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Economic Development Riders
Jane Lohraff
Missouri Department of Economic
Development - Division of Energy
Surrebuttal Testimony
ER-2014-0351

MISSOURI PUBLIC SERVICE COMMISSION

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2014-0351

SURREBUTTAL TESTIMONY

OF

JANE LOHRAFF

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

**Jefferson City, Missouri
March 24, 2015**

DE Exhibit No. 404
Date 4-14-15 Reporter KF
File No. ER-2014-0351

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. Please state your name and business address.**

3 A. Jane Lohraff, 301 West High Street, Suite 720, Jefferson City, Missouri 65102.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am employed by the Missouri Department of Economic Development, Division of Energy
6 (“DE”) as an Energy Policy Analyst.

7 **Q. Have you previously filed testimony in this case?**

8 A. Yes, on February 11, 2015, I filed Direct Testimony in ER-2014-0351 regarding alignment of
9 utility incentives with energy efficiency.

10 **Q. What information did you review in preparing this testimony?**

11 A. I reviewed the parties’ Rebuttal Testimony addressing Economic Development Riders.

12 **Q. What is the purpose of your testimony?**

13 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony of Brent A.
14 Baker, witness for The Empire District Company (“Empire”) regarding DE’s recommendation to
15 align Empire’s Economic Development Rider (“EDR”) benefits with energy efficiency program
16 participation.

17 **II. RESPONSE TO THE REBUTTAL TESTIMONY OF BRENT A. BAKER**

18 **Q. Does Mr. Baker agree with your recommendation to link receipt of EDR benefits with
19 participation in Empire’s energy efficiency programs?**

20 A. No. Mr. Baker is opposed to any change in the EDR.

21 **Q. What reason was given for Mr. Baker’s opposition to your recommendation?**

22 A. Empire’s position with regard to the EDR is that:

1 Any change would add undue complexity to an already vulnerable
2 process and make it even more difficult to attract new customers to
3 the area.¹

4 **Q. What evidence did Mr. Baker offer in support of the assertion of “undue complexity”?**

5 A. Empire provided no evidence for the assertion of “undue complexity.”

6 **Q. What evidence did Mr. Baker offer in support of the assertion that participation in**
7 **Empire’s energy efficiency programs would make it more difficult to attract new**
8 **customers?**

9 A. Empire provided no evidence for the assertion that participation in Empire’s energy efficiency
10 programs would make it more difficult to attract new customers. In fact, participation in energy
11 efficiency programs may make it easier to attract new customers.

12 **Q. What evidence can you provide in support of the suggestion that participation in energy**
13 **efficiency programs may make it easier to attract new customers?**

14 A. Empire’s website provides examples of their Custom Rebate Retrofit Program². One example
15 describes an existing twenty-year old air conditioning unit needs to be replaced. A new unit
16 meeting minimum code compliance would cost \$50,000. A new energy efficient unit would cost
17 \$55,000, thus the incremental cost is \$5,000. Annual cost savings resulting from the efficient unit
18 is \$749 per year. The lowest cost of the three possible recovery scenarios (see page 4, lines 1-3)
19 is a rebate for 50% of the incremental cost (\$2,500), with the remaining \$2,500 to be recovered
20 by \$749 annual cost savings in 3.3 years. As the total incremental cost for the increased energy
21 efficiency (\$5,000) would be recovered in 3.3 years, the measure would be included in the EDR.
22 By the end of the 5 year term of the EDR, the recipient would have netted \$1,273.30 from

¹ Missouri Public Service Commission Case No. ER-2014-0351, *In the Matter of Empire District Electric Company Economic Development Rider and Service Quality Reporting*, Rebuttal Testimony, Brent A. Baker, March, 2015, page 2, lines 18 - 23.

² [The Empire District Electric Company - Custom Rebate Program](#)

1 reduced utility cost directly resulting from the energy efficiency upgrade. The EDR customer
2 would continue to benefit from the cost savings of \$749 per year beyond the term of the EDR.

3 **Q. Is it logical to deduce that the customers who have elected to participate in Empire's energy**
4 **efficiency programs have done so because it was to their benefit?**

5 A. Yes.

6 **Q. Is it logical to deduce that a potential EDR customer might also see participation in**
7 **Empire's energy efficiency program to be to their benefit?**

8 A. Yes.

9 **Q. How would you characterize your recommendation in terms of level of complexity to**
10 **implement?**

11 A. Implementation of my recommendation is a modest, common sense, concrete step that can be
12 taken to align state and Commission policy to link utility incentives with energy efficiency.

13 **Q. Would Commission approval of your recommendation cause Empire to develop new**
14 **programs or personnel expertise?**

15 A. I do not anticipate the need for Empire to develop new programs or personnel expertise.

16 **Q. Please explain.**

17 A. Empire's programs and personnel are already in place and fully functioning to address 1) new
18 commercial and industrial customers interested in receiving the EDR, and 2) customers that
19 choose to take advantage of Empire's energy efficiency program incentives.

20 **Q. What exactly would be the direct impact on Empire if the Commission approved your**
21 **recommendation?**

22 A. When a Total Electric Building ("TEB") or General Power ("GP) class prospective EDR
23 customer is in negotiation with Empire, an additional discussion would occur in which energy
24 efficiency program measures applicable to the customer would be identified. By Empire's own
25 requirements, rebates would be calculated as the lesser of the following:

- 1 • A buy down to a two-year payback
- 2 • 50% of incremental costs
- 3 • 50% of lifecycle avoided demand and energy costs.

4 Only those measures that are both applicable and are the least of the criteria above would become
5 part of the EDR participation requirement. If there are no applicable measures identified, or the
6 identified measures cannot meet the Empire criteria, no energy efficiency measures would be
7 required to receive the EDR.

8 **Q. Which customer classes and energy efficiency program would be applicable to potential**
9 **EDR customers?**

10 A. As described in my direct testimony, the following customer classes are eligible for EDR
11 discounted service rate: TEB, GP, Large Power, and special tariff. Of those EDR customer
12 classes, only the TEB and GP are eligible for benefits from Empire's Custom Rebate Retrofit
13 Program, which provides financial incentives for installing qualifying measures including HVAC
14 systems, motors, variable speed drives, lighting, building controls, pumps, etc. in existing
15 facilities.

16 **Q. Does this conclude your Surrebuttal Testimony?**

17 A. Yes, thank you.