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Case No. ER-2011-0004
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**Before the Public Service Commission
of the State of Missouri**

Direct Testimony

of

Sherrill L. McCormack

September 2010



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

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 WHAT IS YOUR JOB TITLE?**

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

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
9 **PROFESSIONAL EXPERIENCE.**

10 A. I hold a Bachelor of Science degree in Business Administration with a major in finance from
11 Mississippi State University. I also earned a Masters Degree in Business Administration
12 from Pittsburg State University. Prior to joining Empire, I held various positions in banking
13 and investments from 1978 to 1989 in Mississippi and Texas, followed by two years as an
14 adjunct business instructor at Labette County Community College in Kansas and nine years
15 as a business instructor with Crowder College in Missouri. In August 2001, I was employed
16 by Empire as a Planning Analyst. I worked with long-range financial forecasting and
17 generation planning until November 2005. With the renewed interest in energy efficiency
18 programs, my primary responsibilities have shifted to coordinating the implementation of

1 demand side management and energy efficiency programs that have been authorized by the
2 various regulatory commissions that regulate Empire's electric operations. In 2008 I became
3 the Energy Efficiency Coordinator. I also participate in Empire's integrated resource
4 planning.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC**
6 **SERVICE COMMISSION ("COMMISSION")?**

7 A. Yes. I have testified in previous Empire rate cases on demand side management programs
8 and on Empire's Experimental Low Income Program.

9 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

10 A. I will describe Empire's demand side management ("DSM") portfolio, which consists of both
11 energy efficiency programs and a demand response program, and the associated rate base and
12 expense adjustments. I will also discuss the Company's Experimental Low Income Program
13 ("ELIP").

14 **DSM**

15 **Q. PLEASE DESCRIBE EMPIRE'S MOST RECENT HISTORY OF DSM PROGRAMS.**

16 A. As part of Empire's Experimental Regulatory Plan (Case No. EO-2005-0263), a
17 collaborative, the Customer Programs Collaborative ("CPC") was formed, consisting of
18 representatives from Empire, the Commission Staff, the Office of Public Counsel,
19 Department of Natural Resources Energy Center, and industrial intervener Praxair. This
20 group selected a consultant, through an RFP, to develop a portfolio of DSM programs and to
21 assist in their implementation. The portfolio consisted of a set of programs for residential,
22 commercial, and industrial customers. Budgets for each program were included, as were
23 program descriptions, high-level evaluation plans, and benefit cost tests results.

1 **Q. WERE ALL CUSTOMER CLASSES INCLUDED IN THE PORTFOLIO?**

2 A. No. The large power ("LP") customers were excluded as part of the Experimental
3 Regulatory Plan agreements. Those agreements, which were approved by the Commission,
4 in Case No. EO-2005-0263, stated that LP customers would not pay for the cost of programs
5 and would not participate in programs whose Ratepayer Impact Measure ("RIM") test results
6 were less than 1.05. None of Empire's programs in the 2006 portfolio passed the RIM test
7 for the LP customers. This portfolio is still in effect with two additional programs having
8 been added, the online energy calculators and the Interruptible Service Rider. The latter
9 program is available to the LP customers because it does pass the RIM test.

10 **Q. PLEASE DESCRIBE THE PROGRAMS IN EMPIRE'S 2006 DSM PORTFOLIO.**

11 A. Empire's 2006 portfolio consisted of six residential programs and two programs for
12 commercial and industrial ("C&I") customers. A third C&I program was a peak load
13 program that was funded at a zero level because Empire had excess generation at the time of
14 portfolio development and approval.

15 **Q. PLEASE DETAIL EMPIRE'S CURRENT RESIDENTIAL PROGRAMS.**

16 A. Empire has two programs designated for low-income customers. The first is a weatherization
17 program to supplement the federal Low-Income Weatherization Assistance Program. The
18 second program, Low-Income New Homes, provides rebates to non-for-profit organizations
19 and local government housing authorities for increased levels of insulation, 14 SEER or
20 higher HVAC, upgrades to ENERGY STAR[®] refrigerators, and installation of ENERGY
21 STAR lighting fixtures in homes for low-income customers. Additional residential programs
22 include a compact fluorescent lamp ("CFL") program, a high-efficiency central air

1 conditioner program, and two ENERGY STAR programs—one for new homes and one for
2 existing homes.

