

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

In the Matter of The Empire	)	
District Electric Company's Request	)	Case No. ER-2016-0023
For Authority to Implement a General	)	
Rate Increase for Electric Service	)	

**MISSOURI DIVISION OF ENERGY'S  
STATEMENT OF POSITIONS**

COMES NOW the Missouri Division of Energy and for its *Statement of Position*, states

**Demand Side Management (DSM) Programs:**

*What DSM programs should Empire offer after the effective dates of rates from this case?*

DE recommends that the Commission order Empire to continue its DSM program offerings at current funding levels until the Company receives approval for a MEEIA portfolio, or until the effective date of rates in Empire's next general rate case, whichever comes first. Additionally, DE supports requiring the Company to correct the outdated and erroneous information in its DSM tariffs as described in Staff's Cost of Service Report. DE also supports OPC's recommendation that energy efficiency program costs be allocated to the customer classes in which those programs are offered. DE offers these recommendations in order to ensure the continued availability of DSM programs in Empire's service territory consistent with the policy goals of Missouri as expressed in statute.

Section 393.1075.3, RSMo. (the MEEIA statute) states, "**It shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure** and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs" (emphasis added). Additionally, §393.1040, RSMo. – which predates the MEEIA statute – states: In addition to the renewable energy objectives set forth in sections 393.1025, 393.1030, and 393.1035, **it is also the policy of this state to encourage electrical corporations to develop and administer energy efficiency initiatives that reduce**

**the annual growth in energy consumption and the need to build additional electric generation capacity.** (Emphasis added).

The Commission has previously ordered electric utility companies to continue non-MEEIA DSM programs over a utilities objection when the Commission found the continuation of the DSM programs to be in the public interest. In ER-2010-0356, the Commission ordered KCP&L and GMO to continue their respective pre-MEEIA DSM programs over the utilities objection stating, “The over-arching DSM issue is whether the Commission should order the continuance of a DSM program at all.... Despite the success and forward momentum created by the implementation of their existing DSM programs and the fact that the programs are currently continuing, both KCP&L and GMO have expressed a position to slow spending for the program.”<sup>1</sup> Despite KCP&L’s and GMO’s desire to slow spending the Commission concluded, “the continuance of the DSM programs is in the public interest as shown by the customer participation and clear policies of this state to encourage DSM programs”<sup>2</sup> the Commission further held that KCP&L and GMO should continue to fund, promote and implement its current DSM programs.<sup>3</sup>

In the absence of clear and compelling evidence to the contrary the Commission should order Empire to continue its current DSM programs at current funding levels with only the minor modifications of correcting outdated and erroneous information in its DSM tariffs and that energy efficiency program costs be allocated to the customer classes in which those programs are offered. Continuing Empire’s current DSM programs is in the public interest as shown by the clear policies of the state to encourage DSM programs expressed in statute and continued customer participation.

**Low-Income Weatherization:**

*Should there be an increase to the amount of weatherization funds Empire collects in base rates?*

Yes, DE recommends that the Commission approve the \$25,000 increase in weatherization funding requested by Empire with the condition that the Empire weatherization program undergoes a program management evaluation. There is a significant unmet need for weatherization services in the Company’s service territory. As of February 2015, there was an estimated 466 Missouri households currently on Low Income Weatherization Assistance Program (“LIWAP”) waiting lists which are served by community action agencies providing weatherization services within Empire’s service territory.

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<sup>1</sup> Commission Report and Order ER-2010-0356, p. 49.

<sup>2</sup> Report and Order ER-2010-0356, p. 50.

<sup>3</sup> Report and Order ER-2010-0356, p. 50.

Additionally, DE recommends that the Commission order that current and future unspent weatherization funds, which are collected in Empire's base rates, be credited a reasonable interest rate when those funds are rolled forward into succeeding program year budgets.

*Should there be an evaluation of Empire's weatherization program, and if so what should be the scope of the evaluation?*

Yes, there is a significant unmet need for weatherization services in the Company's service territory; however, Empire has regularly under spent program funds. A program management evaluation, that reviews and identifies administrative barriers – such as breakdowns in communication or insufficient staffing to support administration of the program, is needed in order to assist the Company in adopting improvement measures.

Any evaluation of the Company's weatherization program should not include an evaluation of federally funded, DE administered LIWAP. DE administered LIWAP already undergoes regular evaluations; therefore, including LIWAP in an Empire evaluation would be duplicative and result in unnecessary costs. The aspects of Empire's program that should be reviewed during an evaluation relate to Empire's distribution of funds to, and communication with the Community Action Agencies in the Company's service territory.

### **Class Cost of Service and Rate Design:**

*What, if any, changes to the residential customer charge are supported by Class Cost of Service studies?*

The only Class Cost of Service study conducted for this case that would support any change to the residential customer charge is Staff's Class Cost of Service study; however, DE takes issue with several of the costs Staff allocated to the customer charge in its study. Staff's allocation of certain costs to the customer charge is inconsistent with well-established principles of cost causation and public utility pricing theories found in nationally recognized manuals.

*What, if any, changes to the residential customer charge should be made in designing the rates resulting from this case?*

DE recommends no change to the residential customer charge be made in designing the rates in this case. Maintaining the current customer charge is consistent with the well-established rate design principles of cost causation, efficiency, equity and

gradualism. Both DE and Staff's customer impact analysis show that customers with lower kWh usage would receive a higher percentage increase than a higher usage customer if the customer charge is increased. Lower usage customers include customers who are low-income. Additionally, the price signal sent by an increase to the customer charge could also encourage the inefficient use of electricity by customers.

*How should revenue requirement related to energy efficiency programs be allocated to the customer classes?*

As stated previously, DE supports OPC's recommendation that energy efficiency program costs be allocated to the customer classes in which those programs are offered.

*Should the Commission open a working docket so the parties to this case can discuss the implementation of revised block rate designs for Empire's residential customers?*

Yes, DE recommends that the Commission open a working docket so the parties to this case can discuss implementation of revised block rate designs for Empire's residential customers. The benefit of such a working docket is that the Company's rates could be designed to better encourage efficiency while still ensuring that the Company has a reasonable opportunity to earn its authorized rate of return. There is value in working cooperatively to develop information that can inform the Commission about various rate design options and the customer impacts of those options outside of a contested rate case.

WHEREFORE, the Missouri Division of Energy respectfully files its *Statement of Positions*.

Respectfully submitted,  
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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 20th day of May, 2016.

/s/ Alexander Antal  
Alexander Antal