

**Missouri Energy Stakeholder Process:
Traditional Energy Sources Meeting, October 27, 2011**
*Convened by the Missouri Department of Natural Resources
at the Offices of the St. Louis RCGA*
One Metropolitan Square: 211 N. Broadway, Suite 1300, St. Louis, MO 63102

Meeting Summary

Attendees

Stakeholders

Glenda Abney	Brian Ackerman	Block Andrews	Ralph Bicknese
Joe Boland	Chuck Caisley	Trey Davis	Natelle Dietrich
Bryan Feemspers	Shannon Fisk	Cliff Garrett	John Hickey
Karen Johnson	John Kindschuh	Cerry Klein	David Klindt
Karen Massey	Bob Painter	Jerry Prewett	Angie Rolufs
Henry Robertson	Mark Russell	Irl Scissors	Tom Schultz
Ed Smith	Heidi Schoen	Tony Stafford	Julianne Stone
Roger Walker	Warren Wood		

Missouri Department of Natural Resources

Martha J. Buschjost	Llona Weiss	Brenda Wilbers	Mary Ann Young
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Cadmus Team

Amy Ellsworth	Adam R. Saslow	Robert Winters	Michele Wynne
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Welcoming Remarks

Llona Weiss, Director, Missouri Department of Natural Resources/Division of Energy

Ms. Weiss opened the meeting at 10:03 a.m. and welcomed all Advisors, Subject Matter Experts (SMEs)/stakeholder participants, and observers. After presenting the mission and organization of the Missouri Department of Natural Resources (MO DNR) and Division of Energy (DE), she provided background information on energy in Missouri and on the DE's activities, highlighting those related to traditional energy sources. The following is a summary of the information Ms. Weiss provided (the presentation was sent to attendees in a separate e-mail).

The MO DNR DE is a non-regulatory entity that works to protect the environment and to stimulate the economy through energy efficiency and renewable energy resources and technologies. The DE encourages the use of energy-efficient practices and technologies, provides technical and financial assistance for energy, participates in certain cases brought before the Public Services Commission

(PSC), and deploys energy-efficiency programs through American Reinvestment and Recovery Act (ARRA) and other funding sources.

The ARRA programs add approximately \$235 million to the DE budget. ARRA monies fund weatherization, state energy programs, block grants, and ENERGY STAR® appliance programs. Post ARRA (after March 31, 2012), it will be necessary for the DE to reduce its staff to 35 full-time equivalent positions, including the public information coordinator and special assistant professional positions.

The DE publishes a twice-monthly report, the Missouri Energy Bulletin, about the cost and supply of crude oil, natural gas, propane, and transportation. The DE assesses energy resources and the impacts of energy supply disruptions, maintains a plan for energy supply assurance, and responds to energy emergencies. DE participates in Public Service Commission (PSC) cases including resource planning and other activities related to Missouri electric and natural gas utilities.

Introductions

All participants introduced themselves, identified their role in this dialogue (Advisor or SME), and shared their energy credentials. Each person identified one key role they hope the DE might play in the coming year or two, which included:

- Supporting collaborative efforts to regularly bring stakeholders together;
- Better educating consumers on energy resources, rates, etc.;
- Increasing opportunities for stakeholders to engage with federal agencies (specifically the EPA) regarding the effect and proper responses of regulation on traditional energy sources.
- Assisting customers in understanding the impact of regulatory charges on their energy bills;
- Developing a statewide energy plan by consulting with other agencies in state government;
- Playing a role in energy and sustainability planning and providing resources to municipalities and cooperatives;
- Focusing on helping to de-politicize energy discussions, as well as encouraging collaboration and information sharing;
- Sharing large utilities' best practices at smaller local utilities;
- Reopening MO DNR's renewable energy standard rule to clarify that large hydroelectric power facilities are not eligible renewable resources;
- Developing a state energy plan based on unbiased information, especially with regard to the present costs and benefits of EPA regulations in Missouri;
- Depoliticizing the conversation about Missouri's energy future and promoting multiple ideas that consider the implications of having a patchwork of state policies;
- Identifying the impacts of federal and state regulations as they relate to business recruitment;

- Continuing to work with the PSC on energy assurance, including rates, long-term planning, and environmental issues;
- Understanding the true scale of energy as entailing multiple issues within a broader system;
- Addressing traditional energy sources in the DE's mission or potentially separating the DE from the MO DNR;
- Defining energy programs holistically;
- Working toward the goal of providing low-cost reliable energy and helping give utilities the ability to plan on a 10-year horizon;
- Facilitating adult conversations with all parties;
- Coordinating between the MO DNR and the Department of Economic Development on energy sector strategies to create more jobs and spur economic development;
- Helping Missouri prepare for the retirement of its fossil fuel infrastructure;
- Acting as a thoughtful and honest information broker, formalizing this energy stakeholder process (e.g., hosting quarterly meetings on energy issues) and assisting citizens with their energy issues; and
- Collaborating with stakeholders regarding regulations that are in effect or proposed.

