

Exhibit No.:
Issues: LIWAP and DSM Programs
Witness: Adam Bickford
Sponsoring Party: Missouri Department of
Natural Resources –
Division of Energy
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2010-0355

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

January 4, 2011

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

KANSAS CITY POWER AND LIGHT (KCP&L)

RATE CASE

CASE NO. ER-2010-0355

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

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

5 **Q. Are you the same Adam Bickford who filed Direct Testimony on behalf of**
6 **the Missouri Department of Natural Resource, Division of Energy**
7 **previously in this case?**

8 A: Yes, I am.

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

10 A. I am testifying on behalf of the Missouri Department of Natural Resources
11 (“MDNR”), an intervenor in these proceedings.

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

13 A. The purpose of my surrebuttal testimony is to address Mr. Tim Rush’s rebuttal
14 testimony regarding KCP&L’s Low-income Weatherization Program and
15 KCP&L’s DSM programs.

16

17 Comments about KCP&L’s LIWAP Programs

18 **Q. Please summarize Mr. Rush’s testimony regarding KCP&L’s LIWAP.**

19 A. Mr. Rush disagrees with Mr. Henry Warren’s recommendation that KCP&L’s
20 LIWAP funds be placed into an account with the Environmental Improvement
21 and Energy Resources Authority (EIERA). Mr. Rush stated that doing so
22 would create an unnecessary administrative burden and wants to continue to
23 provide funds directly to its local community action weatherization agencies on

1 a monthly basis as opposed to depositing the full amount in the EIERA account
2 annually.

3 **Q. Does the MDNR administer other utility LIWAP programs?**

4 **A.** Yes. MDNR and EIERA currently manage LIWAP funds for four utilities:
5 Ameren Missouri (electric), Ameren (natural gas), Atmos Energy, Inc. and Laclede
6 Gas Company. MDNR and EIERA agreed to perform this service at the request of
7 these utilities and other parties to ensure such funds were expended consistent
8 with the federal LIWAP administered by MDNR, which is an effective program that
9 has a proven track record of success.

10 **Q. Does MDNR have a position on this issue?**

11 **A.** To my knowledge MDNR was not approached by parties to discuss the
12 possibility of MDNR and EIERA administering the KCP&L LIWAP funds and has
13 not consulted with EIERA or made a determination on this issue; however, we
14 would be open to further discussions.

15 **Q. What issues would MDNR and EIERA need to consider in making this
16 determination?**

17 **A.** There are several issues to consider. A benefit of placing annual LIWAP
18 program funds into an account managed by EIERA would be to make unspent
19 funds, along with any interest earned, available to the local weatherization
20 agencies after American Recovery and Reinvestment Act funds are expended.

21 This would have to be weighed against the administrative burden to MDNR
22 from establishing, managing and making payments from the account (EIERA after
23 approval from MDNR), getting the cooperative spending agreement in place,

1 preparing, processing and managing subgrant agreements with the local
2 weatherization agencies, reviewing and approving reimbursement payments, as
3 well as monitoring the weatherization work performed. This administrative burden
4 would not be justified if there is no annual commitment by KCP&L for LIWAP
5 funding beyond the regulatory plan, as Mr. Warren proposes there should be. It
6 should be noted that MDNR is currently not reimbursed for administrative costs to
7 manage any of the utility LIWAP funds. While MDNR currently has adequate
8 administrative funds through the American Recovery and Reinvestment Act, these
9 funds are to be expended in March 2012, at which time federal LIWAP funding is
10 expected to be greatly reduced.

11 Another issue for MDNR to consider is if there are any significant program
12 design differences between the federal LIWAP and KCP&L's LIWAP, that would
13 make program management and monitoring more difficult.

14 **Q. What issues would EIERA need to consider?**

15 **A.** EIERA would need to balance resources with other projects they are involved
16 in. Originally established in 1972, EIERA, an independent agency assigned to
17 MDNR, is involved in numerous projects and programs including providing
18 bond financing for environmental projects such as water and wastewater
19 treatment facilities, energy efficiency loans, solid waste and Brownfield clean-
20 ups and other pollution control projects. See <http://www.dnr.mo.gov/eiera/> for
21 more information. EIERA has broad statutory authority that is set out in
22 Section 260.015, RSMo that goes significantly beyond managing and
23 disbursing federal and other weatherization funding for MDNR.

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KCP&L's DSM Programs

Q. Please summarize Mr. Rush's testimony in response to MDNR's proposals regarding KCP&L's DSM programs.

A. Mr. Rush supports MDNR's proposal to change the amortization period for KCP&L's DSM expenses from 10 years to 6 years. However, Mr. Rush does not support MDNR's proposal that KCP&L continue to implement DSM programs after the regulatory plan, stating that MDNR's proposal does not address a cost recovery mechanism.

Q. Do you agree?

A. As I described in my direct testimony, MDNR anticipates that there will be a gap between the end of KCP&L's regulatory plan and its DSIM and does not want to see a curtailment in DSM programs during this period. The recommendation to shorten the amortization period from 10 years to 6 years is a cost recovery mechanism; it is an improvement on the current cost recovery mechanism. In conjunction with the Commission's direction, and in the absence of another cost recovery mechanism proposal, it should encourage KCP&L to continue and expand its DSM programs until such time as KCP&L proposed a DSIM and a new DSM plan, under the Missouri Energy Efficiency Investment Act (MEEIA) rulemaking.

Q. Can you describe MDNR's position regarding DSM cost recovery and incentives?

1 A. During the MEEIA workshop process, MDNR proposed annual expensing of
2 DSM costs and an incentive structure that returned a proportion of shared-net
3 benefits to utilities that show high levels of DSM program performance. We
4 proposed such a structure in a paper distributed in the May, 2010 workshop
5 meeting. We expected that our proposal would provide a forum for discussing
6 different ways that a cost recovery system might be structured. However,
7 although there was discussion, the proposed rule gives utilities wide discretion
8 to propose a cost recovery structure, a lost-revenue recovery structure and a
9 performance incentive structure that meets their requirements.

10 **Q. How does this relate to KCP&L's DSM programs?**

11 A. KCP&L has not proposed a cost recovery mechanism in this rate case, while,
12 at the same time, stating that it will not be able to continue its DSM programs
13 until the cost recovery issue has been resolved. At the publication of the
14 proposed MEEIA rules on September 9, 2010 it was clear that KCP&L, along
15 with the other electric utilities, would be able to propose virtually any cost
16 recovery structure they wished. It appears that KCP&L is willing to curtail its
17 DSM programs until after the MEEIA rules are approved. KCP&L's position
18 does not comport with the MEEIA or public policy and compels MDNR to ask
19 the Commission to provide guidance to address KCP&L's DSM programs
20 during the period between the end of KCP&L's regulatory plan and its DSIM
21 proposal to prevent this curtailment, so KCP&L's customers continue to receive
22 the benefits of DSM programs.

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

1 **A.** Yes.