3 **Q. PLEASE DESCRIBE THE CFL PROGRAM AND THE CENTRAL AIR**
4 **CONDITIONER PROGRAM.**

5 A. In prior years, the CFL program has been a coupon-based rebate program administered by
6 Midwest Energy Efficiency Alliance (“MEEA”), through the “Change a Light, Change the
7 World” campaign. However, in 2009 MEEA discontinued this approach. Empire and the
8 CPC considered several options before agreeing on a mail distribution program to the
9 Branson area residential customers. This program involved sending a kit containing four
10 CFLs plus literature on proper selection and disposal of CFLs, Empire’s High Efficiency
11 Central Air Conditioner (“CAC”) program, Home Performance with ENERGY STAR®
12 program, and ENERGY STAR® New Homes program. Approximately 11,250 of these kits,
13 containing 45,000 CFLs, were mailed to residential customers. Empire is planning three
14 events around its service territory to distribute approximately 12,000 additional CFLs along
15 with educational literature to residential customers. This 2010 distribution program
16 completed the fifth program year of the CFL program. Additional approaches and
17 technologies for future years are being considered and will be discussed with the CPC.

18 The High Efficiency Central Air Conditioner (“CAC”) program is in its fourth program year
19 and has undergone process and impact evaluations. As authorized by the Commission, this
20 program pays participating Missouri electric customers a cash incentive for replacing
21 existing central air conditioner systems or heat pumps with a new system having a minimum
22 SEER of 15. The customer incentive payments vary with the SEER of the new unit. More
23 specifically, units installed with a 15 SEER are entitled to an incentive of \$400; units with a

1 SEER of 16 are entitled to \$450; and units with a SEER of 17 or higher are entitled to \$500.

2 The incentives are also available for new installations.

3 Empire has also provided additional training to participating outside HVAC contractors in
4 the areas of load calculation (Manual J) and duct design (Manual D). To date, Empire has
5 provided seven Manual J training classes to one hundred forty-eight contractors. One session
6 was held in partnership with City Utilities of Springfield. Three Manual D training sessions
7 have been held for fifty-eight contractors. Additional training sessions on each area will be
8 held during the fall and winter. Manual J will be delivered first on September 30, 2010, in
9 Springfield, Missouri, and again on November 4, 2010, in Webb City, Missouri. Manual D
10 and System Charging will follow later in the winter. Empire's current approved list of
11 installers includes one hundred fifty-two contractors.

12 **Q. PLEASE DESCRIBE EMPIRE'S TWO ENERGY STAR PROGRAMS.**

13 A. In April 2009, the ENERGY STAR Homes program became effective. This program
14 requires Residential Energy Services Network ("RESNET") certified energy raters, of which
15 there were very few in southwest Missouri. Therefore, Empire partnered with the Crowder
16 College Missouri Alternative and Renewable Energy Technology ("MARET") Center to
17 provide the required training and assist in certifying auditors. The Home Energy Rating
18 Services ("HERS") auditors are required to audit the homes during construction looking for
19 building techniques that will minimize air infiltration and again after construction is complete
20 to confirm the home is constructed in such a way that it is 15-20% more energy efficient than
21 an average new home. Empire will reimburse the HERS auditor up to \$400 per home. Once
22 the home receives the ENERGY STAR designation, Empire rebates the builder \$800 to assist
23 in offsetting the additional costs of the enhanced construction techniques.

1 The Home Performance with ENERGY STAR (“HPwES”) program became effective
2 August 28, 2009. This program requires a whole-house audit for existing homes by a
3 Building Performance Institute (“BPI”) certified auditor. The partnership with the MARET
4 Center at Crowder College has been expanded to include training and certification for these
5 auditors. Once the audit is performed, the homeowner receives an audit report detailing the
6 measures to improve the energy efficiency of the home. Empire is working on a partnership
7 with Missouri Gas Energy (“MGE”) on this program where the utilities will rebate building
8 shell, air infiltration, and duct leakage measures. Homeowners are also permitted to take
9 advantage of other energy efficiency programs offered by Empire, such as the CAC program.
10 The rebate provided by Empire for HPwES is \$400 to assist in offsetting the cost of the audit
11 and installed measures.

