

GMO-247

Exhibit No.:
Issues: Low-Income Weatherization
Witness: Henry E. Warren
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
File No.: ER-2010-0356
Date Testimony Prepared: January 12, 2011

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

HENRY E. WARREN

KCP&L GREATER MISSOURI OPERATIONS COMPANY

FILE NO. ER-2010-0356

*Jefferson City, Missouri
January 2011*

Staff Exhibit No. GMO-247
Date 1/18/11 Reporter LMB
File No. ER-2010-0356

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

SURREBUTTAL TESTIMONY

OF

HENRY E. WARREN

KCP&L GREATER MISSOURI OPERATIONS COMPANY

FILE NO. ER-2010-0356

Q. Please state your name and business address.

A. My name is Henry E. Warren and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri, 65102.

Q. Are you the same Henry E. Warren who contributed to Missouri Public Service Commission Staff's (Staff) Cost of Service Report (Staff Report) filed in this case on November 17, 2010?

A. I am.

Q. What is the purpose of your surrebuttal testimony?

A. I provide Staff's responses to KCP&L Greater Missouri Operations Company (GMO or Company) witness Tim M. Rush's criticisms and suggestions made in response to Staff's proposals on the continuation of the funding of GMO's Low-Income Weatherization Program in his rebuttal testimony filed on December 15, 2010.

Q. What did Mr. Rush say in his rebuttal testimony regarding continuation of the funding of the Low-Income Weatherization Program?

A. Beginning on page 12, line 20 of his rebuttal testimony, Mr. Rush presents GMO's disagreement with Staff's proposal that GMO continue to fund the Low-Income Weatherization Program at the current level by stating as part of his response to the question,

Surrebuttal Testimony of
Henry E. Warren

1 "Do you agree with Mr. Warren that the programs, with modifications, should continue at the
2 same level as suggested in his testimony?":

3 No. I do not think that this is the proper forum for a decision to
4 continue the current funding levels for low income weatherization. I
5 think it should be first vetted with the Customer Program Advisory
6 Group (*sic*) which consists of various interested parties. Second, the
7 Commission should determine the recovery mechanism before a
8 decision is made.

9 Q. Do you agree with the above statements about the process of continuing low-
10 income weatherization funding?

11 A. No, I do not. The *GMO Advisory Group* (GMOAG), which includes Staff,
12 Office of Public Counsel, Missouri Department of Natural Resources, the City of Kansas
13 City, and the Sedalia Industrial Users' Association has tracked, discussed, and overseen the
14 implementation and evaluation¹ of GMO's Low-Income Weatherization Program. However,
15 as its name implies, the GMOAG is an *advisory* group for implementing and evaluating the
16 demand-side programs. The GMOAG cannot and should not decide the budget for
17 low-income energy efficiency programs. The actual decision regarding the funding of energy
18 efficiency programs is GMO's responsibility.

19 In addition, the Commission Order in Case No. EO-2007-0298 approved the
20 Non-Unanimous Stipulation and Agreement and accepted the GMO Resource Plan which
21 included the *Program Budget Summaries* (Table 3-2) with funding for the Low-Income
22 Weatherization Program through December 2011. The budget for the Low-Income
23 Weatherization Program has subsequently been modified as shown in Appendix 7 of the Staff
24 Report filed November 17, 2010. The evaluation of GMO's Low-Income Weatherization

¹ *KCP&L-GMO Low Income Weatherization Program Evaluation*, Opinion Dynamics Corporation, August, 2010

Surrebuttal Testimony of
Henry E. Warren

1 Program indicated that there were significant reductions in kWh usage in homes receiving
2 weatherization and that the program should be continued with some recommended
3 modifications. Therefore, it is Staff's position that GMO's Low-Income Weatherization
4 Program should be continued and this general rate case is the proper forum for determining
5 the ongoing funding of that program.

6 Q. Did Mr. Rush say anything else in his rebuttal testimony in response to Staff's
7 proposals on the continuation of the funding of GMO's Low-Income Weatherization
8 Program?

9 A. Yes. As it has with other energy efficiency programs, GMO is taking the
10 position that a decision regarding the funding of the low-income weatherization program
11 should be delayed until the Commission makes a decision regarding demand-side program
12 recovery mechanisms in a rulemaking. (Rush rebuttal page 13, lines 1 - 2).

