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Experimental Low Income Program
Witness: Sherrill L. McCormack
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Case No. ER-2010-0130
Date Testimony Prepared: April 2010

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

Rebuttal Testimony
of
Sherrill L. McCormack
April 2010



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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-2010-0130

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,
4 Joplin, 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 the Energy Efficiency Coordinator.

8 **Q. ARE YOU THE SAME SHERRILL L. MCCORMACK WHO PREVIOUSLY**
9 **SUBMITTED TESTIMONY IN THIS CASE BEFORE THE MISSOURI PUBLIC**
10 **SERVICE COMMISSION (“COMMISSION”)?**

11 A. Yes, I am.

12 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

13 A. My rebuttal testimony will respond to the comments of the Commission Staff (“Staff”) and to
14 the comments of the Missouri Department of Natural Resources (“MDNR”) witness
15 regarding Empire’s Demand Side Management (“DSM”) portfolio. I will also provide the
16 final evaluation report and Empire’s recommendations regarding the Company’s
17 Experimental Low Income Program (“ELIP”).

1 **DEMAND SIDE MANAGEMENT – DSM**

2 **Q. WHAT IS EMPIRE’S RESPONSE TO STAFF WITNESS JOHN ROGERS’**
3 **COMMENTS IN STAFF’S COST OF SERVICE REPORT?**

4 A. Since this case was initiated, the parties to the case have agreed that this case is not the
5 Company’s Iatan 2 rate case filing, which is described in the Stipulation and Agreement to
6 the Company’s Experimental Regulatory Plan, Case No. EO-2005-0263. Due to this
7 development, Empire withdraws its requests to change the voting aspect of the Customer
8 Program Collaborative (“CPC”) and to reduce the DSM amortization period from ten years
9 to five years. Although Staff did not specifically request that Empire withdraw its request to
10 allow the Large Power rate class customers to participate in the programs that do not pass the
11 Ratepayer Impact Measure benefit cost test, Empire is also withdrawing this request because
12 it was part of the Stipulation and Agreement in Case No. EO-2005-0263.

13 **Q. IN YOUR DIRECT TESTIMONY YOU PROVIDED EMPIRE’S ACTUAL ANNUAL**
14 **EXPENDITURES FOR DSM, INCLUDING YEAR TO DATE THROUGH JUNE**
15 **2009. PLEASE PROVIDE THE FINAL 2009 TOTAL EXPENDITURES AND**
16 **CONFIRM THE PREVIOUS YEARS’ EXPENDITURES.**

17 A. The annual expenditures for 2005 through 2007 are unchanged. The previously provided
18 2008 expenditure total was inadvertently shown as \$315,526 in my testimony, which only
19 included the expenditures made during the last six months of the year. The correct 2008
20 total is shown below, and I have also provided the total expenditures through the end of
21 2009.

Description	2005	2006	2007	2008	2009
Total	\$10,903	\$115,098	\$294,757	\$571,927	\$717,100

1

2 **Q. HAVE YOU REVIEWED THE TESTIMONY FILED ON BEHALF OF THE MDNR**
3 **IN THIS CASE?**

4 A. Yes.

5 **Q. WHAT IS EMPIRE'S RESPONSE TO MDNR'S TESTIMONY REGARDING THE**
6 **ANNUAL SAVINGS LEVEL OF EMPIRE'S PROPOSED DSM PORTFOLIO?**

7 A. MDNR witness Laura Wolfe, on page 8 of her direct testimony, indicated that Empire's
8 projected annual energy savings are 2,565,755 kWh. While this is the amount estimated to
9 be saved in the first year of the proposed revised portfolio, it does not include prior years'
10 DSM savings, which should also be included in annual savings on a go-forward basis. Since
11 Empire has had DSM programs in place since 2005, the annual DSM savings are greater than
12 the 0.061% of 2008 energy sales indicated in Ms. Wolfe's testimony. The following table
13 provides the estimates of energy savings based upon the results of the evaluations of
14 Empire's DSM programs.

