

**EXECUTIVE SUMMARY
FOR THE DIRECT TESTIMONY OF SHERRILL L. MCCORMACK
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO.**

Purpose of Testimony:

This testimony discusses Empire's Demand Side Management ("DSM") and Affordability programs.

Summary:

Empire's existing Demand Side Management and Affordability programs are discussed in detail. These programs consist of the Experimental Low Income Program ("ELIP"), the Interruptible Service Rider, the Energy Star Change a Light program, the Residential Weatherization program, and the Missouri Commercial Facility Energy Audit Program. Also discussed is the approach Empire is taking to develop additional programs.

In accordance with Case No. EO-2005-0263, expenses associated with these programs have been recorded in a regulatory asset for amortization in the next rate proceeding. A total costs of \$53,000 associated with the Customer Programs Collaborative ("CPC") and new DSM and affordability programs to be funded in 2006 have been included in this regulatory asset in rate base. This amount includes \$10,000 for the Missouri Residential Market Assessment, approximately \$41,500 for AEG's consulting work, and approximately \$1,500 for travel and related expenses.

Conclusion:

Costs of \$53,000 associated with the Customer Programs Collaborative ("CPC") and new DSM and affordability programs to be funded in 2006 have been included as a regulatory asset in rate base. An adjustment to increase expenses of \$5,300 has been included in the income statement to reflect the amortization of this asset. This adjustment reflects the amortization of the regulatory asset over ten years in accordance with the Stipulation and Agreement reached in Case No. EO-2005-0263.

Exhibit No.
Issue: Demand Side Management and
Affordability Programs
Witness: Sherrill L. McCormack
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District
Case No.
Date Testimony Prepared: February 2006

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

Direct Testimony

of

Sherrill L. McCormack

February 2006

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

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

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

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

5 A. The Empire District Electric Company, ("Empire" or "Company"). I am currently
6 employed as a Planning Analyst.

7 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
8 **PROFESSIONAL EXPERIENCE.**

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

1 management (“DSM”) and affordability programs and participating in the Integrated
2 Resource Planning process through the use of the MIDAS software.

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

4 A. I will discuss Empire’s current DSM and affordability programs.

5 **Q. DOES EMPIRE CURRENTLY OFFER ANY DSM OR AFFORDABILITY**
6 **PROGRAMS?**

7 A. Yes. The Company has two programs that were in effect prior to 2005. They are the
8 Experimental Low Income Program (“ELIP”) and the Interruptible Service Rider.

9 **Q. PLEASE DESCRIBE THESE PROGRAMS.**

10 A. ELIP was established as a result of the Unanimous Stipulation and Agreement in
11 Case No. ER-2002-424 and became effective April 30, 2003. This program provides
12 eligible customers with a fixed credit on their monthly bill for up to 12 months.
13 Customers may reapply at the end of the 12 month period and may receive the ELIP
14 credit for up to 24 months. The evaluation for this program is underway with an
15 anticipated completion date of February 2006.

16 The Interruptible Service Rider has been in effect since April 14, 1999, with
17 modifications effective October 2, 2001. This program pays participants for the
18 ability to interrupt their service in anticipation of peak demands, anticipated system
19 emergency due to generation shortages and/or energy prices to exceed \$100/MWH.

20 **Q. HAVE ANY ADDITIONAL DSM OR AFFORDABILITY PROGRAMS BEEN**
21 **IMPLEMENTED DURING 2005?**

22 A. Yes. As a result of the Stipulation and Agreement in Case No. ER-2004-0570,
23 Empire established three additional programs which became effective on October

1 14, 2005. These are the Energy Star Change a Light Program, the Residential
2 Weatherization Program, and the Missouri Commercial Facility Energy Audit
3 Program.

4 **Q. PLEASE DESCRIBE THESE PROGRAMS.**

5 A. The Energy Star Change a Light Program is designed to encourage the replacement
6 of inefficient lighting through a rebate for a portion of the cost of Energy Star
7 compact fluorescent light bulbs. This program was fully funded at \$20,000. This is
8 the maximum level of funding agreed to by all parties involved in the last rate case.

9 The Residential Weatherization Program has a dual purpose of providing energy
10 education and weatherization assistance, primarily for lower income customers.

11 This program has been fully funded at \$155,000 and is being administered by the
12 Ozark Area Community Action Corporation (approximately 47%), the Economic
13 Security Corporation (approximately 51%), and the West Central Missouri
14 Community Action Agency (approximately 2%).

15 **Q. PLEASE CONTINUE.**

16 A. The Commercial Audit Program is designed to encourage more effective utilization
17 of electric energy through energy efficiency improvements in the building shell or
18 through the replacement of inefficient electrical equipment. This will be
19 accomplished by providing a rebate for a portion of the costs of an energy audit and
20 related equipment upgrades that result in an increase in the efficient use of
21 electricity. The program agreed to by Empire includes a maximum funding level per
22 customer of \$5,000 and an overall program funding level of a maximum of \$25,000
23 per year.

1 Empire is also participating in the Missouri Residential Market Assessment
2 conducted by RLW Analytics for the electric utilities in the state. The Company
3 plans to utilize this market assessment as part of the process used to select future
4 DSM programs for its residential customers.

5 **Q. DOES EMPIRE HAVE ADDITIONAL PROGRAMS PLANNED?**

6 A. Yes. Empire is working with the Customer Programs Collaborative (“CPC”) created
7 as a result of the Unanimous Stipulation and Agreement in Case No. EO-2005-0263.
8 This group has recently selected an implementation consultant, AEG, to assist in the
9 selection of additional DSM and affordability programs for Empire’s Missouri
10 customers. The CPC is also in the process of selecting an evaluation consultant.
11 This consultant will be retained to evaluate Empire’s DSM and affordability
12 programs with the exception of ELIP. The evaluation consultant is being selected at
13 this time to insure that appropriate data is collected for each DSM and affordability
14 program.

15 **Q. DOES THIS RATE CASE REFLECT ANY EXPENSES RELATED TO THE**
16 **PLANNED PROGRAMS?**

17 A. Yes. Costs of \$53,000 associated with the CPC and new DSM and affordability
18 programs to be funded in 2006 have been included as a regulatory asset in rate base.
19 This amount includes \$10,000 for the Missouri Residential Market Assessment,
20 approximately \$41,500 for AEG’s consulting work, and approximately \$1,500 for
21 travel and related expenses. Furthermore, an adjustment to increase expenses of
22 \$5,300 has been included in the income statement. This adjustment reflects the
23 amortization of the regulatory asset over ten years in accordance with the Stipulation

1 and Agreement reached in Case No. EO-2005-0263.

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

3 A. Yes.

AFFIDAVIT OF SHERRILL L. MCCORMACK

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 31st day of January, 2006, 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
Sherrill L. McCormack

Subscribed and sworn to before me this 31st day of January, 2006.

Patricia A. Settle
Pat Settle, Notary Public

My commission expires: _____

