

Exhibit No.:
Issues: GMO Weatherization Program
Design and Operation
Witness: Adam Bickford
Sponsoring Party: Missouri Department of Natural
Resources – Division of Energy
Type of Exhibit: Rebuttal Testimony
File No.: ER-2012-0175

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

September 12, 2012

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

KCP&L GREATER MISSOURI OPERATIONS (GMO)

FILE NO. ER-2012-0175

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I. Introduction

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

3 A. My name is Adam Bickford. My business address is Missouri Department of
4 Natural Resources, Division of Energy, 1101 Riverside Drive, P.O. Box 176,
5 Jefferson City, Missouri 65102-0176.

6 **Q. Are you the same Adam Bickford that submitted direct testimony in this case**
7 **on August 9, 2012?**

8 A. Yes, I am.

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. I wish to respond to the direct testimony of Dr. Henry Warren of the Missouri PSC
11 Staff and Mr. Douglas L. Bossert of the Kansas City Neighborhoods and Housing
12 Services Department on the design and operation of KCP&L Greater Missouri
13 Operation's (GMO) Low Income weatherization program (weatherization).

14 II. Response to Dr. Henry Warren's Testimony

15 **Q. What response do you have to Dr. Warren's testimony?**

16 A. In his direct testimony in this case, Dr. Warren, while recommending that the current
17 level of funding for the GMO weatherization program be continued, asked the
18 Commission to order three changes in GMO's weatherization program:

- 19 1. "Staff also recommends that the Commission order that GMO provide the
20 unused funds from 2010, 2011, and 2012 be made available solely available for
21 the GMO Weatherization Agencies for low-income weatherization funding."
22 2. "If there is no resolution to the MEEIA case by the November 2, 2012 (sic) the
23 date true-up direct testimony is due and \$150,000 per year funding is included
24 in rates, Staff recommends a change from the current monthly reimbursement
25 funding. In order to increase the utilization of the funds for low income
26 weatherization, Staff recommends the Commission order GMO to provide half of
27 the annual funding to the Weatherization Agencies at the start of the program

1 year and then dispense additional funds to the Weatherization Agencies as the
2 initial funds are utilized.”; and
3 3. “Staff recommends that the Commission order GMO to provide monthly reports
4 to the DSMAG on low income weatherization funding and expenditures and
5 submit the reports as non case related submissions in EFIS.”¹ \

6
7 MDNR generally supports these recommendations. With respect to Dr.
8 Warren’s description of the unspent balances in GMO’s weatherization account,
9 there is some uncertainty about how these funds are currently collected and/or
10 accounted for. In the “Conclusions of Law –Low Income Weatherization” section of
11 the Commission’s Report and Order in File No. ER-2010-0356, the Commission
12 stated that “The Commission has required spending by other utilities when the
13 amount is recovered in rates as an expense.”² The order in this case includes the
14 following language, which appeared to provide for weatherization funds to be
15 expensed:

16 The Companies argue that the Commission cannot order spending without a cost recovery
17 mechanism. KCPL and GMO suggest it would be unlawful for the Commission to mandate
18 specific funding for low income weatherization without a mechanism for the Companies to
19 recover mandated expenditures. However, Staff’s recommendations stem from programs
20 and policies that KCPL and GMO previously set in place. *In addition, the Commission has*
21 *required spending by other utilities when the amount is included in the case as an expense*
22 *as it will be in this instance.* (Emphasis added)³

23 Despite this language, it is my understanding that weatherization funds have
24 been not been expensed and are not currently collected in base rates from rate
25 payers. Apparently, the actual amount spent on weatherization by GMO has been
26 posted to the DSM regulatory asset account maintained by GMO. Regardless, it
27 does not appear that GMO has supported weatherization at the level ordered by the
28 Commission.

¹ Staff Cost of Service Report, ER-2012-0175, p. 186-187.

² Report and Order, File No. ER-2010-0356. p. 191.

³ Ibid., P. 192.

1 With respect to the unspent balances of the weatherization program, the
2 language in the last weatherization program tariff filed by GMO does not specifically
3 mention carrying over unspent balances.⁴ However, the supplemental tariff
4 authorizing a variance from the GMO weatherization program tariffs during the
5 ARRA program years contains the following language:

6 N. FUNDING: The total amount of the Variance funds will be defined in the
7 agreement between the Company and KCMO or the Company and the
8 Agency and will not exceed the weatherization allocation for 2009.

9
10 Roll-over grants under the current LIW will remain available to KCMO and the
11 Agencies under the guidance of the LIWAP, LIW Tariff Sheet Nos. R-62.03
12 and R-62.04.⁵
13

14 This suggests that, at least for the period of the ARRA program (2009-2012),
15 differences between the budgeted amount and the expenditures should be made
16 available to agencies in the following program year. As mentioned in my previous
17 direct testimony and in Dr. Warren's direct testimony, KCPL stopped carrying over
18 these funds, i.e., stopped making the additional funds available to weatherization
19 agencies, in 2011.

