

Exhibit No.:
Issues: Energy Efficiency Programs
Witness: Brenda Wilbers
Sponsoring Party: Missouri Department of
Natural Resources - Energy
Center
Type of Exhibit: Direct Testimony
Case No.: ER-2008-0093

EMPIRE DISTRICT ELECTRIC COMPANY ELECTRIC RATE CASE

DIRECT TESTIMONY

OF

BRENDA WILBERS

MISSOURI DEPARTMENT OF NATURAL RESOURCES

ENERGY CENTER

February 22, 2008

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

DIRECT TESTIMONY OF
BRENDA WILBERS

MISSOURI DEPARTMENT OF NATURAL RESOURCES
ENERGY CENTER

CASE NO. ER-2008-0093

DNR Exhibit No. 4100
Case No(s). ER-2008-0093
Date 5-12-08 Rptr. *5

1 Q. Please state your name and address.

2 A. My name is Brenda Wilbers. My business address is Missouri Department of Natural
3 Resources, Energy Center, 1101 Riverside Drive, P.O. Box 176, Jefferson City, Missouri
4 65102-0176.

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

6 A. I am employed by the Missouri Department of Natural Resources as the manager of the
7 Energy Policy and Analysis Program in the Missouri Energy Center (MEC). The MEC is
8 located within the Missouri Department of Natural Resources, Policy Division, an agency
9 of state government with its executive office located in Jefferson City, Missouri.

10 Q. On whose behalf are you testifying?

11 A. I am testifying on behalf of the Missouri Department of Natural Resources (MDNR), an
12 intervenor in these proceedings.

13 Q. Please describe your educational background and business experience.

14 A. I received a Bachelor of Science degree in 1985 from Lincoln University in Business
15 Administration and a Master's in Public Administration in 1996 from the University of
16 Missouri-Columbia. I worked as a performance auditor for the Missouri Joint Committee
17 on Legislative Research. In that capacity, I participated in performance reviews of various
18 state agencies and prepared fiscal notes for legislative proposals. I became the manager of
19 the MDNR's Energy Policy and Analysis Program in 1999. Prior to holding that position, I
20 worked as an environmental policy analyst in the Department of Natural Resources
21 Director's Office for two years and was an energy planner in the Energy Center from 1991
22 until 1999. As manager of the Energy Policy and Analysis Program, my areas of
23 responsibility include analysis and development of energy policy recommendations,

1 legislative issues, strategic planning, energy emergency planning, monitoring energy prices
2 and supplies, working with energy utilities and other partners to develop energy efficiency
3 programs, identification of energy and environment integration opportunities and
4 assessment of Missouri's wind energy resources. I also have filed testimony in cases before
5 the Commission, related to energy efficiency programs and policies on behalf of the
6 MDNR, and I participate in utility energy efficiency advisory groups established in various
7 cases before the Commission, including the Customer Programs Collaborative ("CPC")
8 with Empire District Electric Company ("Empire").

9 Q. What is the purpose of your direct testimony in these proceedings?

10 A. The purpose of my testimony is to address Empire's energy efficiency programs and
11 Empire's suggestions for the Experimental Low Income Program ("ELIP").

12 Q. Are there earlier Commission cases in which energy efficiency programs were addressed
13 for Empire?

14 A. Yes, most notably in two cases: Cases No. EO-2005-0236 and EO-2008-0069.

15 Q. Explain the relevance of Case No. EO-2005-0236 to energy efficiency programs offered by
16 Empire.

17 A. In Commission Case No. EO-2005-0263 Empire sought approval of an Experimental
18 Regulatory Plan. The Commission issued an Order Approving Stipulation and Agreement
19 in Case No. EO-2005-0263 with an effective date of August 12, 2005. The approved
20 Stipulation and Agreement directed the creation of the Customer Programs Collaborative
21 ("CPC")¹ and detailed the CPC's authority and responsibilities. In brief, the CPC is to:

22 1. Develop customer program objectives;

¹ Case No. EO-2005-0263, In the Matter of The Empire District Electric Company's Application for Certification of Public Convenience and Necessity and Approval of an Experimental Regulatory Plan Related to Generation Plant, *Order Approving Stipulation and Agreement*, Paragraph III.F.2.

2. Acquire a consultant to assist in the design, pre-implementation evaluation, and post-implementation evaluation of customer programs;
3. Perform a cost review on Empire's future capacity and energy needs and the supply-side resources that will be required to meet those future needs;
4. Design, screen, and conduct pre-implementation evaluation of potential customer programs in accordance with the rules detailed in 4 CSR 240-22 regarding electric utility resource planning;
5. Choose the portfolio of customer programs to be implemented; and
6. Perform a detailed post-implementation review of each program within six (6) months after each program has been in operation for two (2) years.

