

Exhibit No.
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Witness: Sherrill L. McCormack
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Case No.
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**Before the Public Service Commission
of the State of Missouri**

**Direct Testimony
of
Sherrill L. McCormack**

June 2009

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OF
SHERRILL L MCCORMACK
ON BEHALF OF
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION

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DIRECT TESTIMONY
OF
SHERRILL L. MCCORMACK
THE EMPIRE DISTRICT GAS COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO.

1 **INTRODUCTION**

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

3 A. My name is Sherrill L. McCormack and my business address is 602 Joplin Street, Joplin,
4 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 (“Empire” or
7 “Company”) as the Energy Efficiency Coordinator.

8 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS MATTER?**

9 A. I am appearing on behalf of The Empire District Gas Company (“EDG”). EDG is a
10 wholly owned subsidiary of Empire that was formed to hold the Missouri Gas assets
11 acquired from Aquila, Inc. (“Aquila”) on June 1, 2006.

12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
13 **PROFESSIONAL EXPERIENCE.**

14 A. I hold a Bachelor of Science degree in Business Administration with a major in finance
15 from Mississippi State University. I also earned a Masters Degree in Business
16 Administration from Pittsburg State University. Prior to joining Empire, I held various
17 positions in banking and investments from 1978 to 1989 in Mississippi and Texas,
18 followed by two years as an adjunct business instructor at Labette County Community
19 College in Kansas and nine years as a business instructor with Crowder College in

1 Missouri. In August 2001, I was employed by Empire as a Planning Analyst. Originally,
2 I worked with long-range financial forecasting and generation planning until November
3 2005. With the renewed interest in energy efficiency programs, my primary
4 responsibilities have shifted to coordinating the implementation of demand side
5 management and energy efficiency programs that have been authorized by the various
6 regulatory commissions that regulate Empire's gas and electric operations. In 2008 I
7 assumed my current position of Energy Efficiency Coordinator. I also participate in
8 Empire's integrated resource planning.

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

10 A. I will discuss EDG's current and proposed energy efficiency programs and the related
11 rate case adjustments.

12
13 **ENERGY EFFICIENCY**

14 **Q. WHAT ENERGY EFFICIENCY PROGRAMS DOES EDG HAVE IN PLACE?**

15 A. EDG currently has two energy efficiency programs in place, one for residential customers
16 and one for commercial customers. The residential program is the Weatherization
17 Program which consists of two segments. The larger segment of this program is
18 available to customers throughout EDG's service territory. The smaller segment is linked
19 to the ELIP participants in Sedalia. In addition to the residential programs there is an
20 experimental commercial energy audit program that is available to non-residential
21 customers.

22 **Q. HAS EMPIRE ATTEMPTED TO AUGMENT THESE TWO PROGRAMS SINCE**
23 **IT ACQUIRED AQUILA'S MISSOURI GAS OPERATIONS?**

1 A. Yes. Empire has added the Apogee Home Energy Calculator and the Commercial
2 Energy Calculator to its web site. The Energy Calculators can be used to determine the
3 impact of tightening up a home or purchasing a more efficient furnace or water heater.
4 The customers have the ability to utilize these calculators as stand-alone tools or to link
5 the calculators to their historical usage and to the changes to see a more direct impact on
6 their individual gas bills.

7 In October of 2008, EDG implemented Project Help; an assistance program available to
8 its more elderly and disabled customers. Please refer to the testimony of EDG witness
9 Bill Gipson for additional details on this program.

10 Additionally in October, Empire partnered with the Community Action Agencies (“CAA
11 or Agency”) to provide weatherization kits to 500 customers. Empire provided each
12 Agency with 100 kits which were distributed through the LIHEAP offices in an attempt
13 to broaden the reach of the weatherization program. Each kit contained a window
14 insulation kit for approximately 5 windows, 10 switch gaskets and 10 outlet gaskets, one
15 17’ roll of closed cell foam weatherstripping for doors, and one 30’ roll of rope caulk for
16 windows.

