

Exhibit No.:
Issues: Demand-Side Management
Programs
Witness: Brenda Wilbers
Sponsoring Party: Missouri Department of Natural
Resources - Missouri Energy Center
Type of Exhibit: Direct Testimony
Case No.: ER-2007-0004

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2007-0004

DIRECT TESTIMONY

OF

BRENDA WILBERS

ON

BEHALF OF

MISSOURI DEPARTMENT OF NATURAL RESOURCES

ENERGY CENTER

Jefferson City, Missouri
January 18, 2007

1 **Q. Please state your name and address.**

2 **A.** My name is Brenda Wilbers. My business address is Missouri Department of Natural
3 Resources, Energy Center, 1101 Riverside Drive, P.O. Box 176, Jefferson City, Missouri,
4 65102-0176.

5 **Q. By whom and in what capacity are you employed?**

6 **A.** I am employed by the Missouri Department of Natural Resources as the director of the
7 Energy Policy and Analysis Program in the Missouri Energy Center (MEC). The MEC is
8 part of the Missouri Department of Natural Resources, Policy Division, an agency of state
9 government with its executive office located in Jefferson City, Missouri.

10 **Q. On whose behalf are you testifying?**

11 **A.** I am testifying on behalf of the Missouri Department of Natural Resources Energy Center
12 (MEC), an intervener in these proceedings.

13 **Q. Please describe your educational background and business experience.**

14 **A.** I received a Bachelor of Science degree in Business Administration in 1985 from Lincoln
15 University and a Master of Public Administration degree in 1996 from the University of
16 Missouri-Columbia. I worked for the Missouri Joint Committee on Legislative Research as a
17 performance auditor and fiscal note analyst from 1986 to 1991. In this capacity, I
18 participated in performance reviews of various state agencies and prepared fiscal notes for
19 legislative proposals. Prior to becoming the director of the Energy Policy and Analysis
20 Program in 1999, I worked as an environmental policy analyst in the Department of Natural
21 Resources Director's Office for two years. From 1991 to 1999, I was an energy planner in
22 the Energy Center. As director of the Energy Policy and Analysis Program, my areas of
23 responsibility include analysis and development of energy policy recommendations,

1 legislative issues, strategic planning, energy emergency planning, monitoring energy prices
2 and supplies, and working with energy utilities and other partners to develop energy
3 efficiency programs and assessments of Missouri's wind energy.

4 **Q. Have you filed testimony in other cases before the Missouri Public Service**
5 **Commission?**

6 **A.** Yes. I filed testimony in ER-2006-0315, Empire District Electric Company's rate case. I
7 served as the Energy Center's project coordinator in various cases in which the Department
8 of Natural Resources intervened including: EO-2002-0001, ER-2004-0034, ER-2005-0436,
9 ER-2004-0570, Union Electric Company's 2005 Utility Resource Filing pursuant to Chapter
10 22 (Case EO-2005-0240) and in Kansas City Power & Light's (KCPL) 2006 Utility Resource
11 Filing (Case EO-2006-0008). I participated in development of the Regulatory Plan
12 Stipulation and Agreements filed for KCPL and Empire District Electric Company (Empire)
13 in Case Nos. EO-2005-0329 and EO-2005-0263, respectively. I continue to participate in
14 energy efficiency advisory groups with AmerenUE, KCPL and Empire that were established
15 in Case Nos. EO-2002-0001, EO-2005-0329 and EO-2005-0263, respectively.

16 **Q. What is the purpose of your direct testimony in these proceedings?**

17 **A.** The purpose of my testimony is to address Aquila's proposal to implement demand side
18 management (DSM) programs and cost recovery of DSM program expenditures as presented
19 in direct testimony filed by Mr. Matthew Daunis and Mr. Dennis Williams.