Orientation to the Dialogue

Adam R. Saslow, Senior Facilitator, RESOLVE

Mr. Saslow outlined the following topics:

The Path to St. Louis

The DE engaged The Cadmus Group, Inc. to convene a stakeholder process to identify issues, priorities, and the DE's role in Missouri's energy future. In cooperation with DE, Cadmus identified Missouri stakeholders who had either a broad, general knowledge of energy issues (Advisors to the process) or had an expertise in energy efficiency (Subject Matter Experts within the process). The selected stakeholders were invited to participate in meetings discussing the issues related to their areas of interest to move toward a consensus on priorities related to energy issues in Missouri and the DE's role in the state.

The initial stakeholder workshop was held in Rolla on October 25, 2011. The focus of discussion was energy efficiency. The stakeholders identified three activities they want the DE to undertake:

- Convene an adult conversation to discuss energy issues.
- Become a clearinghouse for vetted energy information.
- Develop a state energy plan.

A third stakeholder meeting will be held in Kansas City on Renewable Energy Resources on November 10, 2011 and a final public participation meeting will be held in Columbia on November 14, 2011.

Code of Conduct

Mr. Saslow introduced the code of conduct and the ground rules for the stakeholder process. The code defines the culture, tenor, and cadence adopted for the duration of the process. It was designed to ensure a safe environment and a productive and progressive discussion.

The facilitators agreed to focus on identifying critical issues and the tasks that the MO DNR might complete in order to (1) move these issues forward in the months and years ahead and (2) accurately characterize that information/perspective as representing all, most, some, or none of the stakeholders.

The Charge

Mr. Saslow introduced the charge given to stakeholders by the MO DNR to help guide the process.

The Energy Stakeholder Process will strive to elicit meaningful discussions on complex energy issues, trends, opportunities, and challenges for the state of Missouri, the MO DNR, and the MO DNR DE.

Participants in the Energy Stakeholder Process will work together with the project facilitator (Cadmus) to build consensus on what critical energy issues face Missouri today and in the near future. Together, they will identify and prioritize key implementable recommendations where the DE should focus its efforts and expend its resources post ARRA. The results of the stakeholder process will be used to develop an agenda for DE action and to inform the division's strategic planning, budget planning, and resource allocation decisions.

Four Goals

Mr. Saslow outlined the four goals of the meeting:

- Develop a collaborative culture for dialogue,
- Identify critical issues for the state of Missouri as they relate to traditional energy resources,
- Discuss the possible role the DE might play in addressing these issues, and
- Prioritize activities and define short-, medium-, and long-term objectives and outcomes for the DE.

Decision Rules

Mr. Saslow noted that the meeting that day was simply a gathering of stakeholders. It was not a consensus-based process of any kind, it was not a state advisory group and it did not have a formal title or assign responsibilities. The meeting was just people from a few different sides of the issue talking. Per Mr. Saslow, “Consensus will be defined as a weight of opinion greater than half.”

General Context: Energy and Energy Constructs Beyond the Missouri Border

Amy Ellsworth, Senior Associate, The Cadmus Group, Inc.

Michele Wynne, Chief Operating Officer, GSM Development, St. Louis

Amy Ellsworth introduced the four goals for this process as delineated by the MO DNR and summarized the current situation in the state of Missouri. The goals are:

- Maintain competitive costs for Missourians.
- Promote a cleaner, greener economy that includes more renewable energy.
- Provide strategies to achieve all cost-effective efficiency savings.
- Achieve greater energy security through energy choices.

Michele Wynne discussed the impact that traditional energy sources (coal, nuclear, hydroelectric, and natural gas) have on the state's ability to achieve its goals. Missouri has one of the lowest electricity costs in the U.S., but energy production in the state lacks diversity. Coal, imported from Wyoming, is used in the production of more than 80% of Missouri's electricity. Eighty-five percent of Missouri homes are heated using two energy sources: natural gas (60%) and electricity (25%). Missouri's aging coal infrastructure, coupled with federal environmental requirements, will increase the cost of electricity as plant owners decide between costly upgrades, building new power plants, or deploying other alternatives.