12 **Q. PLEASE DESCRIBE THE TWO PROGRAMS EMPIRE HAS IN PLACE FOR**
13 **COMMERCIAL AND INDUSTRIAL CUSTOMERS AND HOW THEY OPERATE.**

14 A. The older of the two programs is the Commercial and Industrial Facility Rebate (“C&I
15 Rebate”) program, which became effective in May 2007. This program consists of three
16 parts. First, Commercial and Industrial (“C&I”) customers may choose to have a facility
17 energy audit performed by a third party energy auditor. If at least one of the auditor’s
18 recommended measures is implemented, the customer may apply for an audit rebate of up to
19 \$300 for facilities less than 25,000 square feet or up to \$500 for facilities greater than 25,000
20 square feet.

21 The second component of the program consists of a prescriptive rebate program for small
22 commercial customers. These are available to customers on the CB or SH rate schedules,

1 and the applications covered under the program are specific retrofits or new installations of
2 lighting, motors, or HVAC units.

3 The third component applies to all C&I customers, except those on the LP rate schedule. In
4 this component of the program, the applications must meet two requirements for approval.
5 First, the proposal measures must pass the Societal Test, a benefit cost test containing
6 environmental externalities, at 1.05 or greater, and, and second the proposed measures must
7 have a payback of more than two years. Applications must be approved in advance, and
8 customers may receive a combined total of up to \$20,000 per program year

9 A second program for C&I customers is the Building Operator Certification ("BOC")
10 program that was implemented in February 2008. The BOC program provides training to
11 facility managers in ways to improve the energy efficiency of their equipment and processes.
12 Upon successful completion of a series of classes and assignments, the participants receive
13 the certification. Empire provides rebates of \$575 to those participants who are Empire
14 customers that complete the certification process. This program is administered in Missouri
15 by the Missouri Energy Center in partnership with MEEA. Empire has offered three Level I
16 series throughout its service territory. The Level 1 series provides training in seven different
17 areas important to quality building operation and maintenance. Topics include HVAC
18 Systems and Controls, Efficient Lighting Fundamentals, Facility Electrical Systems, and
19 Indoor Air Quality. Level 1 training is designed for individuals with two or more years
20 experience in the field, but is also a good resource for someone new to the industry. Two
21 series were completed, one in Joplin and the other in Republic, Missouri. The third Level I
22 series was scheduled to begin in Branson early in January 2010 but was cancelled due to a
23 lack of interest. A fourth offering began September 8th in Joplin.

1 **Q. HAVE ANY PROGRAMS BEEN ADDED TO EMPIRE'S DSM PORTFOLIO SINCE**
2 **APPROVAL OF THE ORIGINAL PORTFOLIO?**

3 A. Yes. The CPC agreed that Empire should add the Apogee HomeEnergy Suite and the
4 Commercial Energy Suite to its web site. These suites are energy calculators and libraries
5 that provide education to residential and commercial customers. Also included is an
6 interactive virtual home to show key areas for energy efficiency improvements and a Kids
7 Page which includes teacher lesson plans. Empire has been promoting the calculators and
8 Kids Page to area schools.

9 An additional program for C&I customers, the Interruptible Service Rider, was approved by
10 the Commission in February 2009.

11 **Q. PLEASE DESCRIBE THE INTERRUPTIBLE SERVICE RIDER DEMAND**
12 **RESPONSE PROGRAM.**

13 A. This program is strictly voluntary and enables Empire to call on a participating customer for
14 specified reduction in electric usage when the need arises. The options available to the
15 participating customer under the tariff include contract terms of one year, three years, or five
16 years. The rate that Empire pays the customer for service interruption varies according to the
17 length of the contract. Under the terms of the approved tariff, the number of curtailments are
18 limited to ten (10) per year with a maximum interruption of eight hours per curtailment
19 event. In addition to the monthly bill credits, participating customers receive additional
20 compensation equal to \$0.30 per kW of interruptible demand for each hour of actual
21 curtailment during a curtailment year. Unlike the other C&I DSM programs, this program
22 passed the RIM test and is available to customers on the LP rate schedule.

1 **Q. ARE THERE ASSOCIATED ENERGY SAVINGS FROM THE ABOVE DSM**
2 **PROGRAMS?**

3 A. Yes. The table below provides the annual estimated energy savings in kWh associated with
4 the DSM programs described earlier.