20 **Q. Please describe Aquila's proposal for DSM programs in this rate case.**

21 **A.** Mr. Daunis is proposing to offer DSM programs identified in Schedule MED-2 and 'Public
22 Purpose' programs in Schedule MED-3 (low-income weatherization, energy education,
23 affordable housing and an education program for schools). Mr. Daunis refers to these

1 programs as part of the "Aquila Networks State of Missouri Electric Demand-Side
2 Management Plan, 2006-2010" used in development of "Aquila Networks-Missouri
3 Integrated Resource Plan" dated April 15, 2005 (hereafter, 2005 plan) (Daunis direct, pg. 6-
4 7.) The first year budget for the DSM and public purpose programs (\$2,523,200) has been
5 included in this rate case (Daunis direct, pg. 8). Schedules MED-2 and MED-3 also include
6 program budgets for 5 years: Year 1 - \$2,523,200; Year 2 - \$3,222,200; Year 3 - \$4,221,900;
7 Year 4 - \$4,473,600; and Year 5 - \$4,729,500.

8 **Q. Has Aquila implemented the DSM and public purpose programs in Schedules MED-2**
9 **and MED-3 in Mr. Daunis testimony?**

10 **A.** Mr. Daunis states that Aquila is implementing three of these programs 'only minimally' in
11 accordance with the Stipulation and Agreements in Case Nos. ER-2005-0436 and HR-2005-
12 0450 (consolidated): Weatherization, Commercial Audit and Change-a-Light. The
13 Stipulation requires these programs to be funded at \$193,000 annually. Mr. Williams
14 indicates in his testimony that Aquila is seeking agreement from Staff, OPC and interested
15 parties that the proposed programs are appropriate, would benefit Aquila's customers and
16 should be authorized by the Commission along with a cost recovery mechanism authorized
17 by the Commission before Aquila spends significant amounts of money on the DSM
18 programs (Williams direct, pg. 13).

19 **Q. Do you agree that Aquila should invest in DSM?**

20 **A.** Yes. Energy efficiency is often one of the most cost-effective ways to address the
21 challenges of growing energy demand, higher energy prices, and concerns over energy
22 security and independence, reliability and environmental quality. Energy efficiency programs
23 provide a means by which consumers and businesses can save money through lower electric

1 bills. Increasing energy efficiency will reduce load growth, diversify energy resources,
2 enhance the reliability of the electricity grid, reduce air pollution and emissions, mitigate
3 electricity and fuel price increases and reduce customer exposure to price volatility. Energy
4 efficiency does not rely on any fuel and is not subject to shortages of supply or increased
5 prices for natural gas or other fuels.

6 **Q. What commitment to DSM do you propose for Aquila?**

7 **A.** The appropriate commitment to demand-side resources should be based upon the screening,
8 analysis and integration of resources pursuant to the provisions of the Electric Utility
9 Resource Planning Rule (4 CSR 240-22.010 to 22.080). Aquila is proposing to implement
10 DSM programs that were developed for its 2005 plan. However, Aquila's 2005 plan was not
11 developed pursuant to the Commission's resource planning rule which provides for a formal
12 process for interested parties to evaluate any DSM programs included in the preferred
13 resource plan. With Aquila's first IRP filing pursuant to the Commission's rule due next
14 month, MEC believes it would be appropriate to review the demand and supply-side
15 resources included in Aquila's preferred resource plan before recommending implementation
16 of the programs proposed by Aquila in this rate case. This would insure that the programs
17 implemented are the most appropriate and provide the greatest benefits to Aquila's
18 customers.

19 Aquila's proposed DSM annual budgets ramp up to approximately one percent of Aquila's
20 Missouri annual sales revenue in years 4 and 5. MEC believes that investment in cost-
21 effective DSM programs at one percent of a utility's annual revenues is appropriate and
22 should have a meaningful impact on load growth after a period of sustained commitment to
23 DSM. Market transformation, customer education, effective partnerships and support

1 infrastructure for program delivery can only be built through an ongoing DSM commitment.
2 MEC recommends that Aquila should commit to adequate funding to implement the DSM
3 programs in its 2007 IRP preferred resource plan at levels that ramp up to one percent of
4 Aquila's annual revenues.

