

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

In The Matter of The Empire District)	
Electric Company's Application for Variance)	
And Clarification Concerning Select)	Case No. EE-2008-0025
Provisions of Commission Rules Related to)	
Electric Utility Resource Planning)	

**MISSOURI DEPARTMENT OF NATURAL RESOURCES'
RESPONSE TO THE EMPIRE DISTRICT ELECTRIC COMPANY'S
APPLICATION FOR VARIANCE AND CLARIFICATION**

COMES NOW, the Missouri Department of Natural Resources (MDNR) and submits the following comments in response to Application for Variance and Clarification filed July 23, 2007, by The Empire District Electric Company ("Empire").

In brief, Empire has requested variances from an array of rules regarding load analysis and forecasting; starting points for data retention for use in the forecast of net system loads and system peak demand; estimating the technical potential of Demand Side Management; performing Market Research Studies; Screening of End-use Measures; forecasting and subclasses (4 CSR 240-22.030); and, transmission and distribution system planning. Of these various requested variances and clarifications, MDNR provides comments on the following.

Load Analysis and Forecasting

Empire requests a variance from the requirement to perform end-use forecasting and load analysis as part of its upcoming Integrated Resource Plan (IRP) filing. Empire

states that it does not have the data or access to the models to perform the end-use forecasts required in the existing rule, and it is not feasible from a cost or time standpoint to attempt to change its forecasting approach to the End-Use method contemplated in the Missouri IRP rule. Empire offers to produce class level load forecasts by season using econometric models with regression analysis at the customer class level using customer, weather, energy usage, and economic variables. Empire states that this is a common method of load forecasting, and commits to fully explaining its forecasting models in the IRP filed.

The MDNR does not object to Empire's request for variance, or to Empire's offered alternative. However, given the already hefty burden of review and analysis of a complete IRP filing, MDNR notes that it would be useful and helpful if Empire could provide its explanation of the forecasting models it will use in advance of the actual filing. The MDNR asks that the Commission require Empire to provide the details of its forecasting models as soon as practicable.

Estimating the Technical Potential of Demand Side Management

Empire states that the technical potential envisioned in the existing IRP rule measures the total energy savings that could possibly be achieved irrespective of economics or barriers to participation; however, over the past 10 years, many states and utilities have found technical potential studies to be unnecessary in the development of Demand Side Management (DSM) portfolios. Consequently Empire suggests it should omit this step and move directly to an analysis of the *achievable* potential of DSM.

Empire also points out the cost, questionable accuracy, time consumption, and other reasons for waiving this requirement. Empire offers as an alternative to:

1. use the existing portfolio of DSM programs that was evaluated for the Customer Programs Collaborative (CPC) as a baseline representing achievable potential under a set of assumptions developed through the Empire CPC;
2. update all assumptions including new avoided costs and retail rate forecasts;
3. add in demand response programs for all classes of customers to reflect increases in avoided costs and retail rates provided by Global Energy Decisions (GED) from the MIDAS Gold modeling;
4. re-analyze all DSM programs and end uses (where applicable) under the new set of baseline assumptions generating new benefit cost results;
5. develop new achievable potential estimates for all DSM programs under two different (higher) avoided cost and retail rate scenarios (medium and high environmental cost cases);
6. for each DSM program and end use (where applicable), modify participation rates, energy and demand savings, measure costs and program costs to reflect the higher avoided costs and retail rates for both the medium and the high environmental cost cases;
7. re-estimate benefit cost results for all programs under the medium and high cases;
8. provide energy and demand savings at the program level by month by year (for all 20 years of the planning horizon) for all three scenarios (base, medium and high environmental cost cases) for inputs into MIDAS Gold models; and
9. evaluate the potential DSM programs on an equal basis as supply side resources in the MIDAS Gold model.

The MDNR agrees that there is a consensus that analyzing achievable potential is more valuable than technical potential. However, Empire's suggested alternative makes the assumption that to "use the existing portfolio of DSM programs that was evaluated for the Customer Programs Collaborative (CPC) as a baseline representing achievable potential" is a reasonable starting point. While this is not the optimal methodology for determining an achievable potential, which would require a review of all possible energy

efficiency measures, given progress made by the CPC in determining appropriate DSM programs for Empire, and the timeline for Empire to file this IRP, it is an acceptable methodology for determining achievable potential. In preparation of Empire's next IRP filing, MDNR would, however, recommend that Empire engage in a more thorough analysis of the whole array of energy efficiency measures to determine programs that are not currently included in Empire's portfolio of DSM programs. This would provide a more valid estimate of achievable potential by including programs or actions that would pass screening, but are not included in the current portfolio of programs. In this case, MDNR does not object to Empire's request for a variance, or to Empire's offered alternative.

Performing Market Research Studies

Empire agrees that conducting market research is important to develop the information necessary to design and implement cost-effective demand-side programs. However, Empire asserts that given the waiver requested above (Estimating the Technical Potential of Demand Side Management), and the timeframe it has to complete an IRP, the market research to support the estimates of the technical potential associated with DSM programs is not needed. Empire believes that some level of market research for its specific service territory is important and states that it is planning to conduct a limited level of market research in the future. Empire also states that it participated with other Missouri electric utilities in the Missouri Residential Market Assessment Study conducted by RLW Analytics in 2006. However, Empire had only 19 customers in this

survey, so it will use experience gained throughout the electric industry on program design to analyze the potential for DSM without the need to conduct the time consuming and expensive primary research envisioned in the current IRP rule.

The MDNR does not object to Empire's request for a variance, or to Empire's offered alternative. However, market research is a critical aspect of the design and implementation of cost-effective demand-side programs. The MDNR asks that the Commission require Empire to provide details regarding its plans for market research, including the anticipated timeline for the research, anticipated methodology and consultant to be used. If these details have not yet been determined, Empire should be required to provide the details as soon as practicable.

WHEREFORE, the Missouri Department of Natural Resources respectfully requests that the Commission: 1) require Empire to provide the details of its forecasting models as soon as practicable; and 2) require Empire to provide details regarding its plans for market research as detailed above, or if these details have not yet been determined, require Empire to provide the details as soon as practicable.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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