Empire's responsibilities to the CPC are also detailed in this section of the Stipulation and Agreement. Empire agreed to meet with and provide updates to the CPC at least every six months and report on the following:

1. the status of program implementation including the amount of expenditures for each program and the level of customer participation;
2. the status of program evaluations including evaluation consultants chosen, evaluation budgets, evaluation expenditures and copies of completed evaluations; and
3. the status of new program selection and design efforts, including copies of program screening results.

The Stipulation and Agreement, Appendix G, also includes targets for the energy efficiency programs proposed by MDNR. The targets are intended for energy efficiency programs and energy affordability programs and are not to include demand response programs (such as curtailment and peak shaving). The targets proposed by MDNR are as follows:

1. Annual investments in energy efficiency programs of one percent of Empire's 2003 Missouri jurisdictional revenues = \$2,400,000 each year
2. EDE expects growth in consumption of 445,737 MWh from 2005-2009. Target: Savings by 2009 of 45,825 MWh, representing approximately 10% of growth in consumption over this period
3. Similarly, EDE expects net peak demand to grow by 100 MW from 2005-2009. Target: Avoided Capacity of 10 MW during this period (2.5 MW per year)

Also contemplated in Appendix G is that the "appropriate mix of energy efficiency programs across market sectors and geography, as well as appropriate program design, will

1 reveal itself during the program planning process and during program implementation as
2 the CPC focuses on pursuing the most cost-effective mix of energy efficiency programs.”

3 Q. What progress has the CPC made in fulfilling its responsibilities?

4 A. The CPC has fulfilled the obligation to develop customer program objectives. The CPC
5 contracted with a consultant, Applied Energy Group (“AEG”), for assistance in the
6 selection of DSM and affordability programs. With the help of AEG, in May 2006, the
7 CPC approved a 5-year implementation plan. The plan called for Empire to implement the
8 following programs in its territory in the next five years:

- 9 • Low Income Efficiency Program
- 10 • Low Income – New Home Program
- 11 • Home Performance with Energy STAR® Program
- 12 • Change a Light
- 13 • Residential High Efficiency Central Air Conditioning
- 14 • Energy STAR® Homes
- 15 • Online Energy Information and Analysis Program Using Nexus®
- 16 • Commercial & Industrial (“C&I”) Custom Rebate
- 17 • Building Operator Certification Program

18
19 The CPC implementation plan also included a budget plan for these energy efficiency
20 programs:

Year 1	Year 2	Year 3	Year 4	Year 5
\$1,056,750	\$1,325,570	\$1,700,529	\$1,577,810	\$1,601,730

21
22 These budget figures represent a range of approximately 0.4 percent increasing to 0.65
23 percent of Empire's 2004 total annual sales revenues.

24 Q. Has Empire implemented all of the programs in CPC’s implementation plan?

25
26 A. Not entirely, but progress has been made. As detailed by Ms. Sherrill L. McCormack,
27 Empire has implemented five energy efficiency programs: four for residential customers
28 and one for commercial and industrial customers:

- 29 • Weatherization Program

- Energy STAR® Change a Light
- Low Income – New Home Program
- Residential High Efficiency Central Air Conditioning
- Missouri Commercial & Industrial Facility Rebate Program

On January 22, 2008, Empire filed a proposed tariff with the Commission to implement the Building Operator Certification Program. The requested effective date of the proposed tariff is February 21, 2008.

Empire has not yet implemented the Home Performance with Energy STAR®, nor the Energy STAR® New Homes Program. MDNR anticipates Empire will make appropriate tariff filings to implement these last two programs as soon as practicable.

Q. Has Empire adhered to the budget plan provided by the CPC?

A. No. Per Ms. McCormack, Empire has spent only \$253,508 for the period that includes the latter months of 2006 and the first half of 2007, and there will be estimated expenditures of an additional \$350,670 for the period of July thru December 2007.² That is only slightly more than 35% of the funding proposed for the first year and a half of the budget plan, an estimated \$1,719,535 (the first year budget of \$1,056,750 plus half of the second year budget, i.e. \$662,785). MDNR recognizes that expenditures during the months of ramping up programs are not as high as the expenditures for programs in full operation. However, it has taken a considerable amount of time to get programs implemented. The CPC approved the portfolio of programs in May of 2006. In addition, MDNR believes that an ongoing and increasing commitment to energy efficiency beyond the initial 5-year portfolio will be necessary to realize the full positive effects of energy efficiency on energy consumption and capacity needs that are anticipated from the programs.

