Exhibit No.:
Issue: Demand Side Management
Witness: Sherrill L. McCormack
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2011-0004
Date Testimony Prepared: April 2011

Before the Public Service Commission of the State of Missouri

Rebuttal Testimony

of

Sherrill L. McCormack

April 2011

SERVICES YOU COUNT ON

REBUTTAL TESTIMONY
OF
SHERRILL L. MCCORMACK
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2011-0004

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND ADDRESS.

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

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR JOB TITLE?

A. I am currently employed by The Empire District Electric Company ("Company" or "Empire") as the Energy Efficiency Coordinator.

Q. ARE YOU THE SAME SHERRILL MCCORMACK WHO PREVIOUSLY PROVIDED DIRECT TESTIMONY IN THIS CASE?

A. I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I will reply to the direct testimony of Missouri Public Service Commission ("Commission") Staff witnesses John Rogers, Amanda McMellen, Hojong Kang, and Henry Warren and the direct testimony of Missouri Department of Natural Resources ("MDNR") witness Adam Bickford as they relate to Demand Side Management ("DSM").

DSM

Q. WHAT COMMENTS DO YOU HAVE RELATING TO THE STAFF'S COST OF SERVICE REPORT FILED FEBRUARY 23, 2011?

A. Empire's adjustment to rate base in Schedule SLM-1 of my Direct Testimony shows an adjustment for Empire's demand-side management potential study. This adjustment was not included in the Staff Cost of Service Report. Empire believes this adjustment should be allowed as a cost of the Demand Side Management portfolio, included in rate base and included as a component of DSM amortization. The potential study is a necessary first step under the Missouri Energy Efficiency Investment Act ("MEEIA") to determine which DSM programs will be cost-effective. Therefore, this cost should be included as part of Empire's DSM costs and included in rate base.

Q. DO YOU HAVE ADDITIONAL CONCERNS RELATING TO STAFF'S TESTIMONY?

A. Yes. Staff Witness Rogers on page 78 beginning at line 4 begins a comparison of Empire's energy savings as they relate to Missouri retail sales and later compares Empire's energy savings to sales. It is Empire's position that since the Large Power ("LP") customers were not allowed to participate in any of Empire's energy efficiency programs by virtue of the Commission's order approving Stipulation and Agreement ("Regulatory Agreement") in Case No. EO-2005-0263 that the associated sales for this class should be excluded when these comparisons are drawn. The following table provides a revised comparison of energy savings to Missouri energy sales.

	2006	2007	2008	2009	2010
Missouri Sales MWH	4,155,083	4,223,934	4,223,367	4,036,697	4,270,777
Missouri Industrial MWH	942,967	914,102	881,880	816,075	815,637
Adjusted Missouri Sales	3,212,115	3,309,832	3,341,487	3,220,621	3,455,140
Estimated Energy Savings MWH	996	1,738	4,194	5,942	13,594
Percent Energy Savings	0.03%	0.05%	0.13%	0.18%	0.39%

Q. WHY DID THE ESTMATED ANNUAL DSM SAVINGS ACCELERATE IN CALENDAR YEAR 2010?

A. The Commission approved residential lighting program was temporarily discontinued in 2009 due to Midwest Energy Efficiency Alliance discontinuing the management of the program at the regional level. Empire, in consultation with the Customer Programs Collaborative ("CPC"), designed a replacement lighting program for calendar year 2010, and the savings from this new lighting program began to accrue in 2010. In addition, the estimated savings from Empire's Central Air Conditioner program greatly accelerated in 2010 as customers took advantage of Empire's program and Federal income tax credits.

Q. DOES EMPIRE AGREE WITH STAFF'S RECOMMENDATION TO CONTINUE THE 10 YEAR AMORTIZATION OF DEMAND-SIDE RELATED EXPENDITURES DUE TO THE PERCEIVED LOW LEVELS OF PARTICIPATION BY EMPIRE'S CUSTOMERS?

A. No. Low levels of customer participation at the time of a major economic recession is not a valid reason to deny Empire an improvement in the DSM cost recovery mechanism. Since approval of the Regulatory Agreement, Empire has worked diligently, in good faith, and in conjunction with the CPC to implement the DSM programs approved by the Commission. Empire continues to believe that a reduction in the DSM amortization timeline is appropriate and requests Commission approval of a three-year DSM amortization period.