13 Q. Does Staff agree?

14 A. No, Staff does not agree with GMO's position to "wait and see" before
15 providing more funding for the low-income weatherization program. Staff's position
16 regarding cost recovery and GMO's reluctance to continue demand-side programs can be
17 found in the rebuttal and surrebuttal testimony of Staff witness John A. Rogers.

18 Q. Is Staff's recommendation that GMO's Low-Income Weatherization Program
19 continue to be funded and those funds be put into an Environmental Improvement and Energy
20 Resources Authority (EIARA) account until used inconsistent with its position regarding the
21 recovery of other demand-side program costs?

Surrebuttal Testimony of
Henry E. Warren

1 A. No, it is not. Union Electric Company d/b/a Ameren Missouri currently has
2 similar cost recovery mechanisms for its low-income weatherization program and it places the
3 funding for its low-income weatherization program in an EIERA account.

4 Q. Did Mr. Rush have a response to your recommendation that the funding be
5 placed in an EIERA account?

6 A. It seems that Mr. Rush had two reasons why GMO is opposed to the funding
7 being placed in an EIERA account. The first can be found in page 12, lines 13 - 15 of his
8 rebuttal testimony where he states that the established process of distributing weatherization
9 payments monthly based upon actual weatherization services provided has been seamless and
10 effective.

11 Q. Did Staff recommend that GMO's Low-Income Weatherization Program funds
12 be placed in an EIERA account because of problems with the distribution of payments?

13 A. Yes. The table in Appendix 7 of the Staff Report filed November 17, 2010,
14 indicates that GMO anticipates distributing only 23% of the budgeted funds of \$2,346,815 for
15 the program. However, GMO has not indicated what will happen to the undistributed funds.
16 If the funds budgeted were placed with EIERA, the funds would be used for the program as
17 called for in the Resource Plan.

18 Q. What was Mr. Rush's other reason that GMO was opposed to placing
19 weatherization funds in an EIERA account?

20 A. On page 13, lines 4-7 of his rebuttal testimony Mr. Rush states:

21 Additionally, Staff is recommending that the Company modify its
22 direct reimbursement payment method to the weatherization agencies
23 from monthly to annual. This change would be harmful to the
24 Company's cash flow and places an undue burden on the Company.

Surrebuttal Testimony of
Henry E. Warren

1 Mr. Rush does not provide support for his statement that having GMO put the
2 budgeted amount annually in an account at EI ERA "...would be harmful to the Company's
3 cash flow and places an undue burden on the Company." However, Staff would not oppose
4 GMO dividing its payment of budgeted funds to EI ERA on a quarterly or monthly basis.
5 With Staff's proposal, the funds GMO provides to EI ERA for weatherization would be
6 credited to the regulatory asset account established for energy efficiency and demand-side
7 management programs.

8 Q. What is Staff's conclusion and recommendation?

9 A. This rate case is the proper forum to determine the future of GMO's Low-
10 Income Weatherization Program past the *Program Budget Summaries* in its Resource Plan.
11 On the basis of the positive evaluation of GMO's Low-Income Weatherization Program and
12 Mr. Rush's lack of substantiation of his claim that providing budgeted funds to EI ERA would
13 be an "undue burden on the Company," Staff proposes continued funding at the current level,
14 with the funds being deposited annually with EI ERA.

15 Staff recommendation remains the same as it stated on page 156 in its Staff Report
16 filed on November 17, 2010:

17 Staff recommends that the unutilized low-income weatherization funds
18 from the Resource Plan be placed in an account with EI ERA. In
19 addition, in order have some additional GMO funds for weatherization
20 when the ARRA funds are no longer available, Staff recommends that
21 GMO continue to provide annual funding of ... low-income
22 weatherization, as currently allocated between the Weatherization
23 Agencies. Staff also recommends that GMO change its distribution
24 method for the weatherization funds from monthly direct
25 reimbursement to the Weatherization Agencies to an annual deposit of
26 the funds to an EI ERA account.

27 Q. Does this conclude your surrebuttal testimony?

28 A. Yes, it does.