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:	Direct Testimony
Case No.:	ER-2010-0355

DIRECT TESTIMONY

OF

ADAM BICKFORD

MISSOURI DEPARTMENT OF NATURAL RESOURCES

DIVISION OF ENERGY

November 10, 2010

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

KANSAS CITY POWER AND LIGHT (KCP&L)

RATE CASE

CASE NO. ER-2010-0355

****DENOTES HIGHLY CONFIDENTIAL INFORMATION****

Q. Please state your name and business address.

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

Q. Please describe your educational background and employment experience.

A. I began work with the Missouri Department of Natural Resources Energy Center in August, 2009. In my current position I am a Research Analyst. Prior to working with Missouri Department of Natural Resources I was employed as a program evaluator by Optimal Solutions Group, LLC in Hyattsville, Maryland; the University of Missouri Extension Office of Social and Economic Data Analysis in Columbia, Missouri; and the Smithsonian Institution in Washington D.C. In these positions my responsibilities included the design and execution of evaluation projects in the K-12 education and arts domains.

I received my B.A. degree in Sociology from the University of California, Berkeley. I hold a Masters of Arts degree and a Doctor of Philosophy degree in Sociology from the University of Chicago.

Q. On whose behalf are you testifying?

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

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

A. The purpose of my testimony is to address the continued administration of Kansas City Power and Light's ("KPP&L") demand side management ("DSM") programs at the conclusion of the regulatory plan as established in Missouri Public Service Commission Case No. EO-2005-0329. [1]

Q. Why does MDNR have a concern about the continued administration of KCP&L's DSM programs?

A. The timing of the conclusion of the regulatory plan as approved by the Commission and the anticipated implementation of rules as a result of the Missouri Energy Efficiency Investment Act ("MEEIA")[2] creates a potentially lengthy period of time in which KCP&L will have no guidance from the Missouri Public Service Commission ("Commission") with regards to appropriate DSM investment or energy savings targets.

Q: Please elaborate.

A: The KCP&L regulatory plan was established in Case No. EO-2005-0329 to cover the construction period of the Iatan 2 generation station. This agreement established KCP&L's current DSM portfolio and the Customer Programs Advisory Group ("CPAG") as described in Section 5 and Appendix C of the Stipulation and Agreement filed in Case No. EO-2005-0329.

---

[1] *In the Matter of a Proposed Experimental Regulatory Plan of Kansas City Power & Light Company,* Missouri Public Service Commission Case No. EO-2005-0329

[2] Section 393.1124, RSMo

In its current rate case, KCP&L is asking that construction and operating costs of Iatan 2 be added to its rate base, and that KCP&L be allowed to increase its rates to recover the construction costs of the Iatan 1 Air Quality Control System ("AQCS"), the Iatan 2 generating station, and the Iatan Common Plant. The original agreement establishing the regulatory plan anticipated that the plan would end in 2010.

With respect to the rules implementing MEEIA, the Commission, its Staff, and many other interested parties have worked diligently in Case No. EW-2010-0265 to draft rules for implementing the provisions regarding demand side management resources in the MEEIA. The proposed rules include provisions for a regulated electric utility to file a demand side management program plan with the Commission, and allow the utilities to file for approval a Demand Side Investment Mechanism ("DSIM") that will include provisions for recovery of DSM program costs, lost revenues, and a performance incentive.[3]

Q: What is the timeline of these proposed MEEIA rules?

A: The Commission submitted proposed rules (4 CSR 240-3.163, 4 CRS 240-3.164, 4 CSR 240-20.093, and 4 CSR 240-20.094) to the Secretary of State on October 4, 2010, [4] which should result in publication of the proposed rules in the November 15, 2010 Missouri Register. A minimum 30-day public comment period applies to the publishing of these proposed rules and a public hearing has been tentatively scheduled for December 20, 2010 The earliest date for

[3] See 4 CSR 240-20.093(2).
[4] *In The Matter Of The Consideration And Implementation Of Section 393.1075, The Missouri Energy Efficiency Investment Act,* Missouri Public Service Commission Case No. EX-2010-0368.

the rules to take effect is in March 2011, according to the Secretary of State's timeline calculator[5].

