

Exhibit No.
Issue: Energy Efficiency Programs
Witness: Sherrill L. McCormack
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Empire District Gas Co.
Case No. GR-2009-0434
Date Testimony Prepared: December 2009

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

**Rebuttal Testimony
of
Sherrill L. McCormack**

December 2009

REBUTTAL TESTIMONY
OF
SHERRILL L. MCCORMACK
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. GR-2009-0434

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

2 A. My name is Sherrill L. McCormack and my business address is 602 Joplin Street, Joplin,
3 Missouri 64801.

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

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

7 **Q. ARE YOU THE SAME SHERRILL L. MCCORMACK WHO PREVIOUSLY**
8 **SUBMITTED TESTIMONY IN THIS CASE?**

9 A. Yes.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. On behalf of The Empire District Gas Company (“EDG”), I will respond to the direct
12 testimony of Ms. Laura Wolfe with the Missouri Department of Natural Resources Energy
13 Center (“Energy Center”) and will present additional proposals and recommendations
14 pursuant to the non-unanimous Partial Stipulation and Agreement on DSM Funding and
15 Implementation and the non-unanimous Partial Stipulation and Agreement, both entered into
16 by and between EDG, the Staff of the Commission, and the Office of the Public Counsel (the
17 “Stipulations”).

18 **Q. DOES EDG PROPOSE ANY CHANGES TO THE ENERGY EFFICIENCY**
19 **PORTFOLIO ORIGINALLY PROPOSED IN THIS CASE?**

1 A. Yes. Pursuant to the Stipulations, EDG proposes to decrease the rebate amount for tank
2 storage water heaters from \$75 to \$50 until this amount is adjusted to reflect the higher
3 incremental costs of the tank storage water heaters with an Energy Factor ("EF") of .67
4 which is scheduled to become the new ENERGY STAR[®] tank storage water heater EF
5 criteria on September 1, 2010. This change will not impact the proposed energy efficiency
6 budget.

7 **Q. DOES EDG HAVE ANY PROPOSED ADDITIONS TO THE ORIGINAL**
8 **PORTFOLIO PRESENTED?**

9 A. Yes. Pursuant to the Stipulations, EDG is willing to add two programs to the proposed
10 portfolio. As recommended by Energy Center witness Laura Wolfe, EDG agrees with the
11 addition of the Building Operator Certification ("BOC") program and the Apogee Energy
12 Calculator to the portfolio. The BOC program is a training program that will be provided in
13 partnership with the Energy Center and area electric utility companies offering this program.
14 EDG anticipates that the addition of this program to the portfolio would result in the annual
15 participation of three customers and increase the annual costs by \$4,775. Since this program
16 is educational in nature, no benefit cost analysis was performed. More detailed information
17 is provided in Rebuttal Schedule SLM-1.

18 The Apogee Energy Calculator is an online suite of programs for both residential and
19 commercial customers. The HomeEnergy Calculator for residential use and the CommCalc
20 for commercial use are both available for EDG's customers along with Energy Libraries.
21 The cost for this program for the gas customers is currently \$9,425, which is twenty (20)
22 percent of the total cost of the program. The balance of the program costs are covered by
23 The Empire District Electric Company.

Q. WHAT IS EDG'S OVERALL ANNUAL ENERGY EFFICIENCY BUDGET WITH THE ADDITION OF THESE PROGRAMS?

A. The first year budget will increase from \$217,000, as originally proposed in my direct testimony, to \$231,200.

Q. DOES EDG AGREE WITH ENERGY CENTER WITNESS WOLFE'S RECOMMENDATION REGARDING THE OVERALL ENERGY EFFICIENCY BUDGET?

A. No. EDG does not agree with the overall annual budget levels proposed by Energy Center witness Wolfe. Ms. Wolfe has recommended budget levels that exceed \$650,000 by year three. The overall budget levels proposed by the Energy Center appear much too high. EDG believes that the energy efficiency programs should be initially implemented at more realistic levels and that further analysis of actual customer participation levels be performed before such large scale increases in program funding take place as recommended by the Energy Center. If the actual customer participation levels indicate that a budget increase is warranted, it can take place outside of a rate case and under the guidance of the DSM advisory group that has been created as part of the Stipulations. The program evaluations scheduled to be performed at the end of year two would provide some insight into this issue.

Q. HAS EDG DEVELOPED A PROPOSAL FOR THE UNSPENT FUNDS FROM THE CURRENT ENERGY EFFICIENCY PROGRAMS?

A. Yes. Pursuant to the Stipulations, EDG has agreed that the unspent funds from the current weatherization and commercial audit programs be transferred to a regulatory asset. This will establish the regulatory asset with a negative beginning balance. These unspent funds can then be used for the new energy efficiency programs authorized by the Commission. The

specific amounts to be transferred to the regulatory asset will be determined at the time the new rates resulting from this case become effective.

Q. HOW DOES EDG PROPOSE TO RECOVER THE COSTS ASSOCIATED WITH THE PROPOSED ENERGY EFFICIENCY PROGRAMS?

A. Pursuant to the Stipulations, Empire has agreed that all expenses related to these programs, including the lost revenues directly associated with participation in these energy efficiency programs, shall be recorded as a regulatory asset and amortized over a period of ten years. Pursuant to the Stipulations, this regulatory asset shall be eligible for rate base treatment in future rate cases, and to the extent the regulatory asset has not been included in rate base, it shall earn a return equal to the Company's Allowance for Funds Under Construction ("AFUDC") rate.

Q. HAS EDG AGREED TO REPORT ANNUAL ENERGY EFFICIENCY ACTIVITIES?

A. Yes. Pursuant to the Stipulations, EDG has agreed to file annual reports with the Commission on the status of its energy efficiency programs. The first report is scheduled to be filed within 45 days of the end of the first year after new rates resulting from this case become effective. Annual reports will include: (1) a narrative description of the status of each program, (2) information (by program) on actual program expenditures and estimated impacts (Ccfs), and (3) a comparison (by program) of budgeted expenditures and impacts to actual expenditures and estimated impacts (Ccfs). Annual reports will also specify and document EDG's assessment of the lost revenues directly associated with the programs estimated impacts (Ccfs) for the 12 month period covered by the annual report. In addition, pursuant to the Stipulations, EDG has agreed to meet with the advisory group overseeing the energy efficiency programs twice each year.

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

2 **A. Yes.**