

Exhibit No.
Issue: ELIP and DSM
Witness: Sherrill L. McCormack
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Empire District
Case No. ER-2006-0315

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

Surrebuttal Testimony

of

Sherrill L. McCormack

August 2006

SURREBUTTAL TESTIMONY
OF
SHERRILL L. MCCORMACK
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2006-0315

1 **I. INTRODUCTION**

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

3 A. Sherrill L. McCormack. My business address is 602 Joplin Street, Joplin, Missouri
4 64802.

5 **Q. ARE YOU THE SAME SHERRILL MCCORMACK WHO PREVIOUSLY**
6 **FILED PREPARED TESTIMONY IN THIS CASE ON BEHALF OF THE**
7 **EMPIRE DISTRICT ELECTRIC COMPANY (“EMPIRE” OR “COMPANY”)**
8 **BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION**
9 **(“COMMISSION”)?**

10 A. I am.

11 **II. EXECUTIVE SUMMARY**

12 **PURPOSE:**

13 I will address the changes to the Experimental Low Income Program (“ELIP”)
14 created in Case No. ER-2002-424 proposed by the Commission Staff through the
15 rebuttal testimony of Lena M. Mantle and by the Office of the Public Counsel
16 (“OPC”) through the testimony of Barbara A. Meisenheimer. I will also address the
17 comments of Ms. Mantle regarding the existing Demand Side Management
18 (“DSM”) programs.

SUMMARY AND CONCLUSION:

Empire agrees with Ms. Mantle's proposal that the ELIP be eliminated and the unused funds be made available for the Customer Program Collaborative ("CPC"), established by the Stipulation and Agreement approved by the Commission in Case No. EO-2005-0263 ("Regulatory Plan"), to be available for use in a program to assist low income customers reduce their electric bill. Additionally, the unused funds should be a negative entry to the regulatory asset established for the Regulatory Plan Demand Side Management ("DSM") programs. If the ELIP is continued, the program should be moved under the review of the CPC and future expenditures should be recorded as a regulatory asset subject to the same amortization rules agreed to as part of the Regulatory Plan.

In reference to the comments of Ms. Mantle regarding the unused funding of the existing DSM programs, additional unused funds will be booked by the end of this rate case. These funds, in addition to the residential energy star program and the commercial audit program funds, will need to be offset against the Regulatory Plan DSM programs account.

Q. WHAT CHANGES TO THE ELIP ARE PROPOSED BY STAFF WITNESS MANTLE?

A. Ms. Mantle recommends, on page three of her rebuttal testimony, that the ELIP should be eliminated with the funds redirected to programs assisting low income customers to reduce their electric usage. She further proposes that the decision on appropriate funding be directed to the CPC.

Q. DOES EMPIRE AGREE WITH THIS RECOMMENDATION?

A. Yes. In earlier meetings of the CPC, the possibility of ELIP coming under the review

1 of the group has been discussed. Empire believes this move would provide a
2 balanced consideration of the best use of the funds available.

3 **Q. WHAT IS EMPIRE'S POSITION IF THE COMMISSION DETERMINES**
4 **THAT ELIP SHOULD CONTINUE?**

5 A. If the Commission continues the ELIP, Empire would agree with Ms. Mantle and
6 Ms. Meisenheimer that modifications should be considered and that the CPC would
7 be the best group to recommend these modifications. Empire also agrees that the
8 ratepayer piece of the ELIP expenses be recovered using the mechanism established
9 in the Regulatory Plan for recovery of DSM expenses.

10 The Company also agrees that the amount to be placed in the account should be the
11 difference between what has been collected from ratepayers for the ELIP and one-
12 half of what was actually spent. However, Empire continues to believe that future
13 expenditures for this program should be accounted for as a regulatory asset and the
14 stockholder match for this program should be discontinued.

15 **Q. PLEASE EXPLAIN.**

16 A. The ELIP program was originally established November 24, 2002 as an
17 experimental two-year program. In prior cases, Empire agreed to extend the two-
18 year program and continue the shareholder match. The ELIP program, however, has
19 not seen the participation that was originally forecasted. As a result, Staff witness
20 Lena Mantle, OPC witness Barb Meisenheimer, and the Company have suggested
21 the program be reviewed by the CPC. Therefore, it is the Company's view that any
22 funding recommended by the CPC should be accounted for as presented in the
23 regulatory plan.

24 **Q. DOES EMPIRE AGREE WITH MS. MANTLE'S COMMENTS REGARDING**

1 **THE DEMAND SIDE MANAGEMENT PROGRAMS?**

2 A. As stated in my rebuttal testimony, beginning on page 5, line 10, additional unused
3 funds for DSM programs will be booked by the end of this rate case. Therefore, the
4 unused funds will exist for the four existing DSM programs, not just for the
5 residential energy star program and the commercial audit program as mentioned in
6 Ms. Mantle's rebuttal testimony. Empire agrees with Ms. Mantle's theory, but does
7 not agree to limiting the accounting to just these two programs.

8 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

9 A. Yes, it does.

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