General Discussion: the Convergence and Divergence of the Statutory Authorization and the Mission of the Division of Energy

Adam R. Saslow, Senior Facilitator, RESOLVE The DE's mission statement does not encompass traditional energy resources. Mr. Saslow raised this issue and provided the stakeholders with the following information from the MO DNR enabling legislation:¹

Duties for energy activities: department may enter into contracts and agreements when:

640.150.1. The department of natural resources shall be vested with the powers and duties prescribed by law and shall have the power to carry out the following activities:

- (1) Assessing the impact of national energy policies on this state's supply and use of energy and this state's public health, safety and welfare;
- (2) Consulting and cooperating with all state and federal governmental agencies, departments, boards and commissions and all other interested agencies and institutions,

¹ Source: *Missouri Revised Statutes, Section 640.150*, August 28, 2010.

governmental and nongovernmental, public and private, on matters of energy research and development, management, conservation and distribution;

(3) The monitoring and analyzing of all federal, state, local and voluntarily disclosed private sector energy research projects and voluntarily disclosed private sector energy related data and information concerning supply and consumption, in order to plan for the future energy needs of this state. All information gathered shall be maintained, revised and updated as an aid to any interested person, foundation or other organization, public or private;

(4) Analyzing the potential for increased utilization of coal, nuclear, solar, resource recovery and reuse, landfill gas, projects to reduce and capture methane and other greenhouse gas emissions from landfills, energy efficient technologies and other energy alternatives, and making recommendations for the expanded use of alternate energy sources and technologies;

(5) Entering into cooperative agreements with other states, political subdivisions, private entities or educational institutions for the purpose of seeking and securing federal grants for the department and its partners in the grants;

(6) The development and promotion of state energy conservation programs, including:

(a) Public education and information in energy-related areas;

(b) Developing energy efficiency standards for agricultural and industrial energy use and for new and existing buildings, to be promoted through technical assistance efforts by cooperative arrangements with interested public, business and civic groups and by cooperating with political subdivisions of this state;

(c) Preparing plans for reducing energy use in the event of an energy or other resource supply emergency.

640.150.2. No funds shall be expended to implement the provisions of this section until funds are specifically appropriated for that purpose. In order to carry out its responsibilities under this section, the department may expend any such appropriated funds by entering into agreements, contracts, grants, subgrants or cooperative arrangements under various terms and conditions in the best interest of the state with other state, federal or interstate agencies, political subdivisions, not-for-profit entities or organizations, educational institutions or other entities, both public and private, to carry out its responsibilities.

(L. 1979 H.B. 72 § 1, A.L. 2009 H.B. 661) Effective 7-07-09

The DE's Existing Mission Statement

The following are MO DNR and DE's mission statements.

"The mission of the Missouri Department of Natural Resources is to protect, preserve and enhance Missouri's natural, cultural and energy resources."

The existing DE mission statement reads:

“The Missouri Department of Natural Resources’ Division of Energy is a nonregulatory entity that works to protect the environment and stimulate the economy through energy efficiency and renewable energy resources and technologies.”

Mr. Saslow asked if there is a role for the DE in the area of traditional energy sources. Some stakeholders want to keep the existing mission because it focuses on the renewable and energy-efficiency initiatives, which are areas of the future energy direction for Missouri. The group discussed that there needs to be an advocate for new technologies. The traditional energy sources (TES) have strong advocates.

Other stakeholders pointed out that the enabling legislation includes TES; they represent a significant portion of the energy sector in Missouri and the discussion should not be limited. Others suggested that the DE should analyze all energy sources and Missouri resources using a holistic approach. Some stakeholders want to include the reference to the economy, while others felt that is the duty of the Department of Economic Development.

A majority of the stakeholders decided that a revised mission statement is a good idea. One stakeholder pointed out that the mission statement should be consistent with the statute. The majority want the mission to be generic and continue to reference the economy. Cadmus was tasked with developing a more generic statement for stakeholder review.

DE Mission Statement

During the lunch period, Cadmus met and developed the following possible mission statement for review by the stakeholders:

“The Missouri Department of Natural Resources’ Division of Energy mission is to facilitate/promote/advocate a diverse energy portfolio that balances environmental protection, economic growth, and long-term energy reliability and security (“facilitate/promote/advocate” assumes the need to educate).”

Several stakeholders prefer the old mission statement because it focuses on energy efficiency and renewable energy. The DE has limited resources and TES has sufficient funding. Other stakeholders like the suggested version because it addresses energy, economy, and environment, and is very broad. There was some discussion over the use of the word “advocate,” as it may have a political connotation. “Support” was suggested over “advocate.” Other stakeholder suggestions included:

- The use of “facilitate” or “encourage” instead of “promote” or “advocate.”
- Adding a reference to the state of Missouri.
- Instead of “economic growth,” using “economic strength” or “economic stability.”

