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Case No.: ER-2009-0090

DIRECT TESTIMONY

OF

LAURA WOLFE

MISSOURI DEPARTMENT OF NATURAL RESOURCES

ENERGY CENTER

February 13, 2009

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

AQUILA INC. D/B/A KCP&L GREATER MISSOURI OPERATIONS RATE CASE

CASE NO. ER-2009-0090

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

2 A. My name is Laura Wolfe. My business address is Missouri Department of Natural
3 Resources, Energy Center, 1101 Riverside Drive, P.O. Box 176, Jefferson City, Missouri
4 65102-0176.

5 **Q. By whom and in what capacity are you employed?**

6 A. I am employed by the Missouri Department of Natural Resources as an Energy Specialist in
7 the Energy Policy and Analysis Program in the Missouri Energy Center (MEC). The MEC is
8 located within the Missouri Department of Natural Resources, an agency of state government
9 with its executive office located in Jefferson City, Missouri.

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

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

13 **Q. Please describe your educational background and business experience.**

14 A. I received a Bachelor of Science in Business Administration in 1985 from Central Methodist
15 College (n.k.a., Central Methodist University) in Fayette, Missouri, and a Master's in Public
16 Administration degree in 1990 from the University of Missouri-Columbia. I have worked in
17 a variety of positions regarding utility regulation including as a Utility Regulatory Auditor III
18 for the Commission from 1996 to 1999, a Costing Administrator and later Docket Manager
19 for Sprint (n.k.a., Embarq) from 1999 to 2002, and as a Utility Regulatory Specialist in the
20 Federal Gas Group at the Commission from 2002 to 2007. Details regarding these and other
21 professional positions I have held appear in LW-1 attached to and incorporated by reference
22 to this testimony.

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

1 A. The purpose of my testimony is to comment on Aquila, Inc. d/b/a KCP&L Greater Missouri
2 Operations' ("KCP&L-GMO") demand side management programs, particularly the two
3 proposed new programs, and to recommend the introduction of demand side management
4 target for KCP&L-GMO .

5 **Q. What are your comments regarding KCP&L-GMO's current demand side**
6 **management programs?**

7 A. KCP&L-GMO's demand side management programs are aligned with KCP&L's programs
8 and are being administered in the same fashion as KCP&L's. KCP&L does a good job of
9 implementing and administering a thorough portfolio of demand side management programs.
10 The overview provided by KCP&L-GMO witness, Mr. Allen D. Dennis, gives an accurate
11 picture of the successes and struggles of the portfolio of programs. Demand side
12 management programs benefit both consumers and the utility by cost effectively reducing the
13 amount of energy that needs to be generated or acquired on the market.

14 **. Do you have any concerns with KCP&L-GMO's proposed Economic Relief Pilot**
15 **Program?**

16 A. Yes. I have a concern with viewing this program as a demand side management program.
17 Demand side management programs fall into two categories: energy efficiency and demand
18 response. The Economic Relief Pilot Program is a bill assistance program that will have no
19 impact on demand response or on energy efficiency.

20 **Q. Do you have any concerns with KCP&L-GMO's proposed Supplemental**
21 **Weatherization and Minor Home Repair Program to its portfolio of energy efficiency**
22 **programs?**

1 A. No. MDNR supports this proposed program. It is not uncommon for weatherization
2 agencies to be unable to weatherize the home of a low income client because the home has
3 non-weatherization issues. The Department of Energy (“DOE”), the Federal agency that
4 administers the Low Income Weatherization Program (“LIWAP”), issued Weatherization
5 Notice 02-5 with an effective date of July 12, 2002.¹ In that Notice, the DOE established
6 deferral standards for homes. One of the deferral standards is for a home where the
7 “...building structure or its mechanical systems, including electrical and plumbing, are in
8 such a state of disrepair that failure is imminent and the conditions cannot be resolved cost-
9 effectively.” However, the DOE states in this same Notice:

10 The decision to defer work in a dwelling is difficult but necessary in some cases.
11 This does not mean that assistance will never be available, but that work must be
12 postponed until the problems can be resolved and/or alternative sources of help
13 are found.

14
15 The program being proposed by KCP&L-GMO would address this very issue. By providing
16 necessary, but non-weatherization related repairs, KCP&L-GMO will help the
17 weatherization agencies provide much needed weatherization measures in houses that
18 otherwise would not be served. With careful design and implementation, this program will
19 lead to more low income citizens getting the weatherization measures they need installed in
20 their homes, and thereby improve energy efficiency.

21 **Q. Do you have any concerns with KCP&L-GMO’s overall demand side management**
22 **efforts?**

23 A. Yes, I do. As I stated earlier, demand side management programs can reduce the amount of
24 energy needed. Cost effective demand side management programs can reduce the utility’s
25 cost of providing service, and can, therefore, impact the rates paid by consumers. KCP&L-

¹ Per the Department of Energy website, <http://www.waptac.org/sp.asp?id=6914>.

