
- 3) To introduce the background and purpose of the Plan to the public; and
- 4) To gather public input and comments around different energy topics.

**AGENDA**

The meeting was structured in five parts:

- 1) Introduction and welcoming remarks from Lewis Mills, Director of the Division of Energy.
- 2) Short presentations from experts.
- 3) Discussion among Steering Committee members.
- 4) Public comment period.
- 5) Steering Committee conversation with Kansas City Energy Project Partners.

## ***Agenda Details***

- 1:00 PM Welcome and Introductions  
Lewis Mills, Director, Division of Energy  
Honorable Cindy Circo, Mayor Pro-Tem, Kansas City
- 1:10 PM Missouri's Comprehensive State Energy Plan  
Lewis Mills, Director, Division of Energy
- 1:20 PM Energy Pricing and Rate-Setting Processes  
Richard Sedano, Regulatory Assistance Project
- 1:35 PM Energy Pricing and Rate-Setting Processes  
Owen Smith, Rocky Mountain Institute
- 2:00 PM Steering Committee Discussion  
Topic: Energy Pricing and Rate-Setting Processes  
Facilitator: Bennett J. Johnson, III, Inova Energy Group team
- 3:30 PM Break
- 3:40 PM Public Comment Period  
Facilitator: Bennett J Johnson, III, Inova Energy Group team
- 5:00 PM Adjourn
- 5:10 PM Steering Committee Conversation with Kansas City Energy Project Partners
- 6:10 PM Kim Winslow, Director, Energy Solutions, Kansas City Power & Light  
Dennis Murphey, Chief Environmental Officer for the City of Kansas City  
David Warm, Executive Director, Mid-America Regional Council  
Cathy Bennett, Vice President, Public Policy and Programming, Kansas City Chamber of Commerce  
Ashok Gupta, Director of Programs, Natural Resources Defense Council

## ATTENDANCE

### *Steering Committee Members*

First Name	Last Name	Affiliation
Dustin	Allison	Office of Public Counsel
Lynn	Barnes	Ameren Missouri
Terry	Bassham	Kansas City Power & Light Company
Elizabeth	Bax	Hawthorn Foundation
Brad	Beecher	Empire District Electric Company
Mike	Blank	Peabody Energy
Josh	Campbell	Missouri Energy Initiative
Terry	Cassil	State Emergency Management Agency
Jim	Curran	Electrical Connection
Eric	Crawford	Missouri Department of Natural Resources
Steve	Damer	Leggett & Platt, Inc.
Richard	Fordyce	Missouri Department of Agriculture
Ashok	Gupta	Natural Resources Defense Council
Mark	Hill	Missouri Office of Administration
Peter	Hofherr	St. James Winery
Tracy	Howe-Koch	Missouri Interfaith Power & Light
Frank	Kartmann	Missouri American Water Company
Ron	Lankford	Department of Elementary and Secondary Education
Laura	Lesniewski	American Institute of Architects
Heather	Lockard	Missouri Association for Community Action
Alise	Martiny	Greater KC Building & Construction Trades Council
Karen	Massey	Environmental Improvement & Energy Resources Authority
Mike	Pendergast	The Laclede Group
Scott	Ramshaw	Plumbers & Pipefitters Local 562
Robert	Reed	The Laclede Group
Tony	Reinhart	Ford Motor Company
Angela	Rolufs	Missouri University of Science & Technology
David	Russell	Missouri Department of Higher Education
Terry	Smith	Hampton Alternative Energy Products
Brent	Stewart	Association of Missouri Electric Cooperatives
Jim	Turner	Sierra Club-Missouri Chapter
Kevin	Van de Ven	Nucor Corp.
Gary	Wheeler	Missouri Soybean Association

### *Public Attendance*

A total of 68 members of the public attended the meeting.

## MEETING PROGRESSION

### *Welcoming Remarks*

Lewis Mills, Director of the Division of Energy for the Department of Economic Development, welcomed Steering Committee members and the public to the meeting, presented the agenda for the meeting and invited comments from the public during the public comment period.

