

HB 1487 -- Renewable Energy

Sponsor: Pollock

This bill changes the laws regarding renewable energy mandates enacted by Proposition C in 2008. In its main provisions, the bill:

(1) Revises the portion of an electric utility's sales that it must generate or purchase from renewable energy resources. Currently, the amount must be no less than 2% for 2011 through 2013, no less than 5% for 2014 through 2017, no less than 10% for 2018 through 2020, and no less than 15% beginning in 2021. The bill changes the amount to no less than 7% for 2014 to 2017; no less than 12% for 2018 to 2020, no less than 15% beginning in 2021;

(2) Specifies that the purchase of renewable energy credits from any of the 48 states must qualify to meet the requirements of the mandate through December 31, 2016. Only credits directly associated with energy from a renewable energy resource located in Missouri or a state that borders Missouri will qualify for the purposes of a utility's obligation to meet the mandate percentages applicable on or after January 1, 2017;

(3) Specifies that an electric utility cannot have an obligation to provide electricity from renewable energy resources in any year to the extent the net cost of doing so exceeds the amount the utility may charge to its customers through the surcharge. The costs of renewable energy resources that would have been built or contracted for regardless of the mandate because of its favorable cost or operational characteristics when compared to other resources cannot be included in the net cost of providing electricity from renewable resources calculation used to determine the surcharge of the caps;

(4) Specifies that the calendar year sums charged to customers based on the surcharge in any year cannot exceed 1% of the electric utility's base rate portion of its revenue requirement used to calculate rates in its most recent general rate case completed at the Missouri Public Service Commission prior to the commencement of the calendar year;

(5) Permits an electric utility to recover the net costs through equal percentage surcharges applied to base rates outside of the general rate case proceedings, effective January 1, 2013, and thereafter based on the utility's estimate of revenues to be received during the applicable year. Any underrecovery or overrecovery of the net costs in any year due to variations in estimated revenues must be reflected in an adjustment starting

May 1 of the following calendar year and ending by December 31;

(6) Specifies the calculation of the gross and net cost of providing energy to determine the allowable customer charges and the surcharge by aggregating a variety of regulatory and infrastructure costs associated with implementing the renewable energy mandates and subtracting the value of the energy produced in compliance with the mandate. Commission rules are used to specify the calculation of the value of the energy. The factors allowed in the aggregation of costs are specified in the bill;

(7) Changes the penalties for failure to meet the targets. Currently, penalties of at least twice the average market value of renewable energy credits for the compliance period are allowed. The bill specifies that penalties of at least twice the specified kilowatt hour prices as adjusted for losses in the electric utility's tariff filings under 4 CSR 240-3.155, may be assessed for a given compliance period for failure to meet the mandates. The bill specifies that the penalties cannot apply if the failure was due to events beyond the utility's reasonable control that could not have been reasonably mitigated;

(8) Requires each electric utility, except those exempt under Section 393.1050, RSMo, starting January 1, 2013, to make available a solar rebate to specified retail customers. Rebates are based on solar rebate tariffs or riders filed by the utility with the commission and must initially be \$2 per watt for qualifying systems operational in 2013, with the rebate reduced by 25 cents per watt in each succeeding year until the rebate is eliminated for systems not installed by December 31, 2020. In order to receive a rebate, a customer must grant title to renewable energy credits to the utility for a period of 10 years from the date the system was installed and operational. The utility may use the credits to meet its mandate. Utility use of credits as either a capital expenditure or an expense for purposes of calculating the net cost of providing renewable energy is allowed;

(9) Requires the commission to certify a renewable energy producer if it meets all federal, state, and local laws and regulations;

(10) Specifies that, notwithstanding the commission's decision in Case No. EO-2005-0329, an electric utility must be entitled to utilize the cost recovery mechanism provided for in Section 393.1030 and the commission must allow for the recovery; and

(11) Requires the Department of Natural Resources to annually assess utilities an amount not to exceed .005 of 1% of its annual intrastate operating revenues starting in 2013 to be deposited

into the newly created Agricultural Energy Fund which must be used solely to pay for the department's expenses in encouraging and developing biomass energy projects in Missouri.