

Exhibit No. 20
Issue: Demand Side Management
Programs, Experimental Low Income
Program
Witness: Sherrill L. McCormack
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2008-0093
Date Testimony Prepared: April 2008

**Before the Public Service Commission
of the State of Missouri**

Rebuttal Testimony

of

Sherrill L. McCormack

April 2008

Empire Exhibit No. 20
Case No(s). ER-2008-0093
Date 5-12-08 Rptr KF

SHERRILL L. MCCORMACK
REBUTTAL TESTIMONY

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OF
SHERRILL L MCCORMACK
ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION

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REBUTTAL TESTIMONY
OF
SHERRILL L. MCCORMACK
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2008-0093

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3 A. My name is Sherrill L. McCormack and my business address is 602 S. Joplin Avenue, Joplin,
4 Missouri 64801.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am currently employed by The Empire District Electric Company ("Company" or
7 "Empire") as a Planning Analyst.

8 **Q. ARE YOU THE SAME SHERRILL L. MCCORMACK THAT HAS PRESENTED**
9 **DIRECT TESTIMONY IN THIS CASE BEFORE THE MISSOURI PUBLIC**
10 **SERVICE COMMISSION ("COMMISSION")?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. I will respond to the comments made by other parties regarding the status of Empire's
14 demand side management ("DSM") programs. As a part of my response, I will present an
15 alternative proposal concerning the Experimental Low Income Program ("ELIP").

16 **DSM**

17 **Q. HAVE YOU REVIEWED THE DEMAND SIDE MANAGEMENT TESTIMONY**
18 **FILED BY THE OTHER PARTIES TO THIS CASE?**

1 A. Yes. I have reviewed the testimony of Ms. Amanda C. McMellen found at page 56 of the
2 Commission Staff's ("Staff") Report and the direct testimony of Ms. Brenda Wilbers of the
3 Missouri Department of Natural Resources Energy Center ("MDNR"). I will be addressing
4 the comments of Ms. Wilbers in my rebuttal testimony.

5 **Q. PLEASE DESCRIBE THE MAIN AREAS TO BE ADDRESSED BY YOUR**
6 **REBUTTAL.**

7 A. In response to Ms. Wilbers' testimony, I will address Empire's DSM portfolio, the current
8 status of implementation of the DSM portfolio, and the expenditures related to the DSM
9 portfolio.

10 **Q. WHAT ENERGY EFFICIENCY PROGRAMS ARE INCLUDED IN EMPIRE'S**
11 **INITIAL CUSTOMER PROGRAMS COLLABORATIVE ("CPC") APPROVED DSM**
12 **PORTFOLIO?**

13 A. The initial CPC approved portfolio contained the following programs:

- 14 • Low Income Efficiency Program
- 15 • Low Income New Home
- 16 • Home Performance with ENERGY STAR®
- 17 • Change a Light
- 18 • Residential High Efficiency Central Air Conditioner Program
- 19 • ENERGY STAR® Homes
- 20 • Commercial & Industrial Rebate Program
- 21 • Building Operator Certification Program

22 In the direct testimony of Ms. Brenda Wilbers of MDNR, a list of programs is presented on
23 page 5 as Empire's DSM portfolio. The Online Energy Information and Analysis Program
24 Using Nexus® was not a part of the final portfolio approved by the CPC, although an online
25 energy information component has been added by Empire after discussing it with the CPC.

Q. HOW MANY OF THE PROGRAMS APPROVED BY THE CPC HAVE BEEN IMPLEMENTED AND APPROVED BY THE COMMISSION?

A. Empire has received Commission authorization to implement six of the CPC approved programs, four for residential customers and two for the commercial and industrial customers. The programs and the tariff effective dates follow:

- | | |
|---|------------|
| • Low Income Efficiency (Weatherization) | 09/05/2006 |
| • Change a Light | 09/05/2006 |
| • Low Income New Homes | 04/04/2007 |
| • Commercial & Industrial Rebate | 05/07/2007 |
| • High Efficiency Central Air Conditioner | 06/04/2007 |
| • Building Operator Certification | 02/21/2008 |

With the approval of the CPC, Empire has added the Apogee Home Energy Calculator and the Commercial Energy Calculator to its website. In addition to the two stated calculators, energy libraries and specialty calculators are available as part of this package for customers use on Empire's website.

Q. PLEASE DESCRIBE THE TWO REMAINING CPC APPROVED PROGRAMS THAT HAVE YET TO BE IMPLEMENTED BY EMPIRE.

A. The two programs that have yet to be implemented are The Home Performance with ENERGY STAR® and the ENERGY STAR® Homes programs. Of the initial CPC approved portfolio, these programs are the most complex and require more than a single utility for a successful implementation. Empire will work closely with the MDNR and other entities as it begins development and implementation of these programs.

