



ATTORNEY GENERAL OF MISSOURI

JEFFERSON CITY

65102

JEREMIAH W. (JAY) NIXON
ATTORNEY GENERAL

P.O. Box 899
(573) 751-3321

November 24, 2004

FILED

NOV 24 2004

Missouri Public
Service Commission

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Public Service Commission
Governor's Office Building
Madison & E. Capitol
Jefferson City, MO 65101

RE: *In the Matter of Empire District Electric Company's Application for Authority to File Tariffs Increasing Electric Rates for the Service Provided to Customers*, Case No. ER-2004-0570

Dear Judge Roberts:

Enclosed for filing in the above-referenced case are the original and 8 copies of the surrebuttal testimony of each Anita Randolph and Rick Anderson, with corresponding affidavits, submitted on behalf of the Missouri Department of Natural Resources' Outreach and Assistance Center, Missouri Energy Center. Thank you for your attention to this matter.

Sincerely,

JEREMIAH W. (JAY) NIXON
Attorney General

Ronald Molteni
Assistant Attorney General

Enclosures

cc: All Parties on the Service List

Exhibit No.:
Issues: Commitment to Provide Low or No
Cost Weatherization Assistance to
Empire District Electric Low-Income
Customers and Energy Efficiency
Services to Residential and Commercial
Customers
Witness: Anita C. Randolph
Sponsoring Party: Missouri Department of Natural
Resources' Outreach and Assistance
Center, Missouri Energy Center
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2004-0570

EMPIRE DISTRICT ELECTRIC COMPANY ELECTRIC RATE CASE

SURREBUTTAL TESTIMONY

OF

ANITA C. RANDOLPH

MISSOURI DEPARTMENT OF NATURAL RESOURCES

ENERGY CENTER

November 24, 2004

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

**REBUTTAL TESTIMONY OF
ANITA C. RANDOLPH
DIRECTOR
MISSOURI DEPARTMENT OF NATURAL RESOURCES
ENERGY CENTER**

CASE NO. ER-2004-0570

FILED

NOV 24 2004

**Missouri Public
Service Commission**

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

2 A. My name is Anita C. Randolph. My business address is Missouri Department of Natural
3 Resources, Energy Center, 1659 East Elm Street, P.O. Box 176, Jefferson City, Missouri
4 65102-0176.

5 **Q. Are you the same Anita C. Randolph who has filed prepared Direct Testimony and**
6 **Rebuttal Testimony in this case?**

7 A. Yes, I am.

8 **Q. What is the purpose of your Surrebuttal Testimony?**

9 A. The purpose of my Surrebuttal Testimony is to respond to certain issues presented by
10 Rebuttal Testimony filed before the Public Service Commission by Ms. Lena M. Mantle on
11 behalf of the Staff of the Missouri Public Service Commission (hereafter "Staff") and Mr.
12 Ryan Kind on behalf of the Office of Public Council (hereafter "OPC").
13 Ms. Mantle addresses, among others, the MDNR recommendations regarding the Empire
14 District Electric Company (hereafter "Empire") funding level for low-income weatherization
15 assistance and support for energy efficiency programs. Mr. Kind addresses the MDNR
16 recommendation regarding the funding level for low-income weatherization assistance.

17 **Q. Do you agree with Staff's proposed funding level of \$100,000 to support low-income**
18 **weatherization by Empire?**

19 A. No. The MDNR is proposing a low-income weatherization assistance program at \$181,250
20 per year. According to Ms. Mantle's filed Rebuttal Testimony, "Staff would propose an
21 annual funding level of \$100,000 until the next rate case. At that time, this program should
22 be analyzed for cost effectiveness and a process evaluation should be completed to determine
23 if this program should be continued and, if it is continued, how it can be improved." (Mantle

1 Rebuttal, page 4, line 8-12) Based on the current level of need for low-income
2 weatherization assistance, annual funding of \$100,000 would not provide the necessary
3 resources to assist low-income households served by Empire.