	2005	2006	2007	2008	2009	YTD 6/30/2010
Total kWh	262,413	996,134	1,737,574	4,193,564	5,942,365	7,082,389

5
6 **Q. HAVE ANY OF THE DSM PROGRAMS BEEN EVALUATED?**

7 A. Yes. Four program evaluations have been completed: Change a Light and Low Income
8 Weatherization were the first two followed by the CAC program and the C&I Rebate
9 program.

10 An impact evaluation was provided annually by Wisconsin Energy Conservation Corporation
11 (“WECC”) for the Change a Light program. The estimated annual reduction in energy usage
12 is around 51 kilowatt-hours per bulb. Based on the 34,967 bulbs purchased by Empire’s
13 customers since 2005, the estimated annual energy savings in Empire’s Missouri service
14 territory are:

Year	Bulbs	Est. Annual kWh Savings
2005	4,292	219,321
2006	14,153	723,218
2007	25,107	1,282,966
2008	34,967	1,786,812

15
These estimated savings will increase greatly during 2010 with the additional 57,000 CFLs
being distributed during the year.

16 The Low-Income Weatherization program was evaluated in 2009 by an outside contractor
17 selected by the CPC. Because the program used by Empire follows the Department of

1 Energy's Low-Income Weatherization Assistance Program, Empire only performed an
2 impact evaluation on this program. The results of this evaluation found the average savings
3 per weatherized home is 2,052 kWhs annually. Based upon the 670 low-income homes
4 weatherized by the program through June 30, 2010 in Empire's Missouri service area, the
5 following estimated annual energy savings have occurred:

Year	Total Homes Weatherized	Est. Annual kWh Savings
2005	21	43,092
2006	133	272,916
2007	277	568,404
2008	415	851,580
2009	554	1,136,808
YTD 2010 (June)	670	1,374,840

6
7 **Q. PLEASE DISCUSS THE FINDINGS OF THE CENTRAL AIR CONDITIONING**
8 **PROGRAM AND THE COMMERCIAL AND INDUSTRIAL REBATE PROGRAM**
9 **EVALUATIONS.**

10 **A.** Both of these evaluations were completed in December 2009, and each consisted of a process
11 evaluation and an impact evaluation. The CAC program's evaluation covered the first two
12 program years, June 2007 through May 2009. The results of the evaluation found estimated
13 energy savings over the two year program period totaled 568,339 kWh with coincident
14 demand savings of 389 kW over the same period. The table below provides the estimated
15 annual energy savings for calendar years 2007 through June 2010 from this program:

Year	Total Number of Rebates	Est. Annual kWh savings
2007	91	148,617
2008	285	465,450
2009	533	847,021
YTD 6/30/2010	732	1,158,599

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The process evaluation indicated that the program is operating smoothly and the HVAC contractors like the program and the training provided. Recommendations from the report included the following:

- Making information about the program and other efficiency programs easier to find on the Company's web site;
- Ability to submit applications online;
- Providing printed materials about the program to contractors to share with their customers;
- Addition of AC tune-up rebates to program offerings;
- Addition of duct testing and sealing training and rebates to program offerings.

Q. HAS EMPIRE IMPLEMENTED ANY OF THE EVALUATOR'S RECOMMENDATIONS FOR THE CAC PROGRAM?

A. Yes. Empire has added additional information to the web site to assist visitors in locating the energy efficiency programs. Marketing materials now include the web site and the Smart Energy Solutions tag line is to familiarize customers with the phrase. Empire has also discussed the addition of the tune-up rebates and programmable thermostats with the CPC which has tentatively agreed with this addition. Empire is currently working on finalizing a proposed tariff for CPC review before submitting it for Commission approval.

Q. PLEASE DESCRIBE THE FINDINGS REGARDING THE COMMERCIAL AND INDUSTRIAL REBATE PROGRAMS.

1 A. The C&I Rebate program also underwent both process and impact evaluations in 2009. The
2 impact evaluation determined that the program saved an estimated 4,171,711 kWh over the
3 two-year period from May 2007 through April 2009. The table below shows the number of
4 projects approved along with the estimated energy savings from completed projects on a
5 calendar year basis. The estimate savings in years 2009-2010 do not include savings
6 estimates from prescriptive projects completed in those years as a more detailed analysis is
7 required to estimate the savings from these projects.