Despite the efforts of the Commission, its Staff, and many other stakeholders in Case No. EW-2010-0265, the process ended with considerable disagreement among stakeholders, some of which could prompt legal challenges to the proposed rules. Should these challenges occur, it could result in significant delays in the implementation of final rules. Once the rules take effect, KCP&L will then need time to develop and propose its DSM plan and DSIM. As stated earlier, the proposed rules will allow an electric utility to submit a DSM plan and accompanying DSIM to detail its DSM programs, define its method of cost recovery, its method for recovering lost revenues, and its performance incentive. MDNR anticipates that this activity could take at least one year to complete, making it possible that KCP&L's DSM plan and accompanying DSIM would not be approved by the Commission and implemented for several years.

This creates a situation where KCP&L will not have clear direction from the Commission regarding expected levels of DSM investment, expected levels of energy savings, nor defined recovery mechanisms, for several years between the end of KCP&L's regulatory plan and the beginning of its DSM plan and accompanying DSIM.

[5] See http://www.sos.mo.gov/adrules/datecalc/default.aspx

Q. Do you have concerns related to this possible gap in time for KCP&L's DSM programs?

A. Yes. This is problematic on several fronts, not the least of which is that MEEIA has been in effect since 2009. The language of the law compels electric utilities "to implement commission-approved demand-side programs proposed pursuant to this section with a goal of achieving all cost-effective demand-side savings".[6]

During the possible gap between the conclusion of KCP&L's regulatory plan and the possible implementation of MEEIA rules, KCP&L will, at best, attempt to operate the existing, well-designed and cost-effective DSM portfolio specified in its regulatory plan with no forum to propose mechanisms for program cost recovery, lost revenue recovery and performance incentives as contemplated by the MEEIA rules. At worst, in the absence of recovery and incentive mechanisms, KCP&L could move to terminate or suspend its programs until the MEEIA rules are implemented and its DSM plan and accompanying DSIM is approved by the Commission. KCP&L has made significant progress in its DSM programs and is providing a valuable service to its customers. MDNR would not like to see KCP&L stop its current DSM efforts only to resume them once its DSM plan and accompanying DSIM are in place.

[6] Section 393.1124, RSMo, Paragraph 4.

Q: What impact does stopping and restarting DSM programs have?

A. DSM programs are part of a long-term energy efficiency strategy. It has been recognized that it takes time to develop programs, implement them, and then build recognition and understanding of the programs among the utility's customers. Many programs rely on rebates for energy efficiency measures to incent customer participation. Time may pass between the moment when a customer becomes aware of the program and the time the customer chooses to participate in the program. For example, a utility may run a promotional campaign to communicate the availability of rebates for choosing a higher efficiency central air conditioning ("CAC") unit that makes a customer aware of the rebate program. A customer may be aware of the rebate, but may not act on that information until their CAC unit needs replacement. If that customer then seeks a rebate in exchange for installing an energy efficient unit and learns that the program has been terminated or suspended, that customer's confidence in the utility to provide energy efficiency program benefits is undermined and the customer may avoid participation in other programs.

The same concern applies to trade allies. Utilities have been working diligently to engage trade allies to assist in the delivery of DSM programs. The utilities are working cooperatively with local heating, ventilation and air conditioning ("HVAC") installers and energy auditors to provide customers information on DSM programs that will benefit the customer and save energy. These trade allies have to be convinced that promoting these programs are beneficial to them and their customers before they will go to the effort of encouraging customers to participate in a program and accepting the administrative responsibilities required by the program. Having programs abruptly stop, stop-and-start, or experience ebbs and flows in availability stains the relationship between the trade allies and the utility. If they cannot rely on the program being there when it is needed, the trade allies will not promote the programs to customers.

DSM program success takes time. It is generally recognized that at least a year, and sometimes more, is spent ramping up a program before it begins to be truly beneficial to consumers and energy savings begin in earnest. As I will go into in more detail below, KCP&L has developed and implemented a successful portfolio of DSM programs. Participation levels are increasing. Stopping, or even just curtailing programs, will damage the momentum that KCP&L has achieved with its portfolio of programs.

