

**FILED<sup>3</sup>**

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Missouri Public  
Service Commission

Exhibit No.  
Issue: Demand Side Management and  
Affordability Programs  
Witness: Sherrill L. McCormack  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Empire District  
Case No.  
Date Testimony Prepared: February 2006

**Before the Public Service Commission  
of the State of Missouri**

**Direct Testimony**

**of**

**Sherrill L. McCormack**

**February 2006**

*Empire* Exhibit No. 8  
Case No(s) ER-2006-0315  
Date 2-05-06 Rptr PF

DIRECT TESTIMONY  
OF  
SHERRILL L. MCCORMACK  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO.

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

2 A. Sherrill L. McCormack. My business address is 602 Joplin Street, Joplin, Missouri  
3 64802.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. The Empire District Electric Company, ("Empire" or "Company"). I am currently  
6 employed as a Planning Analyst.

7 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**  
8 **PROFESSIONAL EXPERIENCE.**

9 A. I hold a Bachelor of Science degree in Business Administration with a major in  
10 finance from Mississippi State University. I also earned a MBA from Pittsburg State  
11 University. Prior to joining Empire, I held various positions in banking and  
12 investments from 1978 to 1989 in Mississippi and Texas, followed by two years as  
13 an adjunct business instructor at Labette County Community College in Kansas and  
14 nine years as a business instructor with Crowder College in Missouri. In August  
15 2001, I was employed by Empire as a Planning Analyst. Originally, I worked with  
16 long-range financial forecasting and generation planning until November 2005.  
17 Recently, my primary responsibilities have shifted to coordinating demand side

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1 management ("DSM") and affordability programs and participating in the Integrated  
2 Resource Planning process through the use of the MIDAS software.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. I will discuss Empire's current DSM and affordability programs.

5 **Q. DOES EMPIRE CURRENTLY OFFER ANY DSM OR AFFORDABILITY**  
6 **PROGRAMS?**

7 A. Yes. The Company has two programs that were in effect prior to 2005. They are the  
8 Experimental Low Income Program ("ELIP") and the Interruptible Service Rider.

9 **Q. PLEASE DESCRIBE THESE PROGRAMS.**

10 A. ELIP was established as a result of the Unanimous Stipulation and Agreement in  
11 Case No. ER-2002-424 and became effective April 30, 2003. This program provides  
12 eligible customers with a fixed credit on their monthly bill for up to 12 months.  
13 Customers may reapply at the end of the 12 month period and may receive the ELIP  
14 credit for up to 24 months. The evaluation for this program is underway with an  
15 anticipated completion date of February 2006.

16 The Interruptible Service Rider has been in effect since April 14, 1999, with  
17 modifications effective October 2, 2001. This program pays participants for the  
18 ability to interrupt their service in anticipation of peak demands, anticipated system  
19 emergency due to generation shortages and/or energy prices to exceed \$100/MWH.

20 **Q. HAVE ANY ADDITIONAL DSM OR AFFORDABILITY PROGRAMS BEEN**  
21 **IMPLEMENTED DURING 2005?**

22 A. Yes. As a result of the Stipulation and Agreement in Case No. ER-2004-0570,  
23 Empire established three additional programs which became effective on October

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1 14, 2005. These are the Energy Star Change a Light Program, the Residential  
2 Weatherization Program, and the Missouri Commercial Facility Energy Audit  
3 Program.

4 **Q. PLEASE DESCRIBE THESE PROGRAMS.**

5 A. The Energy Star Change a Light Program is designed to encourage the replacement  
6 of inefficient lighting through a rebate for a portion of the cost of Energy Star  
7 compact fluorescent light bulbs. This program was fully funded at \$20,000. This is  
8 the maximum level of funding agreed to by all parties involved in the last rate case.

9 The Residential Weatherization Program has a dual purpose of providing energy  
10 education and weatherization assistance, primarily for lower income customers.

11 This program has been fully funded at \$155,000 and is being administered by the  
12 Ozark Area Community Action Corporation (approximately 47%), the Economic  
13 Security Corporation (approximately 51%), and the West Central Missouri  
14 Community Action Agency (approximately 2%).