Calendar Year	Total Projects Approved	Estimated Annual kWh Savings
2007	7	192,729
2008	47	965,938
2009	119	2,824,061
2010 through June 30	157	3,414,476

8
9 The process evaluation found that customers overall had a very high level of satisfaction with
10 the program, and eighty-five percent (85%) indicated that the rebate was the primary or an
11 important reason for the decision to install the energy efficiency measure. The evaluator
12 recommendations for the program included the following:

- 13 • Consider changes to the energy audit rebate structure to increase the benefits of
14 participation for potential large savers;
- 15 • Add the Large Power rate class to the list of qualified customers;
- 16 • Add LED lighting to the measures covered by the prescriptive programs;
- 17 • Develop a technical reference manual to guide energy savings calculations;
- 18 • Add contact information for an Empire or Applied Energy Group staff person on the
19 application so that applicants questions can easily find this information if they have
20 questions about the program or the application.

21
22 **Q. ARE ANY PROGRAMS CURRENTLY UNDERGOING EVALUATION?**

23 A. Yes. Currently, the BOC Program is undergoing a process evaluation. The results of this
24 study are expected to be finalized in September, 2010. The Low-Income New Homes

1 program is scheduled for a process evaluation during 2010, which will be conducted by
2 Empire via a survey to program participants.

3 **Q. WHAT IS EMPIRE'S 2010 MISSOURI DSM BUDGET?**

4 A. Based on the existing portfolio, the budget for 2010 is \$1,669,644, including Apogee and the
5 Interruptible Rider. Of course the ultimate cost of the DSM program will depend upon the
6 number of Empire customers taking advantage of the programs that the Company is offering
7 and the types of measures the customers install. For example, new home construction in
8 Empire's service territory is very slow at the present time because of the downturn in the
9 economy, and the reduction in construction activity directly reduces the number of potential
10 participants in several of our existing energy efficiency programs.

11 **Q. IS EMPIRE PROPOSING TO CONTINUE THE EXISTING DSM PROGRAMS
12 BEYOND 2010 IN THIS RATE CASE?**

13 A. Yes. Empire is requesting that the current portfolio of programs be approved for the next
14 three years at the following annual budget levels. The table below provides the annual
15 budget by program:

Program	Annual Budget
Change A Light	To be determined
Weatherization	\$226,430
Low-Income New Homes	\$10,500
Central Air Conditioning	\$382,000
Home Performance with ENERGY STAR	\$115,000
ENERGY STAR Homes	\$338,800
Apogee	\$25,000
Building Operator Certification	\$34,500
Commercial & Industrial Rebates	\$414,000
Interruptible Program	\$6,154
Administrative & General and Educational	\$102,500
Program(s) Evaluation in year 3	\$146,639
Total	\$1,801,523

1 In addition, Empire believes that maintaining the same program year would be more efficient
2 than having the program years scattered throughout the calendar year. Therefore, Empire
3 requests that it be allowed to work with the CPC to move all program years to a calendar year
4 basis effective January 1, 2011.

5 **Q. DOES EMPIRE HAVE OTHER DSM RECOMMENDATIONS AS A RESULT OF**
6 **THE EXPIRATION OF THE REGULATORY PLAN?**

7 A. Yes. Empire has two recommendations. First, Empire recommends that the amortization
8 period for deferred DSM costs be reduced from the 10-years agreed to for purposes of the
9 Regulatory Plan to a 3-year amortization period. As part of this case, Empire has amortized
10 the DSM regulatory asset at June 30, 2010 over 3 years. Empire proposes that future DSM
11 expenditures continue to be deferred in a regulatory asset account until such time as the
12 Commission's new DSM rule becomes effective and Empire files for program approval and
13 recovery under the new rule.

14 **Q. DOES THE SHORTER 3-YEAR AMORTIZATION PERIOD MAKE THE**
15 **MISSOURI DSM PROGRAM RECOVERY MORE CONSISTENT WITH THE**
16 **RECOVERY MECHANISMS IN THE OTHER STATES IN WHICH EMPIRE**
17 **OPERATES?**

18 A. Yes, but only slightly. For example, both Arkansas and Oklahoma allow Empire to recover
19 DSM costs through a rider based on DSM program budgets. This enables Empire to recover
20 its DSM outlays on a concurrent basis. Many of the DSM costs Empire incurs are for the
21 administration and delivery of these programs and are ongoing costs that should be recovered
22 at the time of program delivery, not delayed over an extended period.

