

Environment & Energy Commission

City of Columbia & County of Boone

City Hall, Conference Room 1A

March 29, 2018

Re: Comments regarding the 2018 Renewable Energy Report

To: Columbia Mayor and City Council and Boone County Commission

The EEC is pleased to see, with the addition of the second Crystal Lake Wind contract and other renewable energy gains over the last year, Columbia has reached the 2018 goal of 15% renewable energy. We are also pleased these gains were obtained while staying under the 3% increased cost threshold for renewable energy. However, the EEC is concerned with both the accounting methods for calculating cost, and its implications for the cost threshold.

The EEC believes the most reasonable way to evaluate cost over energy is to use real costs. This can most easily be obtained using specific accounting line categories. This will reflect the actual expense of renewable energy, actual cost of fossil fuel energy and allow for easier cost comparisons.

The EEC believes the cost accounting method used in the renewable energy report substantially overestimates the cost of renewable energy. As Columbia moves away from fossil fuels and toward incorporating more renewable energy, it would be useful to explore alternatives for cost accounting using different sets of assumptions included in the Renewable Energy Report. This would provide real guidance to the Council during the transition.

We recognize the purchases of renewal energy from sources which do not carry nameplate capacity, such as the intermittent energy from wind and solar farms, is only possible because we have purchased backup capacity. This capacity is in the form of equipment and contracts needed to meet our capacity requirement, and enforced by MISO. However, this capacity is not used to produce energy for Columbia. For example, in 2017, a modest portion of this capacity purchase was needed to permit Columbia to obtain renewable energy, which was not recognized as contributing to our MISO capacity requirements. The cost of this backup capacity should be attributed to the renewable energy portfolio since the capacity is required and has real costs.

For instance, in 2017 the backup capacity was approximately 144 MW from the Columbia Energy Center (CEC), which was purchased several years ago. The CEC has also permitted us to purchase needed energy from the MISO energy market. In 2018, we started purchasing capacity with the contract from Dynegy, starting at 5 MW and will increase over the 10-year life of the contract to 45 MW. Both of these sources of capacity include actual cash outlays with accounting line numbers. These are real costs for capacity, which are from fossil fuels, and they can and would be used if there were major problems in the MISO grid region. In the last few years we have used CEC for brief periods, at the request of MISO, to provide energy for MISO customers, but did not utilized CEC strictly for needed energy.

We request the City Council ask the utility to cease the use of a calculation that undervalues renewable energy and overestimates its cost, or discuss with the EEC a different accounting calculation. The current

accounting methodology implies that we will not be able to maintain the cost limits for renewable energy, as we are at 70% of the 3% threshold now. This leaves little room to accommodate increased costs as we approach our goal of 25% and 30% renewables by 2022 and 2028 respectively. According to utility staff, they are currently reviewing how the energy cost value is calculated. The EEC encourages this and would like to see this process continue.

[signed]

Ken Midkiff

Chair, Environment and Energy Commission