5 **Q. Do you recommend a cost recovery mechanism for DSM program expenditures?**

6 **A.** In regulatory plans approved by the Commission, Kansas City Power & Light Company and
7 Empire District Electric Company are allowed to accumulate the costs of implementing
8 energy efficiency, affordability and demand response programs in regulatory asset accounts
9 as the costs are incurred. Costs are amortized over a ten-year period, and amounts not
10 included in rate base are allowed to earn a rate of return. I propose that this same approach
11 also be available to Aquila.

12 **Q. Are there cost recovery options provided in 4 CSR 240-22.010-22.080 that are available**
13 **to Aquila?**

14 **A.** Yes. Rule 4 CSR 240-22.080(2) of the Commission's Electric Utility Resource Planning rule
15 also states "The electric utility's compliance filing may also include a request for
16 nontraditional accounting procedures and information regarding any associated ratemaking
17 treatment to be sought by the utility for demand-side resource costs." The rule requires such
18 a request be made in the utility's compliance filing and be limited to DSM programs included
19 in the utility's implementation plan.

20 **Q. Was Aquila's 2005 plan developed pursuant to the Commission's Electric Utility**
21 **Resource Planning rule?**

22 **A.** No. Aquila's first integrated resource plan (IRP) filing pursuant to 4 CSR 240-22.010 to
23 22.080 (following the expiration of the waiver to the rule) is due in February 2007. The

1 Stipulation and Agreement in Case No. ER-2004-0034 specified that Aquila file detailed
2 resource plans covering a ten-year planning horizon every two years beginning in March
3 2005. The Stipulation also identified a number of specific components that should be
4 included in Aquila's resource plans; however, the Stipulation did not require these plans to
5 comply with all the provisions of. 4 CSR 240-22.010 to 22.080.

6 **Q. Did MEC participate in the development of Aquila's 2005 plan?**

7 **A.** Yes, MEC attended several meetings convened by Aquila in 2004-2005 with Staff, OPC and
8 other interested parties. At these meetings, Aquila made presentations to the group about
9 progress on development of its DSM plan, and members of the group provided general
10 comments on program design and end-use measures and budgets.

11 **Q. How does Aquila's 2005 plan differ from Aquila's 2007 IRP due to be filed in**
12 **February?**

13 **A.** Aquila's 2007 IRP will be filed pursuant to the Commission's Electric Utility Resource
14 Planning Rule. This rule prescribes a formal process for intervention and a schedule for
15 parties to conduct detailed reviews of the filing and all supporting materials for all aspects of
16 the resource plan (load forecast, supply-side resources, demand-side resources and
17 integration analysis). The rule also allows parties to prepare written comments in response to
18 the utility's compliance filing. MEC believes the in-depth review of DSM programs that may
19 be included in Aquila's preferred resource plan filed pursuant to 4 CSR 240-22.010 to 22.080
20 will provide interested parties with the information and process to evaluate and determine
21 their support for the programs.

22 **Q. What is the status of Aquila's current DSM programs?**

1 A. In accordance with the Stipulation and Agreements in Case Nos. ER-2005-0436 and HR-
2 2005-0450 (consolidated), Aquila's current DSM programs are: Weatherization, Commercial
3 Audit and Change-a-Light. The Stipulation requires these programs to be funded at
4 \$193,000 annually.

5 **Q. Do you recommend continuation of Aquila's current DSM programs?**

6 A. Based on Aquila's 2005 DSM Plan, MEC anticipates that DSM programs will be included in
7 Aquila's February 2007 IRP preferred resource plan. However, if implementation has not
8 begun by October 1, 2007, or if there are no DSM programs in Aquila's 2007 preferred
9 resource plan, MEC recommends that Aquila continue to fund its current Weatherization,
10 Change-a-Light and Commercial Audit programs until the next rate case or until such time as
11 the Commission rescinds the programs by Order. The Weatherization program should be
12 coordinated with local agencies in Aquila's service territory and should be consistent with
13 federal Low-Income Weatherization Assistance Program guidelines.

14 **Q. Does this conclude your testimony?**

15 A. Yes. Thank you.