### *Presentations*

Two speakers were invited to present to the Steering Committee and the public on topics related to energy pricing and rate-setting. The PowerPoint slides and video presentations from at the meeting are available for viewing at <http://energy.mo.gov/energy/about/comprehensive-state-energy-plan>.

**Title of Presentation:** Energy Pricing and Rate-Setting Processes

**Speaker:** Richard Sedano, Regulatory Assistance Project

**Summary:** Mr. Sedano presented background information on the rate-design process. The presentation also covered different alternatives for rate structures and explained recovery of costs for utilities.

**Title of Presentation:** Energy Pricing and Rate-Setting Processes

**Speaker:** Owen Smith, Rocky Mountain Institute

**Summary:** The presentation provided considerations to developing more sophisticated rates that consider real-time or close to real-time approaches to pricing. There are many factors driving the need to re-examine the traditional rate-making model, including new technologies, changing costs, greater availability of data, new environmental regulations and changing customer needs.

### *Steering Committee Discussion*

Bennett J. Johnson, III, with the Inova Energy Group team, facilitated the Steering Committee discussion around the topics of energy pricing and rate-setting processes. A synopsis of comments made by Steering Committee members follows:

- Explore opportunities for advancement and innovation in rate-design for electric, natural gas and water utilities. Need to have a conversation about what the priorities are and get to a shared vision and understanding through a collaborative approach.
- When exploring rate design, think about whether the issue is that we need legislation and revised rules, or whether it is an issue of application of the rules. Litigation will never be the birthplace of innovation.
- Thoughts around incrementalism – need to incrementally approach the solution one step at a time. We need to determine which step to take first. An incremental approach (increasing energy efficiency) buys time to determine the changes necessary long-term (diversification of generation, investments in infrastructure, etc.). This process allows managing risks, including perceived risks in secondary markets for utility debt. It's an evolution not a revolution. Also consider robustness and flexibility of utility rates.
- We need to think about how we are incentivizing the utility customer to behave in a way that it is beneficial for everybody. Whether it is a rate-design issue or dynamic pricing, we don't want to put a rate in place that will benefit one side but will be detrimental to another.

- Find the balance between incentivizing a utility to make an investment in infrastructure and/or clean energy, but also keep in mind that there are customers who have affordability issues.
- Discussion on how utility rates are built, and the portion of fixed and variable costs that correspond to the rates. Need to be able to recover costs associated with delivering safe, reliable and abundant power beyond fuel costs that includes infrastructure and modernization.
- Customer acceptance and adequacy will be extremely important. How gradually does the change happen? What is the process? And how can we learn from what has been done out there?
- Need to consider the Environmental Protection Agency's Clean Power Plan rule.
- Predictability and reliability are extremely important with regard to quality, supply and cost.
- Fostering collaboration and ongoing dialogue is really important.
- We should be educating our students to be aware of renewable and emerging technologies and get comfortable with them. You don't change behavior immediately without the proper information.
- Industrial, commercial and small business and agricultural customers care about predictability and quality in energy.
- At the rural electric cooperative level, there are simple rate structures with perhaps only a handful of customer classes.

### ***Public Comment Period***

During the public comment period, a total of 16 individuals submitted verbal testimony to the Steering Committee and the Department of Economic Development. All comments were recorded and included in this report as Attachment 1. In addition to verbal comments, several letters were submitted on behalf of members of an environmental organization.



## ATTACHMENT 1 - Public Comments

October 22, 2014

Kansas City, Missouri, Metropolitan Community College, Penn Valley Campus, Education Center

The comments provided in this document do not represent a verbatim transcription of the comments received verbally and may incorporate some close paraphrasing on behalf of the record-keeper. Comments are not shown in the order in which they were received.

