

Exhibit No.:
Issues: DSM Cost-Recovery and
Program operation
Witness: Adam Bickford
Sponsoring Party: Missouri Department of
Natural Resources –
Division of Energy
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2011-0004

SURREBUTTAL TESTIMONY
OF
ADAM BICKFORD
MISSOURI DEPARTMENT OF NATURAL RESOURCES
DIVISION OF ENERGY

April 28, 2011

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

EMPIRE DISTRICT ELECTRIC COMPANY

RATE CASE

CASE NO. ER-2011-0004

1 **I. Introduction**
2

3 **Q. Please state your name and business address.**

4 A. My name is Adam Bickford. My business address is Missouri Department of
5 Natural Resources, Division of Energy, 1011 Riverside Drive, P.O. Box 176,
6 Jefferson City, Missouri 65102-0176.

7 **Q. Are you the same Adam Bickford who filed Direct and Rebuttal Testimony**
8 **on behalf of the Missouri Department of Natural Resources, Division of**
9 **Energy (MDNR) previously in this case?**

10 A: Yes, I am.

11 **Q. What is the purpose of your surrebuttal testimony in these proceedings?**

12 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony
13 of Empire witness Sherrill McCormack and MIEC's witness Maurice Brubaker
14 on issues regarding Empire's DSM programs.

15 **Q. Please describe the issues regarding Empire's DSM programs.**

16 A. The discussion of Empire's DSM programs in direct and rebuttal testimony has
17 revealed substantial agreement on two points: Empire's Customer Programs
18 Collaborative (CPC) group should change to an advisory group, and Empire
19 should synchronize the program years of its programs so they operate on a
20 calendar year basis. There is less agreement on two other points: the length of
21 the amortization period of Empire's future DSM expenses, and whether Empire
22 should continue its DSM programs at the current level for the next three years
23 or add to existing programs. In his rebuttal testimony, Staff witness John
24 Rogers has argued against reducing Empire's amortization period from its
25 current ten years.¹ OPC witness Ryan Kind has, in his rebuttal testimony,
26 proposed an amortization period of six years for future DSM expenses.²

¹ See Rebuttal Testimony of John Rogers, File No. ER-2011-0004, Page 5, Lines 6-10.

² See Rebuttal Testimony of Ryan Kind, File No. ER-2011-0004, Page 3, Lines 15-22.

1 MDNR has, in its rebuttal testimony, deferred to Empire’s assessment about
2 whether reduction in the length of the DSM amortization period will remove its
3 disincentives for continued DSM investment. MDNR objected to Empire’s
4 proposal to continue its DSM programs at its current levels, noting that Empire
5 has not spent all of the funds it has allocated to these programs over the past
6 five years.³

7
8 **Q. In her rebuttal testimony, Empire witness Sherrill McCormack criticized**
9 **your comparison of Empire’s DSM portfolio to that of KCP&L and Ameren**
10 **Missouri. Do you have a response to that testimony?**

11 A: Yes. In my direct testimony I compared the number of programs offered by
12 Empire to those offered by KCP&L and Ameren Missouri, noting that Empire’s
13 overall portfolio offers fewer programs than the other Missouri electric utilities.⁴
14 This comparison was not to imply that Empire, as a utility, is comparable to
15 KCP&L and Ameren, but rather to provide background for understanding the
16 scope of Empire’s DSM portfolio.

17 My direct testimony also discussed Empire’s DSM program performance
18 relative to its budgeted expenditures and expected participation level⁵. This
19 discussion did not compare Empire to any other utility. Rather, I noted that, in
20 2009, Empire had spent 67.5% of its allocated program budget and achieved a
21 participation rate of 60.5% of what it expected. These comments are echoed
22 by Staff’s CCOS report, which characterized Empire’s DSM performance as
23 “relatively low.”⁶

³ See Rebuttal Testimony of Adam Bickford, File No. ER-2011-0004, Pages 5-7.