	2006 kWh	2007 kWh	2008 kWh	2009 kWh	Cumulative Savings (kWh)
Change a Light (CFL program)	503,897	559,748	503,846		1,567,491
Low-Income Weatherization	28,728	264,708	283,176	260,604	827,216
Central Air Conditioner		148,617	316,833	381,571	847,021
Commercial & Industrial Rebate*			2,085,856	2,085,856	4,171,711

15 ** Commercial and Industrial Rebate energy savings are solely from evaluation report.*

1 Using the total cumulative energy savings through 2009 of 7,413,439 kWh, the percent of
2 savings achieved is 0.18%, based upon 2008 energy sales. If this total is added to the
3 estimated annual savings of the new portfolio, the new total of 9,979,194 kWh is 0.24% of
4 the 2008 energy sales. The cumulative annual savings must be used to make the comparison
5 used by MDNR witness Wolfe, as the measures involved have been in place for more than
6 one year.

7 **Q. WHAT IS EMPIRE'S POSITION ON MDNR'S RECOMMENDATION OF ANNUAL**
8 **ENERGY AND DEMAND SAVINGS GOALS OF 1% TO 2%?**

9 A. First, Empire believes this discussion should be occurring in the upcoming workshops on
10 Senate Bill 376 and in the Company's Integrated Resource Plan ("IRP") case, not in this rate
11 case. However, because MDNR has made a recommendation in this case, Empire will
12 respond so the Commission will have additional information for its consideration.

13 As Empire analyzed the material referenced by Ms. Wolfe, we noted that while the states
14 referenced by Ms. Wolfe do have the savings goals of 1% to 2%, these are long term goals
15 that are not expected to be achieved until at least the 2015 to 2020 time-frame, not 2010. As
16 noted in the March 2009 Report by the American Council for an Energy Efficient Economy
17 ("ACEEE")¹, only one of the identified "top states" is near the energy savings goals of 1.5%
18 to 2%.² The states cited in the report also allow time for utilities to ramp up to the ultimate
19 level, since savings levels such as these cannot be achieved immediately. The ACEEE
20 March Report is attached as Rebuttal Schedule SLM-1.

¹ *Meeting Aggressive New State Goals for Utility-Sector Energy Efficiency: Examining Key Factors Associated with High Savings*; Martin Kushler, Dan York, and Pattie Witte; American Council for an Energy Efficient Economy, ACEEE Report Number U091, March 2009.

² *Ibid*, p. v.

1 **Q. WHAT ADDITIONAL FINDINGS DID EMPIRE MAKE DURING THE ANALYSIS**
2 **OF THE ACEEE REPORT?**

3 A. The ACEEE March Report did provide additional insight into the programs being offered
4 and how programs costs were being recovered. Empire noted that its portfolio of end-use
5 measures is very similar to that of “top states”. For example, the measures included for
6 residential customers in the New Jersey Clean Energy Program were lighting, HVAC, and a
7 new homes program, but the report did not provide differentiation by end-uses for the
8 commercial/industrial programs in the New Jersey portfolio. Commercial and industrial end-
9 use measures in some of the other “top states” consisted of lighting, motors, process
10 efficiency, and HVAC³, all of which are currently available in Empire’s program portfolio.
11 In short, Empire’s portfolio of DSM programs compares favorably to those being offered in
12 the “top states”.

13 The ACEEE March Report noted that it is important for states to have appropriate incentives
14 available to the utilities which include both performance incentives and decoupling⁴. In
15 many instances this entailed the immediate recovery of prudent program costs through a rider
16 or surcharge mechanism.

17 It was also interesting that a large part of the residential and commercial energy efficiency
18 savings achieved by utility programs in the “top states” has been from lighting programs⁵.

19 **Q. DOES THE ACEEE REPORT INCLUDE A DISCUSSION OF COST RECOVERY**
20 **METHODS?**

³ *Ibid*, pp. 10-11.

