

FILED⁴

DEC 13 2005

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

Missouri Public
Service Commission

In the Matter of Aquila, Inc. d/b/a Aquila)
Networks L&P and Aquila Networks)
MPS, and Its Tariff Filing to Implement a)
General Rate Increase for Electric Service)

Case No. ER-2005-0436

FILED²

FEB 24 2006

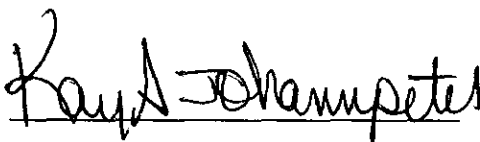
Missouri Public
Service Commission

AFFIDAVIT OF ANITA RANDOLPH

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

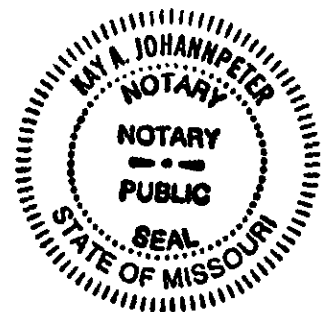
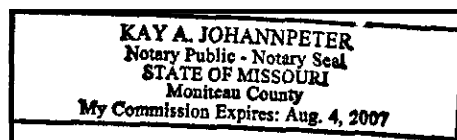
Anita Randolph, being duly sworn on her oath, hereby states that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such 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 13th day of December 2005.

Exhibit No. 99
Case No(s) ER-2005-0436
Date 1-09-06 Rptr XF

Exhibit No.:
Issues: Commitment to Provide Low or No
Cost Weatherization Assistance to
Aquila Electric Low-Income Customers
and Energy Efficiency Services to
Residential and Commercial Customers
Witness: Anita C. Randolph
Sponsoring Party: Missouri Department of Natural
Resources - Missouri Energy Center
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2005-0436

AQUILA NETWORKS ELECTRIC RATE CASE

SURREBUTTAL TESTIMONY

OF

ANITA C. RANDOLPH

MISSOURI DEPARTMENT OF NATURAL RESOURCES

ENERGY CENTER

December 13, 2005

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

SURREBUTTAL TESTIMONY OF
ANITA C. RANDOLPH

DIRECTOR
MISSOURI DEPARTMENT OF NATURAL RESOURCES
ENERGY CENTER

CASE NO. ER-2005-0436

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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, 1101 Riverside Drive, P.O. Box 176, Jefferson City, Missouri
4 65102-0176.

5 **Q. Have you previously filed testimony in this case?**

6 A. Yes. On October 14, 2005, I filed direct testimony in this case on behalf of the Missouri
7 Department of Natural Resources – Missouri Energy Center (MEC).

8 **Q. On whose behalf are you presenting surrebuttal testimony in this case?**

9 A. Like my direct testimony, I am testifying on behalf of the MEC.

10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Lena
12 Mantle, on behalf of the Staff of the Missouri Public Service Commission (Staff) and
13 Matthew Daunis on behalf of Aquila, Inc. (Aquila) that addresses low-income weatherization
14 assistance and other energy efficiency programs related to this electric rate case.
15 Annual funding for energy efficiency programs currently offered by Aquila approved in ER-
16 2004-0034 is effective until such time the Commission authorizes modifications to the
17 company's revenue requirements or the operational law dates for tariffs filed by Aquila on
18 May 24, 2005 (Unanimous Stipulation and Agreement, ER-2004-0034, p. 7, March 16,
19 2004). Since Aquila has not proposed the continuation of these programs within the context
20 of this rate application, the MEC has intervened to assure Aquila's commitment in supporting
21 energy efficiency programs following the disposition of this electric rate case.

22 **Q. Please briefly summarize MEC's proposed energy efficiency programs.**

1 A. The MEC has proposed four energy efficiency programs to assist low-income residential
2 customers and residential and commercial customers that face the probability of substantially
3 higher energy bills in the foreseeable future. These include the continuation of energy
4 efficiency programs approved by the Commission in Aquila's last rate case, ER-2004-0034
5 and include:

- 6 • The low-income weatherization assistance program;
- 7 • The Change-A-Light program; and,
- 8 • The commercial audit program.

9 The MEC is also proposing a new efficiency program, Home Performance with Energy Star,
10 designed to assist Aquila's residential customers.

11 **Q. Please briefly summarize Staff's position regarding MEC's proposed continuation of**
12 **the low-income weatherization assistance program presented by your direct testimony.**

13 A. Staff supports the low-income weatherization assistance program and proposes that the
14 program be funded in the amount requested by MEC, with fifty percent of the costs being
15 paid by Aquila shareholders and fifty percent by Aquila rate payers (Mantle Rebuttal, p. 2,
16 line 14). In addition, Staff recommends that Aquila and the agencies that Aquila provides
17 funding to implement the program, review the processes and procedures used to determine if
18 there are any possible improvements and to complete such an evaluation to be filed with the
19 Commission within 180 days of the effective date of the Commission's Report and Order in
20 this case (Mantle Rebuttal, p. 2, lines 20-22 and p. 3, lines 1-2).

21 **Q. Do you agree with Staff's position and recommendations?**

22 A. Yes. However, the MEC requests that the Commission include the MEC in the evaluation
23 process. The program must be administered consistent with the federal guidelines relating to

1 the Weatherization Assistance Program, which is administered by the MEC. Consequently,
2 MEC is in a unique position to participate in the review of the program.