17 **Q. PLEASE PROVIDE AN UPDATE ON THE STATUS OF EDG’S EXISTING**
18 **ENERGY EFFICIENCY PROGRAMS.**

19 A. The existing energy efficiency programs came out of Aquila’s last rate case, Case No.
20 GR-2004-0072, and were assumed by EDG upon Empire’s purchase of the gas
21 operations. During EDG’s first two contract years of the low income weatherization
22 program, 85 low income customers participated with \$141,364 of the \$205,000 budgeted
23 for this program being utilized through May 2008. Of these totals, 6 homes were part of

1 the ELIP weatherization program in Sedalia and included total expenditures of \$11,522.

2 This compares to the \$48,000 budgeted for the ELIP Weatherization Program over these
3 two contract years. In the larger component of the Weatherization Program, EDG
4 provides funding to the CAA in its service territory for weatherization of low-income
5 customers' homes. The ELIP Weatherization Program in Sedalia is handled by the CAA
6 covering the Sedalia area. The weatherization and the education that occurs during this
7 process are designed to help the participating customers lower their energy consumption
8 while remaining comfortable.

9 **Q. PLEASE DESCRIBE THE EXPERIMENTAL COMMERCIAL ENERGY AUDIT**
10 **PROGRAM.**

11 A. This program is funded at \$7,500 annually and is available to small volume commercial
12 customers. The rebate is up to fifty percent (50%) of the cost of the audit, not to exceed
13 \$500. None of EDG's gas customers have utilized this program since the gas operations
14 were acquired by Empire in June 2006.

15 **Q. DOES EMPIRE PLAN TO CONTINUE TO OFFER ENERGY EFFICIENCY**
16 **PROGRAMS?**

17 A. Yes. EDG is proposing an energy efficiency portfolio consisting of Low-Income
18 Weatherization, three programs for residential and small commercial customers, and one
19 program for large commercial customers. The proposed budget for this energy
20 efficiency portfolio for the first three years of operation averages \$220,593 per year.

21 **Q. PLEASE DESCRIBE HOW THIS PORTFOLIO WAS DEVELOPED.**

22 A. Empire contacted Applied Energy Group ("AEG") to assist in the development of this
23 portfolio. AEG incorporated EDG specific data into the analysis which led to the

1 portfolio EDG is proposing. Schedule SLM-1, which is attached hereto, details each
2 program, including program description, estimated energy and demand savings, estimated
3 participation levels, budget breakdown, and benefit cost test results. The schedule also
4 provides a summary at the portfolio level which includes benefit cost tests results for the
5 portfolio as a whole.

6 **Q. IS EDG PROPOSING ANY CHANGES TO THE LOW-INCOME**
7 **WEATHERIZATION PROGRAM?**

8 A. Yes. EDG is proposing a change to the Weatherization Program funding level and the
9 elimination of the special weatherization fund for the Sedalia ELIP participants.
10 Currently, the annual budget for the larger segment of the program is \$78,500 and the
11 annual budget for the Sedalia ELIP segment is \$24,000. EDG is proposing that the two
12 segments of the Weatherization Program be consolidated into a single program with an
13 average annual budget of \$72,667 over the next three years.

14 **Q. PLEASE EXPLAIN.**

15 A. EDG is recommending the elimination of the special weatherization fund for Sedalia
16 ELIP due to the lack of participation. Of the two contract years since acquisition of the
17 property, EDG has only seen customer participation in year one. At the end of the first
18 two contract years, \$36,478 from an overall budget of \$48,000 was unspent. Finally, the
19 expenditures on weatherization have not exceeded \$75,000 in either of these two contract
20 years.

21 **Q. PLEASE DESCRIBE THE ADDITIONAL RESIDENTIAL OR SMALL**
22 **COMMERCIAL PROGRAMS BEING PROPOSED BY EDG.**

1 A. EDG is proposing three additional energy efficiency programs for the residential and
2 small commercial customer classes. The first is a High Efficiency Natural Gas Water
3 Heater program consisting of an ENERGY STAR® rated tank (.62 Energy Factor or
4 higher) and tankless water heaters. The proposed rebates are \$75 and \$200, respectively.
5 The average annual budget for this program is \$28,975 during the first three years of
6 operation.