4 **Q. Does MDNR believe that weatherization assistance is cost effective?**

5 A. Yes. Weatherization is a cost-effective means to help low-income individuals or families pay
6 their energy bills year after year for the life of the energy-efficiency product. For homes
7 using electricity for heat, annual space heating fuel consumption is reduced by 35.9 percent.
8 Presuming an average savings to investment ratio of 1:2.5 as reported by the weatherization
9 assistance agencies operating in Empire's service area, low-income households could realize
10 a net benefit of \$453,125 per year or \$9.06 million dollars over the life of the energy
11 efficiency measures ($\$181,250 \times 2.50 \times 20 \text{ years} = \$9,062,500$).

12 **Q. Why does MDNR believe that an annual funding level of \$181,250 is more appropriate**
13 **than the \$100,000 funding level proposed by Staff?**

14 A. MDNR's recommendation to annually fund by ratepayers a low-income weatherization
15 program at \$181,250 is based on the actual number of low-income households eligible to
16 receive federal weatherization assistance provided by the MDNR and local community action
17 agencies. Three Community Action Agencies (hereafter "CAAs") are the local non-profit
18 service organizations that provide low-income weatherization assistance through grant funds
19 and a statewide weatherization program administered by the MDNR.

20 As of June 30, 2004, approximately 361 low-income households were on waiting lists of the
21 three CAAs' in Empire's service territory to receive weatherization assistance. By October
22 15, 2004, the number on the CAAs' waiting lists had grown to 588 households, an increase
23 of 63 percent. Of the 588 households, 264 were low-income households served by Empire.

1 And of the 264 households, Empire was the primary or secondary utility for 143 households,
2 providing electricity for heating purposes as the primary or secondary source in combination
3 with propane or wood for example. None of these 143 Empire-served households received
4 service from Missouri Gas Energy (hereafter "MGE"). Under a 50/50 cost share between
5 MDNR and Empire, a funding level of \$100,000 would help weatherize approximately 80
6 low-income households served by Empire on an annualized basis.

7 MGE is an investor-owned natural gas company regulated by the Commission and the local
8 supplier of natural gas for residential space heating. MGE provides low-income
9 weatherization assistance funding to the CAAs to weatherize MGE natural gas customers
10 (GR-2004-0209).

11 **Q. Why does MDNR believe that a funding level of \$181,250 per year is more appropriate**
12 **than the \$90,000 funding level proposed by OPC?**

13 A. As outlined in response to Staff's proposal, MDNR recommends a funding level that would
14 adequately meet the needs of Empire's low-income residential electric customers. OPC
15 proposes a funding level of \$90,000 per year or approximately 50 percent of the MDNR
16 recommendation based on two assumptions. OPC states that the funding level should be
17 lowered since Empire has no experience with funding a low-income weatherization program
18 and coordinating the program with local community action agencies and MDNR. (Kind
19 Rebuttal, page 3, line 6-7) OPC also notes the "potential rate impact of this program on
20 customers not eligible for participating should be considered. Since the funding level
21 proposed by DNR would result in the highest potential rate impact per customer of any low
22 income program funded by a Missouri electric utility, Public Counsel believes that a lower
23 level of funding, at least initially, is appropriate." (Kind Rebuttal, page 3, lines 11-15).

1 **Q. Do you agree with the assumptions presented by OPC regarding appropriate funding**
2 **levels for a low-income weatherization assistance program by Empire?**

3 A. I do not agree with the OPC's proposal to reduce the MDNR recommended funding level
4 based on the lack of experience with funding a low-income weatherization assistance
5 program by Empire. MDNR has administered the federal weatherization assistance program
6 in coordination with CAAs in Missouri for approximately 26 years. The CAAs continue to
7 deliver weatherization services in their communities in a highly professional and responsible
8 manner. The proposed weatherization program would be operated consistent with the
9 federal program in which the CAAs would continue to be responsible for local day-to-day
10 implementation. As such, Empire would not be required to manage the program or deliver
11 weatherization services directly to low-income residential customers served by Empire.
12 The MDNR is sensitive to any potential impact on ratepayers that fund low-income
13 weatherization assistance programs, including low-income residential households. The
14 MDNR proposed annual funding level of \$181,250 would result in a funding amount of 9.7
15 cents/customer per month as compared to OPC's estimate of 13.1 cents/customer per month.
16 (Kind Rebuttal, page 3, line 21) MDNR believes the difference in the monthly expense lies
17 in the number of customers identified by OPC. OPC uses a customer base of 114,900 while
18 the MDNR uses the customer count of 155,238 which represents the number of residential
19 and commercial customers reported by Empire as of June 30, 2004. (MDNR-1 and 14, Cory
20 Carter, Empire District Electric Company, August 10, 2004) Currently, the monthly cost per
21 customer to support low-income weatherization assistance by other Missouri investor-owned
22 regulated electric and natural gas companies falls within a range of 4.8 cents/customer per