15 **Q. PLEASE CONTINUE.**

16 A. The Commercial Audit Program is designed to encourage more effective utilization  
17 of electric energy through energy efficiency improvements in the building shell or  
18 through the replacement of inefficient electrical equipment. This will be  
19 accomplished by providing a rebate for a portion of the costs of an energy audit and  
20 related equipment upgrades that result in an increase in the efficient use of  
21 electricity. The program agreed to by Empire includes a maximum funding level per  
22 customer of \$5,000 and an overall program funding level of a maximum of \$25,000  
23 per year.

1 Empire is also participating in the Missouri Residential Market Assessment  
2 conducted by RLW Analytics for the electric utilities in the state. The Company  
3 plans to utilize this market assessment as part of the process used to select future  
4 DSM programs for its residential customers.

5 **Q. DOES EMPIRE HAVE ADDITIONAL PROGRAMS PLANNED?**

6 A. Yes. Empire is working with the Customer Programs Collaborative ("CPC") created  
7 as a result of the Unanimous Stipulation and Agreement in Case No. EO-2005-0263.  
8 This group has recently selected an implementation consultant, AEG, to assist in the  
9 selection of additional DSM and affordability programs for Empire's Missouri  
10 customers. The CPC is also in the process of selecting an evaluation consultant.  
11 This consultant will be retained to evaluate Empire's DSM and affordability  
12 programs with the exception of ELIP. The evaluation consultant is being selected at  
13 this time to insure that appropriate data is collected for each DSM and affordability  
14 program.

15 **Q. DOES THIS RATE CASE REFLECT ANY EXPENSES RELATED TO THE**  
16 **PLANNED PROGRAMS?**

17 A. Yes. Costs of \$53,000 associated with the CPC and new DSM and affordability  
18 programs to be funded in 2006 have been included as a regulatory asset in rate base.  
19 This amount includes \$10,000 for the Missouri Residential Market Assessment,  
20 approximately \$41,500 for AEG's consulting work, and approximately \$1,500 for  
21 travel and related expenses. Furthermore, an adjustment to increase expenses of  
22 \$5,300 has been included in the income statement. This adjustment reflects the  
23 amortization of the regulatory asset over ten years in accordance with the Stipulation

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1 and Agreement reached in Case No. EO-2005-0263.

2 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 A. Yes.



**EXECUTIVE SUMMARY**  
**FOR THE DIRECT TESTIMONY OF SHERRILL L. MCCORMACK**  
**THE EMPIRE DISTRICT ELECTRIC COMPANY**  
**BEFORE THE**  
**MISSOURI PUBLIC SERVICE COMMISSION**  
**CASE NO.**

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**Purpose of Testimony:**

This testimony discusses Empire's Demand Side Management ("DSM") and Affordability programs.

**Summary:**

Empire's existing Demand Side Management and Affordability programs are discussed in detail. These programs consist of the Experimental Low Income Program ("ELIP"), the Interruptible Service Rider, the Energy Star Change a Light program, the Residential Weatherization program, and the Missouri Commercial Facility Energy Audit Program. Also discussed is the approach Empire is taking to develop additional programs.

In accordance with Case No. EO-2005-0263, expenses associated with these programs have been recorded in a regulatory asset for amortization in the next rate proceeding. A total costs of \$53,000 associated with the Customer Programs Collaborative ("CPC") and new DSM and affordability programs to be funded in 2006 have been included in this regulatory asset in rate base. This amount includes \$10,000 for the Missouri Residential Market Assessment, approximately \$41,500 for AEG's consulting work, and approximately \$1,500 for travel and related expenses.

**Conclusion:**

Costs of \$53,000 associated with the Customer Programs Collaborative ("CPC") and new DSM and affordability programs to be funded in 2006 have been included as a regulatory asset in rate base. An adjustment to increase expenses of \$5,300 has been included in the income statement to reflect the amortization of this asset. This adjustment reflects the amortization of the regulatory asset over ten years in accordance with the Stipulation and Agreement reached in Case No. EO-2005-0263.