20 GMO did not file a revised Low-Income Weatherization tariff in the proposed
21 tariff sheets filed in File No. ER-2012-0175. Therefore, the terms regarding roll-
22 over are still in place and should be followed consistently by GMO.

23 MDNR recommends that the Commission clearly provide for low income
24 weatherization funding to be included in the rates set in this rate case as an
25 expense, and order KCPL to comply with its own tariff regarding carry-over of
26 unspent weatherization funds. Our position is to support the weatherization

⁴ File No. JE-2012-00184, Tariff Sheets R-62.03 and R-62.04. Effective date, October 11, 2009.

⁵ Ibid. Tariff Sheet R-62.04.1.

1 agencies by assuring that the level of weatherization funds approved by the
2 Commission be allocated to or made available to the agencies, that these funds are
3 used to provide weatherization services to Company's eligible customers, and that
4 funds are disbursed in a manner that provides adequate cash flow, with appropriate
5 accountability safeguards, for the weatherization agencies to effectively provide
6 weatherization services.

7 **Q. Does your support for Dr. Warren's recommendations represent a change**
8 **from your previous testimony concerning KCPL's weatherization program?**

9 A. No. In my direct testimony, I did not present a position on GMO's discontinuance of
10 carrying over weatherization funds. Under optimal circumstances, GMO would
11 routinely distribute all of its weatherization funds to the weatherization agencies
12 serving its customers and all funds would be spent on weatherization activities each
13 year. In other words, there would be no carry over. Regardless, all required funds
14 should be used to support the weatherization of low income customers' houses.
15 Going forward, all weatherization funds should be distributed to the agencies on a
16 regular basis, and when there is carryover, the amount to be distributed in a given
17 year should include any carry over from the prior year. Based on the materials
18 presented above, making the unexpended balance available to the weatherization
19 agencies is part of the tariff authorizing the weatherization program.

20 **Q. Does GMO's MEEIA DSM plan impact your recommendations for GMO's**
21 **weatherization program?**

22 A. GMO has included funding for its weatherization program in its MEEIA DSM plan
23 (File No. EO-2012-0009). Negotiations over this plan are continuing, and if a

1 settlement is reached which provides for GMO to recover its expenses for
2 weatherization program, MDNR expects that the GMO will have added incentive to
3 spend its authorized level of weatherization funds. In the event that a settlement is
4 not achieved, MDNR requests that the Commission order GMO to distribute its full
5 annual weatherization budget, along with any unspent balances, to GMO's
6 weatherization agencies.

8 **III. Response to Mr. Douglas L. Bossert's Testimony**

9 **Q. Please summarize Mr. Douglas L. Bossert's direct testimony.**

10 A. Mr. Bossert described Kansas City's recent experiences with the weatherization
11 program, requested more funds from GMO to support weatherization services.

12 **Q. How would you characterize Mr. Bossert's testimony?**

13 A. Mr. Bossert's description of the weatherization program after the end of Ameren
14 Recovery and Reconstruction Act (ARRA) funds is consistent with MDNR's
15 understanding of weatherization funding prospects.. ARRA funds enabled
16 weatherization agencies to substantially increase the number of homes they
17 served, but these funds were insufficient to satisfy the ongoing demand for these
18 services. According to Mr. Bossert, "[T]here is still a waiting list of several hundred
19 low income households which need weatherization services."⁶

20 **Q. What is your response to Mr. Bossert's request for more weatherization** 21 **funds?**

⁶ Direct Testimony of Douglas L. Bossert, ER-2012-0175, p. 3. Also, see Schedule AB-4 from Bickford Direct Testimony, File No. ER-2012-0175. As of August 2, 2012 MDNR listed 130 homes on the City of Kansas City's waiting list.

1 A. Mr. Bossert asks that GMO increase the allocation to the Kansas City
2 Neighborhoods and Housing Services Department by approximately two-thirds.
3 MDNR notes that the allocation to agencies is currently made by GMO and details
4 of the allocation process are not ordered by the Commission. MDNR supports any
5 adequate funding of all weatherization agencies that serve in GMO's service area,
6 and Mr. Bossert's testimony speaks to the need for GMO to disburse all of its
7 available weatherization funds and to carry over funds not spent in prior years.
8 Kansas City's identification of significant additional demand for weatherization
9 services is a reason to order GMO to make the unspent balance from the
10 weatherization program available to the agencies, and to consider whether current
11 levels of spending for weatherization are adequate.

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

13 A. Yes. Thank you.