First Name	Last Name	Affiliation	Comments
Warren	Adams-Leavitt	Metropolitan Energy Center	Look at economic value of energy efficiency and distributed generation. KCP&L has built residential energy efficiency industry in this area. Also, we are seeing robust solar industry in Missouri. Training people in natural gas conversion for vehicles. Alternative fuel charging and filling stations. Stressors on utilities - some are long-term trends, some can be mitigated. I want to see Missouri get a piece of emerging industries. Price signals and rates are key components to this. Hope incremental doesn't mean let's go slow - or we will miss out.
Winston	Apple	Sierra Club volunteer	I am a concerned citizen. I'm concerned about my grandkids' future due to consequences of global warming, long-term extinction of human race. We have an obligation to future generations to move to renewable energy and away from fossil fuels. Many scientists believe we are at or beyond the tipping point for burning fossil fuels. There are powerful interests supporting fossil fuels, despite economic benefits of renewable energy industry. Lobbyists, corporate- owned media... If we took the same slow approach to WWII, we'd be speaking German. Hope the Comprehensive Statewide Energy Plan will recommend bold, swift action to move to clean renewable energy as soon as possible.
Josh	Asbury	Hampton Alternative Energy Products (HAEP)	I am a 2013 graduate with an Associates Degree in renewable energy. I was employed in May by HAEP. Wind and solar are renewable energy, but many are unaware of biomass as a resource. HAEP and other biomass generators should be recognized. Competitive rates would help them flourish.
Frances	Babb		I am a consumer, voter and ratepayer of Clarksonville. I am very concerned about my monthly utility bill. I have two solar homes. My lake house no longer gets an electric bill. I am interested in rate change concerning annual true up of bills. Ameren now combines credit and consumption monthly - would like it done annually instead - benefits solar homeowners. Legislation was introduced a few years ago. Ms. Babb told a story of four others: man who works for renewable energy company who had problems getting solar because of homeowners association restrictions, then city permit denied because homeowners association refused to take a position on his application, eventually had to get lawyers but still couldn't put on south-facing roof.

First Name	Last Name	Affiliation	Comments
Trey	Davis	Missouri Energy Development Association	MEDA represents investor-owned utilities that provide power and water and have 12,000 employees throughout the state. Invest in regulatory and legislative process. Today's discussion asked, "what is the need?" We all have preconceived notions and baggage that we bring to the table. In the past, this has resulted in inaction. I encourage the Steering Committee to really talk about the need, and look at today's rate mechanisms and ask what can be done better with current mechanisms. Some things are working; can we get more flexibility through current mechanisms? How are we impacted by what is working or not working in other states? We are an organization that can help. Decoupling as an example: mechanism to increase energy efficiency but also maintain utility revenue. Gas utilities in Missouri have had success with a version of this.
John	Delurey	Sierra Club	We can rely on climate change to be reliably unpredictable. We need to factor in what's coming; climate change is unpredictable but will be bad or worse. Clean Power Plan hasn't been discussed much, but will need to be addressed by this Steering Committee. Some in this room have been trying to water it down. We don't have time to take it slow, because of U.S. Environmental Protection Agency rules and climate change. Switch incrementalism to more constant assessment of evaluation, more frequent rate setting. We can't have a boom and bust rebate system, to support the renewable energy industry. Stop subsidizing coal and include the cost of carbon.
Steven	Flannery	350 KC coordinator	I am a KC resident. Global warming is in progress, as shown by NOAA data. We need to mobilize to a clean renewable energy economy worldwide, as soon as possible, starting with Missouri. Missouri can be a leader. We already have a renewable electricity standard, needs to be fully implemented. Rate setting should reflect carbon cost, stop subsidizing utilities and fossil fuel industries. Internalizing true costs and eliminating subsidies will level the energy playing field. The Clean Power Plan is coming - we can be proactive, or be pushed and do the bare minimum. We advocate for swift and bold action, be a leader, start by reflecting the cost of carbon.
Mollie	Freebairn	Energy Scientist	I worked with the Missouri Department of Natural Resources for 18 years, and am now a consultant. Over the last 50 years, electrical use (mostly coal) has grown exponentially, leading to global warming. At the same time, prices have increased 50% in recent years, and the economy is not doing well. Both point in the same direction - promote solar and wind industries in Missouri. Wind electricity cost is half what we are paying now. Also provide incentives for solar, Missouri's most abundant energy resource. 15 years ago, deregulation was going to happen - we need to get back on track. Provide financing for solar so that not all costs are upfront for homes and businesses - was available for solar rebates, but problem was for businesses their electricity costs were much less than residents.
Mike	Grimes	CEC	I represent 25 suppliers in IL. Showed a chart about deregulation. Competitive markets' rates have decreased 3%, commercial rates 10%; non-competitive markets have seen rate increases. Competitive markets have reduced incremental increases of rates. Without deregulation, you don't have a comprehensive energy plan.