1 month (Laclede) and 19 cents/customer per month (AmerenUE Natural Gas). (Kind
2 Rebuttal, Schedule RK-1)

3 **Q. Please briefly summarize Staff's opposition to energy efficiency programs supported by**
4 **Empire's ratepayers.**

5 A. Ms. Mantle's Rebuttal Testimony notes that "While the programs proposed by DNR-EC are
6 likely to be cost effective for the customer that would take advantage of them, no studies
7 have been conducted to show whether or not these programs would be cost effective for the
8 ratepayers or EDE." Ms. Mantles states that no study has been done to show how these
9 programs would impact the future resource needs of EDE. It is Staff's position that
10 "ratepayers should not pay for such programs unless the programs are identified as demand
11 side resources through Empire's resource planning process and that Empire has developed
12 implementation and evaluation plans for these programs." (Mantle Rebuttal, page 3, line 13-
13 19)

14 **Q. Do you agree with Staff's position?**

15 A. I agree that there have been no studies to show whether or not the programs proposed by
16 MDNR would be cost effective for the ratepayers or Empire. A balanced and rigorous
17 integrated resource planning process would fully analyze both energy efficiency and capacity
18 increases by investor-owned utilities. Because the current integrated resource planning
19 process does not require this level of analysis, the MDNR often relies on data from other
20 states or regions where energy efficiency has been shown to be the least-cost approach in
21 providing energy supply. In fact, the lack of a rigorous Missouri integrated resource
22 planning process may be causing ratepayers to pay higher-than-necessary costs to build new
23 capacity when energy efficiency may be less expensive.

1 As I have noted in previously filed testimony in this case, the issues and the proposals
2 offered by the MDNR clearly belong in this and future rate cases. A rate case is an
3 appropriate forum to present, discuss and implement energy efficiency programs – the need
4 for efficiency programs, the cost and benefits of efficiency programs and the method of any
5 cost recovery related to the implementation of these programs.

6 As presented in prepared Direct Testimony, the MDNR proposes specific energy programs
7 designed to reduce electric energy use by low-income residential, residential and commercial
8 customers and to assess the potential for wind energy resource development in Missouri.

9 Electric power generation continues to be the fastest-growing demand sector for gas. The
10 disproportionate use of natural gas for peak generation, combined with the typically low
11 efficiency of peaking units, shows that saving electricity, especially at peak times, is a key to
12 reducing natural gas consumption. So reducing electricity used for cooling, heating and
13 lighting through aggressive energy efficiency programs as well as generating electricity from
14 renewable sources helps take the pressure off gas-fired electric generation.

15 **Q. Does this conclude your Surrebuttal Testimony?**

16 **A.** Yes, it does. Thank you.

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

In the Matter of Empire District Electric)
Company and Its Tariff Filing to Implement)
A General Rate Increase for Electric Service)
)

Case No. ER-2004-0570

AFFIDAVIT OF ANITA RANDOLPH

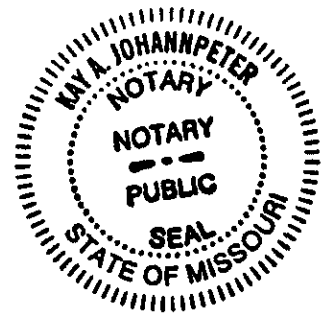
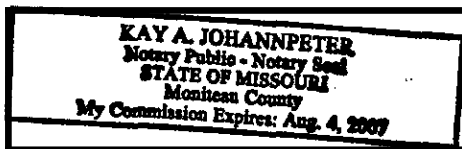
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Anita Randolph, being duly sworn on her oath, hereby states that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters were true and correct to the best of her knowledge, information and belief.


Anita C. Randolph


Notary Public

My commission expires:



Subscribed and sworn before me this 23rd day of November, 2004.