Q: What actions should the Commission take to address the period between the end of the KCP&L regulatory plan and the implementation of MEEIA rules and KCP&L's response to those rules by filing a DSM plan and accompanying DSIM?

A: At minimum, MDNR asks the Commission to require that KCP&L meet its obligation to achieve all cost-effective demand-side savings by expanding its existing DSM efforts to include and continue all cost-effective DSM programs until the MEEIA rules are implemented and KCP&L files and the commission approves its DSM plan and an accompanying DSIM.

In his direct testimony in this case, KCP&L witness Burton L. Crawford presented a short term forecast of energy resources, including DSM, for 2010 to 2014 which anticipates annual DSM savings of between **[redacted]**[7] This equates to **[redacted]** (See Schedule AB2010-1) MDNR would like to see KCP&L maintain and expand the forecast DSM savings levels presented by Mr. Crawford.

Q: How would you describe KCP&L's current DSM savings levels?

A: It is not clear that these savings reflect KCP&L's current resource plan. Mr. Crawford is describing KCP&L's DSM resources in terms of energy dispatch, rather than as savings; Mr. Crawford describes the energy levels in BLC2010-9 by saying "[t]he resources shown in Schedule BLC2010-9 (HC) include those resources owned, under contract, or proposed based on the company's Integrated Resource Planning process."[8] The last KCP&L Integrated Resource Plan was conducted in 2008.[9] A letter dated February 3, 2010, from KCP&L legal counsel, Fischer and Dority PC, notified the Commission that the Preferred Resource Plan developed in this most recent IRP no longer applies. (See Schedule AB2010-3). It is not clear if the values in Schedule BLC2010-9 reflect current values of the load attributed to DSM programs.

---

[7] Crawford Direct, Schedule BLC2010-9 [HC]. These values reflect annual load and DSM savings for the KCP&L system as a whole. Specific figures for Missouri and the KCP&L divisions within Missouri (i.e., KCP&L, GMO/LPS and GMO/L&P) are not available.
[8] Crawford Direct, page 17.

Q: Has KCP&L's current DSM portfolio been successful?

A: Yes. Based on information learned by MDNR in participation in KCP&L's Customer Program Advisory Group ("CPAG"), its DSM efforts have been successful. In the CPAG meeting held February 17, 2010, the company presented a summary of its cumulative DSM costs, energy savings and demand savings relative to the proposed expenditure and savings levels established in EO-2005-0329. This spreadsheet is reproduced as Schedule AB2010-2. **[redacted]**

There is evidence that customer demand for these programs is high, as demonstrated with KCP&L's and MGE's joint Home Performance with Energy Star program. According to a presentation on October 27, 2010 by Kimberly Winslow to the Missouri Energy Efficiency PEER Exchange meeting, this program processed 28 rebates in 2008 and 92 rebates in 2009. In 2009 KCP&L and MGE partnered to offer this program. Between October, 2009 and June, 2010 the program processed between 100 and 200 rebates per month.

---

[9] *In the Matter of the 2008 Resource Plan of Kansas City Power & Light Company Pursuant to 4 CSR 240-22*, Missouri Public Service Commission Case No. EE-2008-0034

MDNR believes that the sets of values described in Mr. Crawford's testimony and reported by the CPAG demonstrate a positive trend that the Commission should encourage. MDNR believes that for the period between the end of its resource plan and its filing of its DSM plan and DSIM, KCP&L should build on its successful programs by continuing to make them available to the growing number of customers participating, and to implement all other cost effective DSM programs identified in the intervening IRPs.

Q: What might happen if KCP&L's DSM portfolio were suspended for the period between the end of its regulatory plan and the filing of its DSM plan and accompanying DSIM?

A: MDNR maintains that such a suspension would essentially abandon KCP&L's DSM portfolio. This would put the considerable program experience KCP&L has developed over the past five years at risk. Additionally, the public would no longer be able to take advantage of the benefits these programs have provided. After this period, KCP&L would essentially have to restart its DSM portfolio from scratch. KCP&L would have to repeat the public education and ramp-up effort it conducted in the early years of its regulatory plan before achieving the level of savings it is currently experiencing. KCP&L's DSM portfolio has achieved its five-year goals, MDNR does not want to see KCP&l's customers lose the opportunity to achieve additional energy savings in the future.