⁴ See Direct Testimony of Adam Bickford, File No. ER-2011-0004, Pages 5-7.

⁵ Ibid, Pages 7-9.

⁶ Staff COS Report at page 78, line 11 through page 79, line 10.

1 **Q: How would you characterize Empire’s efforts to improve its program**
2 **participation?**

3 A: Empire has experienced low levels of participation in its programs. Empire
4 personnel are aware of this issue. Empire has discussed its difficulties in
5 motivating customers to participate in the company’s programs internally, with
6 the CPC and in other forums. However, Empire has not developed
7 comprehensive promotional strategies to increase participation, nor has it
8 engaged an outside consultant to assist with increasing its DSM program
9 participation rate. From MDNR’s perspective, as a member of the CPC,
10 Empire can do more to make its DSM programs successful. In light of this,
11 MDNR recommends, in this testimony and through the provisions of Empire’s
12 2011 IRP Stipulation and Agreement⁷, that Empire engage a consultant to
13 assist in developing a comprehensive marketing strategy appropriate for
14 Empire's unique territory.

15 **Q: Ms. McCormack also claimed that MDNR’s testimony did not acknowledge**
16 **that customers in the Large Power (“LP”) class were not eligible to**
17 **participate in Empire’s Commercial and Industrial Rebate Program⁸. Do**
18 **you have any response to this point?**

19 A: My concern is that Empire does not appear to meet its expected savings and
20 participation levels. Empire’s reported savings and participation levels account
21 for LP customers’ ineligibility. My calculations were based on the information
22 Empire provided, which apparently did not include the participation of
23 customers in the LP class.

24 **Q: In her rebuttal testimony, Ms. McCormack discusses DSM savings goals**
25 **contained in the MEEIA legislation and suggests that MDNR is asserting**

⁷ Approved by the Missouri Public Service Commission on April 27, 2011.

⁸ See Rebuttal Testimony of Sherril McCormack, Page 5, Lines 13-15.

1 **levels of savings that are not included in the law. How do you respond to**
2 **Ms. McCormack?**

3 A: The MEEIA legislation contains the following statement:
4 The commission shall permit electric corporations to implement
5 commission-approved demand-side programs proposed pursuant to
6 this section with a goal of achieving all cost-effective demand-side
7 savings.⁹

8 In MDNR’s opinion Empire’s current levels of savings and participation in their
9 DSM programs do not meet the goal of “achieving all cost-effective demand-
10 side savings” as described in the MEEIA legislation.

11
12 **Q: In his rebuttal testimony, MIEC’s witness Maurice Brubaker notes that**
13 **MDNR has recommended expensing of DSM program costs, but has not**
14 **provided any support for this recommendation. Do you wish to**
15 **comment?**

16 A: MDNR has stated that its policy is to support expensing of DSM program costs
17 (rather than treatment in a regulatory asset account). Expensing would clearly
18 provide more timely cost recovery consistent with the MEEIA policy goal, as a
19 way of reducing a utility’s disincentives for DSM investment. The proposed
20 MEEIA rules allow utilities to propose specific DSM cost-recovery structure that
21 meets their needs. Once the MEEIA rules are implemented Missouri may have
22 multiple cost-recovery structures in place, perhaps a different one for each
23 utility’s DSIM. MDNR has determined it would not present specific examples of
24 cost-recovery structures.

25
26 **Q: What decision should the Commission reach regarding the DSM issues in**
27 **this case?**

⁹Section 393.1075, RSMo. Paragraph 4.

1 A: MDNR requests that the Commission reassert its support for expanded DSM
2 programs by requiring Empire to improve its program participation levels and
3 pursue the MEEIA goals of achieving all cost-effective DSM savings. MDNR
4 agrees with Empire and the other parties about changing the structure of
5 Empire's DSM collaboration/advisory group and synchronizing its programs so
6 they run on a calendar-year basis.

7 **Q: Does this conclude your testimony?**

8 A: Yes.