First Name	Last Name	Affiliation	Comments
Laura	Machala	Mid-America Regional Council (MARC)	I am the solar energy coordinator at MARC. Thank you for your time. Look at valuation of solar and other renewable energy when doing research for the plan. Net metering - look at a broad array of options for the plan.
Rita	Norton	Energy remodeling	I am a resident of KC, with a net metered solar powered home. It has been predictable and reliable for 7 years. KCPL helped. Very dependable system with no problems. Using rates to encourage energy efficiency: between 1975 and 1985, Americans became more wasteful. Now it seems impossible to relearn efficiency and the conversations that were once a matter of course. Examples of consumption from vehicles, to pharma, to companies and global trade. Governments are capable of influencing behavior change, such as setting rates higher for bigger users, incentivizing lower users. Rewarding new habits of efficiency can slow waste, pollution and global warming.
Jeffrey	Owens	Missouri Solar Applications	Missouri's state motto is let the welfare of the people be the supreme law. We need to solve the climate crisis. There is no technical or economic obstacle. If you want to protect low income, adopt a carbon dividend program. Mr. Owens referenced three sources, including Rocky Mountain Institute and Stanford Solutions Project. I encourage you to use litmus test: substitute drugs for fuel, read again to see if it protects the welfare of the people.
Kristin	Reott	Bridging the Gap	I am executive director of Bridging the Gap in KC, an environmental not-for-profit organization. I brought energy/water efficiency kits we are using here in Kansas City. The kit costs \$11, pays for itself in first month - very effective for low-income families. There are significant savings. We also have a rim joist insulation program - can get 15% energy efficiency savings. The problem is people won't do it unless they have someone help them. One program does direct install, or discounted services. Energy efficiency is a great opportunity to help low-income, but we need funding for programs to lead people by the hand.
Mark	Lawlor	Clean Line Energy	Resources for electric generation. We are working on a project to move wind energy from western Kansas to here. The levelized cost is 4 cents per kWh. We have a simple business model as a merchant transmission line - privately funded, no cost to the State, paid by wind electricity users. We are different from a regional transmission organization (RTO) transmission method. Mr. Lawlor left a copy of a presentation.
Mark	Walter	Renew MO	Renew Missouri is a non-profit dedicated to transforming Missouri into a renewable energy leader by 2016. We were behind net metering, property assessed clean energy (PACE), and Renewable Portfolio Standard legislation. Also successful in MEEIA (Missouri Energy Efficiency Investment Act). Economic impact of renewable energy: can keep rates low and create jobs through business creation (blue collar, middle class jobs that can't be exported). Energy efficiency laws have also created new business (3900 workers by the end of 2014). Existing laws having a ripple effect throughout Missouri's economy, providing energy savings for residents. We are currently importing a lot of coal, but we could do in-state renewable energy instead. If existing laws are enforced, we will meet compliance well before the 2030 deadline, and improve energy security.

First Name	Last Name	Affiliation	Comments
Gretchen	Waddell Barwick	Sierra Club	I heard much talk about cost. I hope this isn't a term for dragging feet. Ms. Waddell-Barwick submitted 500 comments from Sierra Club members throughout the state concerning renewable energy, energy efficiency, health concerns due to coal, etc. Remember that cost isn't just money, but health and human cost of non-renewable energy. Kansas City is a non-attainment area for SO2, causes asthma and higher risk of heart attack, because Kansas City burns coal.