1 GMO's testimony in this case provides a good review of what KCP&L-GMO is doing now
2 plus a proposed program to build on the LIWAP, but broader views of plans for demand side
3 management can be gained from integrated resource plans ("IRP") filed with the
4 Commission. Since last this electric utility (Aquila, Inc.) filed an IRP, it has been acquired
5 by another company and is now known as KCP&L-GMO. With KCP&L and KCP&L-
6 GMO so closely related, it is reasonable to believe that the same approach used to prepare
7 KCP&L's most recent IRP will be employed in the preparation of KCP&L-GMO's next IRP.
8 In KCP&L's recent integrated resource plan ("IRP") filed with the Commission in Case No.
9 EE-2008-0034, MDNR filed comments regarding deficiencies, many of them related to
10 demand side management analysis. In very brief summary, KCPL's integrated resource plan
11 fails to achieve the lowest cost energy services for its customers, KCPL does not analyze
12 DSM on an equivalent basis with supply-side resources, and KCPL does not minimize the
13 present worth of long run costs by failing to include sufficient cost-effective DSM in its plan.
14 As a result, KCP&L's analysis produced projected incremental and cumulative load savings
15 for DSM programs for the years 2010 to 2025 of no more than 0.58 percent annually, and
16 cumulatively a load savings of no more than 2.67 percent over the course of the fifteen years.
17 The Commission will duly rule on these and other issues regarding KCP&L's IRP in Case
18 No. EE-2008-0034. However, I detail these concerns in this rate case to demonstrate the
19 need to establish demand side management targets for KCP&L. Demand side management
20 targets will provide guidance to KCP&L regarding the aggressiveness and thoroughness of
21 pursuing demand side resource management measures.

1 Although these issues were raised by KCP&L’s IRP filing, and not KCP&L-GMO’s, the
2 companies are now closely associated, and therefore the issues are relevant in this case, as
3 well.

4 **Q. Has MDNR ever suggested demand side management targets in an electric utility rate**
5 **case before?**

6 A. Yes. In Case No. ER-2007-0002, MDNR proposed demand side management targets for
7 AmerenUE. In order to guide Union Electric Company d/b/a AmerenUE (“AmerenUE”) in
8 the IRP process, the MDNR proposed the Commission set demand side management targets
9 for AmerenUE to attain through the integrated resource planning process.² In the
10 Commission’s *Report and Order* in ER-2007-0002, the Commission gave AmerenUE a goal
11 of reducing peak demand and energy growth by the amounts recommended by MDNR.

12 **Q. What do you recommend as a goal for KCP&L-GMO?**

13
14 A. In the comments filed by MDNR in KCP&L’s integrated resource planning case, MDNR
15 recommended that in KCP&L’s next IRP filing the utility should include two or more
16 alternative resource plans that, beginning in 2012 and continuing throughout the 20-year
17 planning horizon, are projected to acquire at least an additional 1% of energy requirements
18 per year through demand side programs, and that the utility should include in its integrated
19 resource analysis the alternative resource plans that achieve this goal while attempting to
20 achieve net present value of revenue requirements (“NPVRR”) minimization and other
21 resource planning objectives. Regulators and implementers around the nation are setting one
22 percent of annual load as the threshold for energy efficiency program performance and

² In the Matter of Union Electric Company d/b/a AmerenUE’s Tariffs Increasing Rates for Electric Service Provided to Customers in the Company’s Missouri Service Area.

1 cumulative goals of 15% to 20% of requirements over the planning horizon. The table below
2 is an example of these initiatives and is by no means comprehensive.

3 **Summary of Energy Efficiency Savings Targets in Other Jurisdictions**

Jurisdiction	Target - % of load	Reference/Authority
Illinois	10% reduction by 2017 and ramp up to 2%/yr incremental	<i>Public Act 095-0481</i>
Iowa	1.5% of annual retail sales by 2011	<i>IUB Order Docket 199 IAC 35.4(1) (EEP-02-38, EEP-03-1, EEP-03-4)</i>
Maryland	Reduce energy used by 15% by 2015	EmPower Maryland
Massachusetts	All load growth & 25% of electric load by 2020 with demand side resources, inc DG and CHP	Section 105 of chapter 169 of Acts of 2008 – Green Communities Act
Michigan	1% annually of total sales by 2012	Senate Bill 213, 2008
New Jersey	Reduce energy use by 20% by 2020	New Jersey Energy Master Plan
New York	1.9% per year	<i>Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, Case 07-M-0548,</i>

4 MDNR recommends that the Commission establish a demand side management savings
5 target of at least one percent (1%) per year and require KCP&L-GMO to use that target in its
6 future IRP analysis. This target will be encourage KCP&L-GMO to be thorough in the
7 identification and analysis of demand side management measures, which could lead to
8 implementation of additional cost effective demand side management measures. This will
9 impact the amount KCP&L spends annually on demand side management, which will impact
10 the amount KCP&L eventually recovers in rates through its regulatory asset account.

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

13 A. Yes.