ENVIRONMENT & ENERGY COMMISSION

City of Columbia & County of Boone
City Hall, Conference Room 1A

February 23, 2016

Mayor McDavid and Council Members,

Re: 2016 Renewable Energy Report

The Environment and Energy Commission is disappointed to see that the quantity of renewable energy in 2015 has declined from 2014. Columbia is not on track at 6.8% to meet our 2018 renewable energy goal of 15%. In addition, the EEC raised two issues in the 2015 report that were not resolved in the 2016 report.

We still have issues with the report. Specifically, calculations of net-metering costs confuse opportunity costs with paid costs. This results in an inflated cost for renewable energy.

Renewable energy charges net-metering as a cost in the report.

> *"For calendar year 2015, the average real-time Columbia LMP for the hours when the customer-owned solar resources were producing energy was $25.38 per megawatt hour.* ***The average retail energy price is $90.17 per megawatt hour. The difference in these two values is the renewable energy cost of $64.79 per megawatt hour."*** *(Renewable Energy Report, page 6)*

This statement confuses opportunity costs with paid costs - resulting in an inflated cost for renewable energy. Were it not for these net-metered systems, Columbia Water & Light (CWL), would have bought market energy, marked it up to residential rates, and sold it to those customers. The difference (or renewable cost of $64.79) in the two values represents an opportunity cost of not-selling fossil fuel energy to these customers. This is not an actual paid cost and exaggerates the cost of renewable energy. It is similar to calculating savings due to adding attic insulation as cash outlays to the utility.

The EEC continues to recommend that future reports not exaggerate net-metered costs.

We do not want to use accounting practices that undervalue renewable energy and overestimate its cost. In 2016, we are well below the 3% maximum "impact on rates" permitted in the Renewable Energy Ordinance – appearing that there is no immediate negative impact from these accounting practices. However, continuing this accounting practice gives a misleading impression that we will only be able to afford 20% renewable energy in 2028 rather than the 30% which is the goal. We believe the 30% goal is achievable and affordable.

Respectfully Yours,

Jan Dye

Jan Dye
Environment and Energy Commission, Chair