Q: Under the draft MEEIA rules the utilities may propose mechanisms for cost recovery, lost revenue recovery and a performance incentive. Does MDNR have any recommendations regarding these mechanisms as they relate to KCP&L's activities in the interim period?

A: Yes. The current method of DSM program cost recovery for KCP&L is the use a regulatory asset account that capitalizes expenses over ten years[10]. MDNR recommends that the DSM expenses incurred between the end of its regulatory plan and its filing of a DSM plan and accompanying DSIM be booked into a regulatory asset account with a term of six years. This temporary adjustment would put KCP&L's cost recovery opportunities on a par with Ameren Missouri's as established in the settlement to Case ER-2010-0036.[11]

Q: Does this conclude your testimony?

A: Yes. Thank you.

[10] As established in *In the Matter of a Proposed Experimental Regulatory Plan of Kansas City Power & Light Company,* Missouri Public Service Commission Case No. EO-2005-0329

[11] *In the Matter of Union Electric Company d/b/a AmerenUE's Tariffs to Increase its Annual Revenues for Electric Service,* ER-2010-0036, *Order Approving First Stipulation and Agreement*, Effective March 24, 2010, Attachment: *First Stipulation and Agreement*, paragraph 10, page 5.

HC

Schedule AB2010-1: Calculations of expected DSM energy savings from Schedule BLC2010-9 (HC)

****Highly Confidential in its entirety.****

HC

Schedule AB2010-2: KCP&L Savings data from February 17, 2010 CPAG meeting

****Highly Confidential in its entirety.****

Schedule AB2010-3: Letter from KCP&L notifying the Commission of changes in its preferred resource plan.

FISCHER & DORITY
PROFESSIONAL CORPORATION

Attorneys at Law
Regulatory & Governmental Consultants

James M. Fischer
Larry W. Dority

101 Madison, Suite 400
Jefferson City, MO 65101
Telephone: (573) 636-6758
Fax: (573) 636-0383

February 3, 2010

Mr. Steven Reed
Secretary/General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65101

Re: Kansas City Power & Light Company, Case No. EE-2008-0034

Dear Mr. Reed:

This letter is to inform the Missouri Public Service Commission that Kansas City Power & Light Company (KCP&L) has determined that the Preferred Resource Plan, which was filed in the Integrated Resource Plan, Case No. EE-2008-0034 filed in August 2008, is no longer appropriate.

This notice is provided in compliance with 4 CSR 240-22.080(10). Specifically, in reference to the demand-side component of its Preferred Resource Plan, KCP&L has now determined that it is appropriate to scale back it demand-side resource programs in the earlier years of the plan. The scale back of the demand-side resources is caused by a reduction in the load forecast, primarily attributable to the unprecedented economic recession that has affected both customer and energy growth in our service territory. This does not impact the current energy efficiency and demand-side response programs established in the Experimental Regulatory Plan, Case No. EO-2005-0329 (Comprehensive Energy Program).

Additionally, due to a number of conditions, KCP&L has moved the 2009 planned addition of wind to a later period. The Company has addressed the addition of wind in several status reports filed in Case No. EO-2008-0224. KCP&L continues to aggressively pursue alternatives to allow the addition of wind into its supply portfolio. KCP&L issued a Request for Proposal (RFP) in December 2009 for 100 MW of wind in 2010 and 200 MW of wind in 2011.

KCP&L has also included solar generation to its resource portfolio in response to the requirement established in Proposition C, beginning in 2011. In May 2009, KCP&L and KCP&L Greater Missouri Operations Company issued a RFP to meet the anticipated solar capacity needs.

The change to the Preferred Resource Plan as set out in the Integrated Resource Plan does not cause a change to KCP&L's Resource Plan as set out in the Experimental Regulatory Plan, Case No. EO-2005-0329.

Sincerely,

James M. Fischer

James M. Fischer
Counsel for Kansas City Power & Light Company

Cc: Parties of record in Case No. EE-2008-0034