Q. DOES EMPIRE PLAN TO FILE UNDER MEEIA IN THE FUTURE?

A. Yes. Empire plans to utilize the Commission's MEEIA rules to combine its existing DSM programs plus new DSM programs into a new DSM portfolio.

Q. DOES EMPIRE AGREE WITH THE STAFF STATEMENT THAT THE COMMISSION'S MEEIA RULES ARE NOT NEEDED?

A. No. Empire does not agree with Staff's position that the Commission's MEEIA rules are not needed and that Empire can and should file under the MEEIA statute if the MEEIA rules are staid by a court.

Q. WHY?

A. The Commission's MEEIA rules provide a more consistent framework for program implementation and cost recovery than exists in the separate and distinct Commission DSM decisions made in Ameren, KCPL, GMO and Empire rate cases over the last few years. Additionally, Empire does not agree with Staff witness Rogers that Empire's DSM amortization period should remain at 10-years because Empire has not filed under MEEIA. (Staff Report Cost of Service, page 82, lines 1-6). In summary, Empire believes the Commission should continue to provide authorization for Empire to use regulatory asset accounting for program costs, the authority to earn a return on those deferred costs not yet in rate base at the AFUDC rate, and approve a reduction in the DSM amortization period.

Q. **WHAT COMMENTS DOES EMPIRE HAVE RELATED TO THE DIRECT TESTIMONY OF MDNR WITNESS BICKFORD?**

A. MDNR seems to focus on a comparison of Empire's portfolio and customers reached with that of Kansas City Power & Light ("KCPL") and Ameren. Empire's service territory is quite different from the urban areas served by KCPL, including GMO, and Ameren. Empire does not have a large concentration of customers in a single location such as Kansas City or St. Louis. Empire's customers are located throughout the service territory in many different communities of various sizes, plus Empire serves many rural customers. This creates challenges that differ from those faced by KCPL and Ameren in reaching customers, contractors and other trade-allies which are very important to a successful implementation of DSM programs. Empire does not believe the Commission should draw a direct comparison between the utilities in the manner used by MDNR.

Q. DOES EMPIRE AGREE WITH MDNR THAT EMPIRE'S DSM PORTFOLIO SHOULD BE EXPANDED?

A. Empire believes that its DSM portfolio should be expanded only with programs that are proven to be cost-effective for Empire. Empire plans to utilize the Commission's MEEIA rules to combine its existing DSM programs with new DSM programs to develop a new DSM portfolio.

Q. DO YOU HAVE ADDITIONAL COMMENTS REGARDING MDNR'S DIRECT TESTIMONY?

A. Yes. I would like to clarify two factual matters addressed by witness Bickford. In MDNR witness Bickford's description of Empire's Commercial and Industrial Facility Rebate ("C&I") program on page 4, he failed to indicate that the Large Power ("LP") customers are currently barred from participating in this program. Also, on page 8, lines 9-11 the C&I program should have been included in the listing of programs that have been evaluated. TecMarket Works provided the final evaluation report for this program in December 2009.

Q. ON PAGE 9 BEGINNING AT LINE 3, MDNR WITNESS BICKFORD DISCUSSES THE PROPOSED MEEIA RULES AND THE SAVINGS GOAL CONTAINED THEREIN. AT THE END OF THIS DISCUSSION, BEGINNING AT LINE 9, MDNR STATES THAT EMPIRE SHOULD BE "REQUIRED TO SATISFY THE LAW,

REGARDLESS OF WHETHER FINAL RULES HAVE BEEN APPROVED,…." IN YOUR VIEW WHAT IS REQUIRED TO SATISFY THE MEEIA?

A. The focus of the MEEIA (section 393.1075) is to "value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs." There are no savings goals that must be met, as is implied by MDNR's statement. Empire believes it is satisfying the law.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

AFFIDAVIT OF SHERRILL L. MCCORMACK

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 12th day of April, 2011, 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.

S.L. McCormack
Sherrill L. McCormack

Subscribed and sworn to before me this 12th day of April, 2011.

JULIA L BLACKBURN
Notary Public - Notary Seal
State of Missouri
Commissioned for Newton County
My Commission Expires: August 26, 2011
Commission Number: 07216221

Julia L Blackburn
Notary Public

My commission expires: Aug 26, 2011.