Q. Has Empire met the proposed targets for the energy efficiency programs proposed by

² Case No. ER-2008-0093, Direct Testimony of Sherrill L. McCormack, Schedule SLM-1

1 MDNR in Appendix G of the Stipulation and Agreement in Case No. EO-2005-0263?

2 A. No. Given the slow implementation of the CPC-approved programs, Empire has not made
3 substantial progress in meeting any of MDNR's proposed targets.

4 Q. What do you recommend in the area of program implementation for Empire?

5 A. I recommend that Empire, in cooperation with the CPC, implement and ramp up the
6 approved programs on an expedited schedule so that the projected benefits to Empire and
7 its customers from energy savings can be realized. Empire and the CPC should evaluate
8 options to accelerate program implementation that may include additional CPC meetings,
9 additional Empire staff dedicated to implementation of DSM programs and consideration of
10 issuing an RFP for implementation of certain programs where appropriate.

11 Q. Explain the relevance of Case No. EO-2008-0069 to energy efficiency programs by Empire.

12 A. In Commission Case No. EO-2008-0069 Empire presented the Commission with its 2007
13 Integrated Resource Plan ("IRP"). That case is on-going, and the Commission has not yet
14 issued a final order. The parties to that case are currently in negotiations to resolve
15 deficiencies in Empire's compliance filing as identified by intervening parties in the case.
16 Its relevance, however, is in the DSM programs that Empire's IRP analysis supported. I
17 would like to point out that the same issues described above were also mentioned in
18 MDNR's comments in Case No. EO-2008-0069 filed on January 14, 2008, primarily:

- 19
- 20 • Empire's DSM program portfolio approved by the CPC in May 2006, set out a 5-
21 year implementation plan.
 - 22 • Expenditures of only approximately \$250,000 in that last part of 2006 and estimated
23 \$350,000 for 2007 vs. the CPC's budgeted amounts of \$1,056,750 for the first year
24 and \$1,325,570 for the second year.
 - 25 • MDNR recognized that it takes time to secure CPC approval, file tariffs, enter into
26 contracts and initiate programs. However, MDNR urges Empire, in cooperation
27 with the CPC, to implement and ramp up the approved programs on an expedited

1 schedule so that the projected benefits to Empire and its customers from energy
2 savings can be realized.

- 3 • If implemented at the above funding levels, Empire projected the energy efficiency
4 programs would result in a reduction of approximately 4.4 percent of load growth
5 and 8.8 megawatts of net peak demand from cumulative savings over a 5-year
6 period.

7

8 Q. Should the CPC make a recommendation on the funding levels of Empire's Experimental
9 Low Income Program ("ELIP") and DSM programs?

10 A. I believe the Report & Order in Case No. ER-2006-0315 clearly intended for the CPC to
11 make recommendations on the funding levels of the ELIP and DSM programs:

12 The Commission concludes the OPC's suggested changes shall be made, except that the
13 level of funding will not be altered at this time. The Commission will not terminate the
14 ELIP at this time. The collaborative group shall make a recommendation as to the
15 funding levels of both the ELIP and the demand-side management programs discussed
16 below. If the collaborative group recommends a change, then Empire may propose a
17 tariff change. In any event, Empire shall revise its tariff to clarify that, if any of its
18 energy assistance or demand-side management programs is terminated, any unspent
19 funds will be redirected to the remaining program(s).³

20

21 In addition, the Order directed that unspent funds from terminated energy assistance or
22 DSM programs be redirected to the remaining programs. Therefore, I think it is also
23 reasonable to conclude that the unspent balance of the ELIP program, even if it is not
24 terminated, should be dedicated to remaining DSM programs. MDNR would welcome
25 clarification on this issue by the Commission.

26 Treatment of the remaining ELIP funds could be the same as Empire's previous DSM
27 programs that were funded in rates before the regulatory asset account was in place. It was
28 recommended by Staff and approved by the same Report and Order in ER-2006-0315,

³ ER-2006-0315, In the Matter of the Tariff Filing of The Empire District Electric Company to Implement General Rate Increase for Retail Electric Service Provided to customers in its Missouri Service Territory, *Report and Order*, December 31, 2006, Section D, Paragraph 9. Page 52.

1 Section D. 10, that unspent funds for these programs were to be placed as a negative
2 amount in the DSM program account.⁴

3 Q. Do you agree with Empire's recommendation for the unspent ELIP funds that was
4 presented to the CPC?

5 A. As Ms. McCormack notes in her testimony, the CPC was not able to reach agreement
6 before filing of testimony in this case. The CPC discussed the unspent ELIP funds during
7 several conference calls. Ms. McCormack's proposal was submitted to the CPC on August
8 29, 2007. At that time, MDNR did not support Empire's recommendation pending
9 additional discussion and consideration of other DSM programs.