23 **Q. WHAT IS EMPIRE'S SECOND DSM RELATED RECOMMENDATION?**

1 A. Our second recommendation deals with a change in the status of the CPC to a purely
2 advisory group without explicit voting rights, rather than an advisory group with explicit
3 voting rights. If Empire's CPC is to continue after the expiration of Empire's Regulatory
4 Plan, the CPC should be purely advisory. This would place Empire's collaborative group on
5 a level consistent with the collaborative processes employed for The Empire District Gas
6 Company and Kansas City Power & Light. Empire has gained experience in DSM programs
7 over the last five years and has maintained a positive working relationship with the CPC. It
8 is Empire's intention to continue that same positive relationship, however Empire does not
9 believe it is necessary or efficient to retain the voting aspect of the current collaborative
10 arrangement and Empire therefore, recommends that the voting aspects of the current CPC
11 arrangement be eliminated.

12 **ELIP**

13 **Q. PLEASE UPDATE THE COMMISSION ON EMPIRE'S EXPERIMENTAL LOW**
14 **INCOME PROGRAM.**

15 A. This experimental bill credit program was approved in Case No. ER-2002-0424 with funding
16 from both ratepayers and shareholders. In Case No. ER-2008-0093, the customer and
17 shareholder funding of the ELIP was discontinued. The accumulated customer-provided
18 funding was refunded to customers along with interest. The accumulated shareholder
19 provided funding has and will be used to pay for the program through the end of this rate
20 case. These shareholder funds were also used to pay for an evaluation of the program which
21 was completed in March, 2010.

22 **Q. WHAT IS EMPIRE'S RECOMMENDATION FOR THE ELIP PROGRAM BASED**
23 **UPON THE EVALUTION?**

1 A. Empire recommends that the ELIP program be discontinued upon the effective date of the
2 rates approved in this general rate case.

3 **Q. WHY DOES EMPIRE MAKE THIS RECOMMENDATION?**

4 A. The ELIP is not cost effective and according to the program evaluation does not promote
5 good customer payment habits. That evaluation stated that although the number of days
6 between billing and customer payments decreased for ELIP participants, once the customers
7 are no longer on ELIP they take longer to pay their bills than before enrolling in the program.
8 Arrearage levels for ELIP participants once they are no longer enrolled in the program also
9 increase to a higher level than pre-enrollment. The evaluation also provided the result of the
10 Low Income Public Purpose Test, which calculates the estimated energy benefits and costs of
11 a low income program and the benefits associated with a wide range of non-energy benefits
12 that can be attributed to the same program. When the benefit/cost ratio is less than one, the
13 program is considered to not be cost effective from the perspective of the utility and the
14 ratepayer. The test results for Empire's program, when a three month non-energy benefit is
15 assumed, were less than one at 0.22. When the non-energy benefits were not included in the
16 model, the test result was 0.01. Based upon the findings of the evaluation and the
17 benefit/cost test, Empire believes the program should be terminated.

18 **ADJUSTMENTS**

19 **Q. PLEASE DESCRIBE EMPIRE'S DSM-RELATED ADJUSTMENTS PROPOSED IN**
20 **THIS CASE.**

21 A. Empire's DSM rate base adjustment proposed in this case is \$290,425, as shown in Schedule
22 SLM-1. DSM program expenditures are shown for each calendar year along with the
23 amortization of those expenditures that has occurred through June 30, 2010. This net balance

1 of \$1,615,463 is then further adjusted for the \$290,425, which is the cost of the DSM
2 potential study. This adjustment results in the adjusted balance of \$1,905,888.

3 The DSM proposed expense adjustment has been calculated by amortizing the adjusted DSM
4 regulatory asset balance over three-years reduced by the DSM amortization included in
5 Staff's EMS in Case No. ER-2010-0130. This calculation results in a proposed DSM
6 expense adjustment of \$563,596 as shown in Schedule SLM-2.

7 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes.