7 The second program is the High Efficiency Natural Gas Space Heating program, which
8 provides incentives of \$200 for the purchase and installation of an ENERGY STAR
9 furnace with annual fuel utilization efficiency (“AFUE”) of ninety percent (90%) or
10 better. Customers participating in this program may also receive a \$25 rebate toward the
11 purchase and installation of a programmable thermostat. The average annual budget for
12 this program is \$52,613 during the first three years of the program’s operation.

13 The final program for the residential customer class is the Home Performance with
14 ENERGY STAR with an average annual budget of \$25,671 during the first three years of
15 operation. Designed to increase the energy efficiency of existing homes, the program
16 provides a rebate for a home energy audit and for insulation improvements as
17 recommended by the audit. At least one measure recommended in the audit would have
18 to be implemented for the audit rebate to be available. The maximum available per
19 customer under this program is \$400.

20 Additional detail for each of these proposed programs is contained in the attached
21 Schedule SLM-1.

22 **Q. DOES EDG PROPOSE A CONTINUATION OF THE EXPERIMENTAL**
23 **COMMERCIAL ENERGY AUDIT PROGRAM?**

1 A. No. EDG recommends that the current audit program be discontinued, and that a new
2 program be implemented for our commercial customers.

3 **Q. PLEASE DESCRIBE THE ENERGY EFFICIENCY PROGRAM BEING**
4 **PROPOSED FOR THE LARGE COMMERCIAL CUSTOMERS?**

5 A. EDG is proposing a rebate program consisting of both prescriptive and custom rebates for
6 its large volume customers. The audit would be optional to the customer. However, the
7 customer would qualify for an audit rebate if an audit was performed and at least one
8 recommended measure installed. The audit rebate would be determined by the square
9 footage of the building audited. The average annual budget for this program over the first
10 three years is \$40,667. Additional details surrounding this program may be found in the
11 attached Schedule SLM-1.

12 **Q. DID EDG ANALYZE EACH OF THE ENERGY EFFICIENCY PROGRAMS**
13 **AND THE PORTFOLIO USING THE STANDARD BENEFIT COST TESTS?**

14 A. Yes. Each of the programs was analyzed separately and the portfolio was also analyzed.
15 The results of these analyses are shown in the attached Schedule SLM-1.

16 **Q. HAS EDG PREPARED PROPOSED TARIFF SHEETS FOR THESE NEW**
17 **ENERGY EFFICIENCY PROGRAMS AND ANY PROPOSED REVISIONS TO**
18 **THE EXISTING PROGRAMS?**

19 A. Yes. The proposed changes are displayed on tariff sheets 68 through 71 and 71.c through
20 71.h.

21 **Q. DOES EDG CURRENTLY HAVE AN ENERGY EFFICIENCY**
22 **COLLABORATIVE?**

1 A. No. EDG as part of its energy efficiency proposal recommends that an advisory group
2 consisting of Public Service Commission Staff, the Office of Public Counsel, the
3 Missouri Department of Natural Resources Energy Center, an Industrial Customer
4 Representative, and EDG be organized. This group would provide input to EDG on the
5 implementation of the proposed energy efficiency portfolio, potential new energy
6 efficiency programs, and future evaluations of the programs.

7
8 **ADJUSTMENTS**

9 **Q. PLEASE DESCRIBE THE ENERGY EFFICIENCY ADJUSTMENT YOU ARE**
10 **SUPPORTING IN THIS RATE CASE.**

11 A. The overall adjustment to operating expense for the proposed energy efficiency portfolio
12 is an increase of \$105,352 and is detailed on Schedule SLM-2. This adjustment reflects
13 an annual average of the first three years of program expenditures on the proposed
14 portfolio of \$220,593 and the elimination of the annual expenses associated with the
15 existing energy efficiency programs during the test year, which amounted to \$115,241.
16 The difference is an increase to operating expense of \$105,352.

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

18 A. Yes.

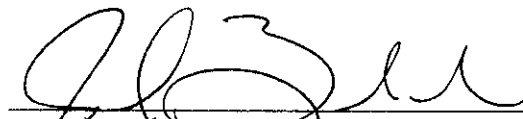
AFFIDAVIT OF SHERRILL L. MCCORMACK

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 5 day of June, 2009, 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 5 day of June, 2009.


Notary Public

My commission expires: _____