10 The CPC discussed some options for the use of the unspent funds; however, I do not
11 believe the CPC had completed its review and consideration of potential DSM programs.

12 Therefore, I believe it is premature to support Empire's recommendation to refund the
13 \$475,000 without additional discussion and consideration of other DSM programs. I

14 recommend that Empire and the CPC consult with Empire's DSM consultant for
15 recommendations for new program proposals for Empire's portfolio.

16 MDNR's position is that it is also premature to support Empire's recommendation to use
17 \$400,000 of the excess stockholder funds for building shell improvements for United Way
18 Agency-owned buildings. In its response to Empire's August 29, 2007, proposal to the
19 CPC, MDNR responded that while this proposed project may have merit, we would need to
20 review a project description and budget before we could support this project. I am not
21 aware that Empire has provided this information to the CPC. I request that Empire provide

⁴ ER-2006-0315, In the Matter of the Tariff Filing of The Empire District Electric Company to Implement General Rate Increase for Retail Electric Service Provided to customers in its Missouri Service Territory, *Report and Order*, December 31, 2006, Section D, Paragraph 10. Page 53.

1 additional detail, including a project description and budget to the CPC for consideration
2 before seeking the CPC's approval of the project.

3 Q. Do you support Empire's proposed program design changes for the ELIP?

4 A. MDNR was not a participant in the original design and implementation of the ELIP.

5 However, as a member of the CPC, which has been directed to consider the use of
6 unexpended funds for ELIP and other DSM programs pursuant to the Stipulation and
7 Agreement in Case No. ER-2006-0315 as described above, MDNR has participated in these
8 CPC discussions, and I offer the following limited comments on the proposed program
9 design.

10 Per Ms. McCormack's testimony⁵, if the ELIP is to continue, Empire recommends:

- 11 • The funding level for the ELIP be reduced from \$300,000 to \$150,000.
- 12 • The funding level for the experimental arrearage repayment incentive be reduced
- 13 from \$30,000 to \$15,000.
- 14 • If the program is to continue, the cost should be included in Empire's cost of service
- 15 and the shareholders be relieved from providing any of the funding.
- 16

17 In the alternative, Empire recommends the existing experimental program end, and a
18 replacement program, the Low-Income Customer Assistance Program ("LICAP"), be
19 implemented.

20 I am unable to detect any substantial differences between the ELIP and the experimental
21 arrearage repayment incentive and the proposed LICAP program other than the reduced
22 funding levels (\$150,000 vs. \$300,000 for total program funding and \$15,000 vs. \$30,000
23 for arrearage repayments) and the removal from the experimental status. According to Ms.
24 McCormack, there are 1,084 participants in ELIP for 2007, and recent changes to the
25 program pursuant to Empire's 2006 rate case added only a few more participants. Empire's
26 proposed remedies do not appear to alter the program in an attempt to improve

1 participation. I recommend that the CPC review the program agreement terms and
2 conditions to evaluate whether there may be barriers or inadequate incentives for customer
3 participation. I also recommend that the CPC seek input from other utilities and experts
4 familiar with similar programs.

5 Q. Does this conclude your testimony?

6 A. Yes.

⁵ Case No. ER-2008-0093, Direct Testimony of Sherrill L. McCormack, pages 8-9

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Empire District Electric)	
Company and Its Tariff Filing to)	Case No. ER-2008-0093
Implement a General Rate Increase for)	
Electric Service)	

AFFIDAVIT OF BRENDA WILBERS

STATE OF MISSOURI)	
)	ss
COUNTY OF COLE)	

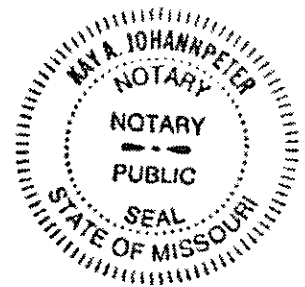
Brenda Wilbers, being duly sworn on her oath, hereby states that she has participated in the preparation of the foregoing Testimony in question and answer form; that the answers in the foregoing Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge, information and belief.


Brenda Wilbers


Notary Public

My commission expires:

KAY A. JOHANNPETER
Notary Public - Notary Seal
STATE OF MISSOURI
Moniteau County
My Commission Expires: Aug. 4, 2011
Commission # 07551967



Subscribed and sworn before me this 21st day of February, 2008.