

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-2010-0356

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

January 12, 2011

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

KANSAS CITY POWER AND LIGHT GREATER MISSOURI OPERATIONS
COMPANY (GMO)
RATE CASE
CASE NO. ER-2010-0356

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 GMO’s Low-income Weatherization Program (LIWAP) and
15 GMO’s DSM programs.

16

17 Comments about GMO’s LIWAP Programs

18 **Q. Please summarize Mr. Rush’s testimony regarding GMO’s LIWAP.**

19 A. Mr. Rush disagrees with Mr. Henry Warren’s recommendation that GMO’s
20 LIWAP funds be placed into an account with the Environmental Improvement
21 and Energy Resources Authority (EI ERA). 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 GMO LIWAP funds and has not
13 consulted with EIERA or made a determination on this issue; however, we would
14 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 GMO for LIWAP funding
5 beyond the end of the current rate case, as Mr. Warren proposes. It should be
6 noted that MDNR is currently not reimbursed for administrative costs to manage
7 any of the utility LIWAP funds. While MDNR currently has adequate administrative
8 funds through the American Recovery and Reinvestment Act, these funds are to
9 be expended in March 2012, at which time federal LIWAP funding is expected to
10 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 GMO'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 is involved in numerous projects and
17 programs including providing bond financing for environmental projects such as
18 water and wastewater treatment facilities, energy efficiency loans and other
19 pollution control projects. See <http://www.dnr.mo.gov/eiera/> for more
20 information. EIERA has broad statutory authority that is set out in Section
21 260.015, RSMo that goes significantly beyond managing and disbursing
22 federal and other weatherization funding for MDNR.

23

1 GMO's DSM Programs

2 **Q. Please summarize Mr. Rush's testimony in response to MDNR's**
3 **proposals regarding GMO's DSM programs.**

4 **A.** Mr. Rush supports MDNR's proposal to change the amortization period for
5 GMO's DSM expenses from 10 years to 6 years. However, Mr. Rush does not
6 support MDNR's proposal that GMO continue to implement DSM programs
7 after the current rate case, stating that MDNR's proposal does not address a
8 cost recovery mechanism.

9 **Q. Do you agree?**

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

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

21 **A.** During the MEEIA workshop process, MDNR proposed annual expensing of
22 DSM costs and an incentive structure that returned a proportion of shared-net
23 benefits to utilities that show high levels of DSM program performance. We

1 proposed such a structure in a paper distributed in the May, 2010 workshop
2 meeting. We expected that our proposal would provide a forum for discussing
3 different ways that a cost recovery system might be structured. However,
4 although there was discussion, the proposed rule gives utilities wide discretion
5 to propose a cost recovery structure, a lost-revenue recovery structure and a
6 performance incentive structure that meets their requirements.

7 **Q. How does this relate to GMO's DSM programs?**

8 **A.** GMO has not proposed a cost recovery mechanism in this rate case, while, at
9 the same time, stating that it will not be able to continue its DSM programs until
10 the cost recovery issue has been resolved. At the publication of the proposed
11 MEEIA rules on September 9, 2010 it was clear that GMO, along with the other
12 electric utilities, would be able to propose virtually any cost recovery structure
13 they wished. It appears that GMO is willing to curtail its DSM programs until
14 after the MEEIA rules are approved. We believe it is appropriate to ask the
15 Commission to provide guidance to address GMO's DSM programs during the
16 period between the end of GMO's current rate case and its DSIM proposal to
17 prevent this curtailment, so GMO's customers continue to receive the benefits
18 of DSM programs.

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

20 **A.** Yes.