Although the stakeholders did not arrive at a consensus on the precise wording of a new mission statement, they felt that a new mission statement is needed. The discussion provided the DE with feedback on the stakeholders’ preferred direction for a new mission.

General Discussion: What Should Be the Role of the DE?

Adam R. Saslow, Senior Facilitator, RESOLVE

Mr. Saslow led a discussion focused on the role of the DE. Stakeholder suggestions included: balancing ratepayer and utility interests at the PSC; educating the public on the costs and benefits of the various energy options; hosting a central planning process; and identifying the costs and benefits to Missouri of federal and environmental regulations. The discussion coalesced around the DE providing neutral or objective information across the energy spectrum and its impacts for Missouri.

Mr. Saslow asked if the stakeholders felt that the DE is neutral. The stakeholders were split on this topic, particularly with regard to their interactions with the PSC. One stakeholder felt that the DE should act as a neutral technical resource that conducts research on energy issues and provides data and information to support PSC activity. Another stakeholder noted that the PSC staff provides this type of information and that the DE should act as an advocate and take positions with regard to PSC cases.

Mr. Saslow then asked how the DE should change to become more neutral. The stakeholders suggested that “objective” may be a better term than “neutral,” and said that the DE should be an honest broker of objective, fact-based data. Others said they expected DE would take positions based on the data or best practices. Stakeholders would like the DE to become a clearinghouse of energy data.

Within the concept of a clearinghouse, several themes developed. Some stakeholders suggested that the DE should offer a service to new, large businesses coming into the state by providing information on the cost of energy in various parts of the state.

Many stakeholders want the DE to provide customers with accurate facts so they can make the right decisions. They want these facts to present balanced information about the costs and benefits of various energy issues. Stakeholders said the DE should explain why customer rates may/will go up in the future with the existing energy or with the use of renewable energy. A few want the DE to focus on identifying the impact of EPA and North American Electric Reliability Corporation (NERC) regulations. All stakeholders want the information vetted.

A second area of stakeholder interest was for the DE to be a safe place to air views and vet information. They want the DE to be a place for adult conversation.

General Discussion: What Specific Services and Analysis Could MO DNR Be Doing (If Anything, and Specifically)

Adam R. Saslow, Senior Facilitator, RESOLVE

Mr. Saslow asked the stakeholders what specific analytic activities the DE should engage in. The stakeholders identified 13 different issues that called for objective, analytic information to be collected or generated by the DE. The stakeholders determined the most important issues were:

- The impacts of energy policies, including external costs,
- The impact of the aging infrastructure on Missouri’s energy future,

- The costs and benefits of federal regulations, and
- The impact of increased energy efficiency versus adding conventional generation on Missouri's energy future.

Funding for the MO DNR DE

Mr. Saslow asked the stakeholders how the MO DNR should fund the services the stakeholders want the DE to perform. A majority of the stakeholders suggested funding the DE from the General Revenue Fund. Other suggestions were federal money, grants, public/private foundation, a sustainable revolving fund, public purpose (benefit) fund, a fee for information, current funding repurposed, and setting up a not-for-profit entity to accept donations.

Commentary on the Merits of a State Energy Plan

Michele Wynne, Chief Operating Officer, GSM Development, St. Louis

Ms. Wynne provided the stakeholders with background information about energy plans in other states. States with energy plans use them to document existing state energy uses and to forecast future energy demand growth. The plans cover all forms of energy resources (nuclear, fossil fuels, renewable energy) and uses (electricity, heating, transportation). The plans include policy proposals designed to meet state energy goals.

Stakeholders asked questions about the funding and time to develop state plans. Several felt that a state energy plan would help integrate the different energy sectors. Some felt there was not a need for this and that state policy is the purview of the governor, not the MO DNR. There was not a common understanding or working definition of what a state energy plan in Missouri would look like or how it should be developed.

Review of Progress and Next Steps

Adam R. Saslow, Senior Facilitator, RESOLVE

Mr. Saslow summarized the accomplishments made during the meeting. The stakeholders reached consensus around five strategic priorities for the DE:

- Provide analysis on the retirement of the aging infrastructure and the impact of regulations, especially on the cost of energy;
- Develop a state energy plan;
- Convene the adult conversation about energy issues;
- Develop an 'Energy Center': a clearinghouse of vetted energy information; and,
- Play a role at PSC proceedings.

Adjourn

Ms. Wilbers adjourned the meeting at 4:55 p.m.