⁴ *Ibid*, p. v.

⁵ *Ibid*. p. v, pp. 10-11

1 A. Yes. The report includes the methods used by several of the “top states”. Utilities in Iowa,
2 Texas, and Washington and Idaho Power in Oregon recover program costs through tariff
3 riders. Wisconsin and Minnesota handle cost recovery for DSM through individual rate
4 cases. Jurisdictions that use public benefit charges often have these established as “non by-
5 passable” charges that may be included in rates or as a separate amount based upon sales.⁶

6 **Q. DO YOU HAVE ADDITIONAL COMMENTS RELATING TO MDNR’S**
7 **COMMENTS?**

8 A. Yes. Ms. Wolfe noted on page 11 of her direct testimony that “MDNR encourages Empire to
9 conduct a potential study.” Empire, through CPC meetings, has updated all parties,
10 including MDNR, as to the status of the potential study currently underway as part of the
11 Company’s 2010 IRP study. A Commercial Baseline Study for Empire was completed in
12 December, 2009 and is currently undergoing further analysis so that it can become the basis
13 for the potential study and integrated into Empire’s upcoming IRP.

14 It is Empire’s belief that, because the Commission has rules in place governing the Missouri
15 IRP process, MDNR’s request in this case that Empire be required to model specific energy
16 savings in the upcoming IRP is out of place. If this is going to be MDNR’s standard energy
17 efficiency recommendation for all Missouri utilities, then it is more appropriate to handle it
18 during the individual utility IRP process or through an amendment to the existing IRP rules,
19 not through testimony in an individual utility rate case.

20 **EXPERIMENTAL LOW INCOME PROGRAM – ELIP**

21 **Q. DID THE STAFF REPORT INCLUDE ANY COMMENTS ON EMPIRE’S**
22 **EXISTING EXPERIMENTAL LOW INCOME PROGRAM (“ELIP”)?**

⁶ *Ibid*, pp. 16-20.

1 A. Yes. It mentioned that Empire had received a draft evaluation report in late February of
2 2009.

3 **Q. HAS THIS DRAFT REPORT BEEN FINALIZED?**

4 A. Yes.

5 **Q. CAN YOU PROVIDE THE COMMISSION WITH AN UPDATE ON THE**
6 **EVALUATION OF EMPIRE'S EXPERIMENTAL LOW INCOME PROGRAM?**

7 A. Yes. Empire received the final ELIP evaluation report on March 29, 2010, from TecMarket
8 Works, the consultant used to evaluate the program. I have attached a copy of this final
9 evaluation report as Rebuttal Schedule SLM-2. In Case No. ER-2008-0093, Empire agreed
10 to the continuation of the program with bill credits, administration costs, and evaluation costs
11 being paid from accumulated shareholder funds. Currently, there are no costs for this
12 program built into Empire's rates. Per the agreement reached in the last rate case, the ELIP
13 program was to be evaluated prior to the Iatan 2 rate case for consideration by all parties
14 during that proceeding. Even though Iatan 2 is not being considered in this case, Empire will
15 provide the other parties with the final version of the evaluation report since it is available.

16 **Q. WHAT DOES THE FINAL EVALUATION REPORT CONCLUDE WITH RESPECT**
17 **TO THE ELIP'S COST EFFECIVENESS?**

18 A. The evaluation report indicates that the program is not cost effective. Empire agrees with
19 this conclusion, and this ELIP program should be eliminated in the Iatan 2 rate case.

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

21 A. Yes.

AFFIDAVIT OF SHERRILL L. MCCORMACK


STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 31 day of March, 2010, 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 31 day of March, 2010.



Notary Public

My commission expires: 10-30-10.

VICKI L. KRAMER-GIBSON
Notary Public - Notary Seal
STATE OF MISSOURI
Jasper County - Comm#06482169
My Commission Expires Oct. 30, 2010