Q. WHY HAVE EMPIRE'S ANNUAL DSM EXPENDITURES DIFFERED FROM THE CPC APPROVED ANNUAL BUDGETS?

A. The annual DSM expenditures have differed from the budget primarily due to the timing of program implementation. The implementation of the individual DSM programs was

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1 staggered. The budget figures displayed in MDNR witness Wilbers' direct testimony, page
2 5, assumed that all programs were implemented at the same time and gained full levels of
3 customer participation. In May 2006, Empire presented the Initial Implementation &
4 Development Requirements of the CPC Approved DSM and Energy Efficiency Programs to
5 the CPC. This document was revised in June 2006 at the CPC request. The timing of
6 program implementation as presented in this document is shown in the following table:

Description	Annual Budget Est. ^(a)	Tariff Change	Est. Implementation
Low Income Efficiency	\$194,750 to \$226,430	Yes (revised)	Fall of 2006
Low Income-New Home	\$10,500 to \$12,500	Yes (new)	Fall of 2006
Home Perform. Energy Star®	\$45,500 to \$50,600	Yes (new)	(b)
Change-A-Light	\$40,000 to \$47,300	Yes (revised)	Fall of 2006
High Efficiency CAC	\$268,000 to \$414,700	Yes (new)	Spring of 2007
Energy Star® Homes	\$80,000 to \$368,280	Yes (new)	(b)
C&I Rebate	\$279,000 to \$452,100	Yes (revised)	Spring of 2007
Building Operator Cert.	\$32,500 to \$36,850	Yes (new)	(b)
Total Annual	\$1,056,750 to \$1,700,529		

(a) Includes program incentives, marketing, and program management and estimated evaluation costs.

(b) The date of implementation cannot be determined at this time due to the dependence upon other utility participants.

7 Empire has met the implementation schedule for all but one of the programs; the Low
8 Income New Homes was rolled out in the spring of 2007 instead of the fall of 2006.

9 **Q. WHAT IS INVOLVED IN PROGRAM IMPLEMENTATION?**

10 A. As indicated by Ms. Wilbers, implementation has taken time. Not only is program design
11 required, but program marketing must be developed and a tariff must be drafted and
12 circulated within the CPC for comment. Then, the CPC must come to an agreement on the
13 tariff before it is filed at the Commission for approval. After Commission approval, the
14 program is implemented. Many of the programs require coordination between contractors
15 and/or other utilities to fully implement a program. Marketing also begins after Commission
16 approval, so there is a time lag between program approval and customer participation. All of
17 these factors have had an affect on actual DSM program expenditures versus DSM budget.

1 **Q. IS EMPIRE'S COLLABORATIVE FORMAT SIMILAR TO THAT OF OTHER**
2 **MISSOURI UTILITIES?**

3 A. The Empire collaborative process differs to some degree from that of some other Missouri
4 utilities, as it has a formal voting and approval process that has added to the time it takes to
5 implement DSM programs.

6 **Q. DOES THE CPC PROCESS APPROVED FOR EMPIRE ALLOW FOR DISCUSSION**
7 **AND APPROVAL OF ADDITIONAL DSM PROGRAMS?**

8 A. Yes. MDNR, as a participant in the CPC process, can raise the issue of additional DSM
9 programs through the CPC for consideration. For all the reasons mentioned, Empire was
10 surprised with the MDNR testimony indicating that MDNR was dissatisfied with the pace of
11 the CPC approved DSM program implementation.

12 **ELIP**

13 **Q. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF STAFF, THE OFFICE OF**
14 **THE PUBLIC COUNSEL ("OPC"), AND MDNR AS IT RELATES TO THE ELIP?**

15 A. Yes. In response to the comments of the parties mentioned, Empire is interested in finding a
16 compromise solution and suggests the following alternative ELIP proposal:

17 The major components of this alternative ELIP proposal consist of the following:

- 18 1. Refund one-half of the balance of unused ELIP funds (customer portion) as of the effective
19 date of the rates in this case as a one time credit to customer bills during one billing cycle
20 (one month);
- 21 2. Remaining balance of unused ELIP funds (shareholder portion) as of the effective date of the
22 rates in this rate case will be used as follows:

1 a. The shareholder funds will be used to support the actual ELIP expenditures until the
2 new rates are implemented in the Iatan 2 rate case.

3 b. The remaining balance of the shareholder ELIP funds, whether it is a plus or minus,
4 at the time of the Iatan 2 rate order will be used as an offset to the CPC approved
5 regulatory asset balance and taken into account in the DSM amortization level
6 coming out of the Iatan 2 rate case. For example, if the actual ELIP expenditures
7 during the interim period do not use all of the shareholder funds available, future
8 DSM amortization levels would be lowered. Just the opposite would take place if
9 actual ELIP expenditures exceed the shareholder funds available, future DSM
10 amortization levels would increase in the Iatan 2 rate case.

11 c. An evaluation of the ELIP will be completed prior to the filing of the Iatan 2 rate case
12 with the cost of the evaluation paid using the ELIP shareholder funds;

13 3. In Case No. ER-2008-0093, ELIP costs will be set at zero in the Missouri jurisdictional cost
14 of service, and shareholder funding of the ELIP will be set at zero; and,

15 4. The ELIP tariff will be modified in Case No. ER-2008-0093 to reflect changes in customer
16 and shareholder funding levels, and specify that the ELIP will terminate as of the effective
17 date of the new tariffs coming out of the Iatan 2 rate case, unless otherwise authorized by the
18 Commission.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 **A. Yes.**

AFFIDAVIT OF SHERRILL L. MCCORMACK

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 2 day of April, 2008, before me appeared Sherrill L. McCormack, to me personally known, who, being by me first duly sworn, states that she is a Planning Analyst of The Empire District Electric Company and acknowledges that she has read the above and foregoing document and believes that the statements therein are true and correct to the best of her information, knowledge and belief.


Sherrill L. McCormack

Subscribed and sworn to before me this 2 day of April, 2008.



Notary Public

My commission expires: June 27, 2009.