3 **Q. Please briefly summarize Staff's position regarding MEC's proposed continuation of**
4 **the Change-A-Light program presented by your direct testimony.**

5 A. Staff generally supports the Change-A-Light program and proposes that the program be
6 funded in the amount requested by MEC, with fifty percent of the costs being paid by Aquila
7 shareholders and fifty percent by Aquila rate payers. Staff notes that Aquila included a
8 similar program in its resource plan, proposed funding at a substantially higher level and
9 estimated that it would be cost effective at the higher level. (Mantle Rebuttal, p. 4, lines 8-9).
10 Ms. Mantle also notes that I did not justify why the funding amount for this program should
11 be increased from \$20,000 to \$40,000 (Mantle Rebuttal, p. 3, lines 16-17).

12 **Q. Do you agree with Staff's position and recommendations?**

13 A. Yes, I agree with Staff's position and recommendation to fund this proposed energy
14 efficiency program.

15 **Q. How do you justify the increased funding for the Change-a-Light program?**

16 A. As noted by Ms. Mantle, Aquila's resource plan indicated that funding the Change-A-Light
17 program at a much higher level would be cost effective (Mantle Rebuttal, p. 4, lines 1-2).
18 Aquila provided \$20,000 to fund the program from October 1, 2004, through June 30, 2005,
19 and dispensed its total target number of light bulbs well within the 9-month program. (Data
20 Request, MDNR-007, Matthew Daunis, Aquila, October 11, 2005) In addition, Kansas City
21 Power and Light Company has a comparable number of residential electric customers and is
22 currently participating in the Change-a-Light program at a funding level of \$60,000. On
23 September 1, 2005, KCPL filed an amendment to its original tariff increasing funding from

1 \$40,000 per year to \$60,000 per year (Tariff YE-2006-0157, PSC Mo No. 7 Original Sheet
2 Number 43E filed in accordance with Case No. EO-2005-0329) along with additional details
3 regarding the program. This program is beneficial to customers. According to the United
4 States Department of Energy (DOE) and the United States Environmental Protection Agency
5 (EPA), the federal agencies that co-administer the Energy Star program, a typical household
6 spends ten to fifteen percent of its energy budget on lighting. Energy Star lights use fifty to
7 seventy percent less energy than traditional lights. A single light can annually save
8 approximately 110 kilowatt-hours.

9 **Q. Please briefly summarize Staff's position regarding MEC's proposed continuation of**
10 **the commercial audit program presented by your direct testimony.**

11 A. Staff generally supports the commercial audit program and proposes that the program be
12 funded in the amount requested by MEC, with fifty percent of the costs being paid by Aquila
13 shareholders and fifty percent by Aquila rate payers (Mantle Rebuttal, p. 4, lines 21-22). Ms.
14 Mantle notes that my direct testimony proposed two different funding levels for the
15 commercial energy audit program -- \$75,000 and \$100,000 -- and recommends funding at the
16 \$75,000 level (Mantle Rebuttal, p.2, lines 1-2). Staff also notes that Aquila has included a
17 similar program in its resource plan with funding at a substantially higher level.

18 **Q. Do you agree with Staff's position and recommendations?**

19 A. I agree with Staff's recommendation to fund this proposed energy efficiency program.
20 However, I recommend it be funded at \$100,000 per year as noted in my direct testimony on
21 p. 26, line 13 and on p 27, line 1. Reference to the \$75,000 funding level on pg. 23, line 13 in
22 my direct testimony was in error.

1 **Q. Please briefly summarize Staff's position regarding MEC's proposed Home**
2 **Performance with Energy Star program.**

3 A. Staff has concerns with this residential energy efficiency program. Generally, Staff is
4 concerned with the possible costs borne by Aquila and its ratepayers without assurances that
5 the company or its customers would receive direct benefits if approved by the Commission
6 (Mantle Rebuttal, p. 5, lines 7-17). Staff notes also that Aquila proposed a similar program
7 in its resource plan, but did not include the costs of training the auditors. (Mantle Rebuttal, p.
8 5, lines 16-17).

9 **Q. Do you agree with Staff's position and recommendations?**

10 A. No. As in the case with previously approved energy efficiency programs by the Commission,
11 it would be prudent that program design and implementation issues be addressed by Aquila,
12 the MEC, Staff, OPC and any other interested party to this proceeding to assure that the
13 programs result in direct benefits to Aquila and its customers. Staff's concern centers on a
14 perceived lack of assurance that Aquila investments in such a program would remain in
15 Aquila's service territory and that the benefits would flow to Aquila ratepayers. I believe
16 with the assistance of Aquila, Staff, OPC and interested parties, a residential program may be
17 designed in such a manner to assure that benefits would be realized by Aquila and its
18 ratepayers. To most effectively assist Aquila residential customers to responsibly invest their
19 funds to improve energy use in their homes, Aquila should help support a program designed
20 to train auditors to provide necessary technical assistance to its residential customers. As
21 utility rates continue to rise, customers who have faced significantly higher energy
22 expenditures should be provided with technical assistance by their utility to help them use
23 energy more efficiently and to reduce the impacts of rising utility bills in the future.

1 Aquila has proposed a "Residential Audit Program" in its resource plan and identified annual
2 program costs ranging from \$177,800 to \$323,100 over a 5-year period. The MEC has
3 proposed an annual funding level of \$100,000. Aquila also identified the potential benefits to
4 the company if such a program was implemented (Data Request, MDNR-009 and MDNR-
5 010, Matt Daunis, Aquila, October 5, 2005). According to Aquila, their proposed
6 "Residential Audit Program", which includes an on-site energy audit, low-cost measures,
7 information on managing energy costs, program administration, marketing and
8 communications and an evaluation component, would yield cumulative energy savings from
9 96 kilowatts (711,526 kilowatthours) beginning in year one to 745 kilowatts (5,512,212
10 kilowatthours) by year 5 (Data Request MDNR-010, Matt Daunis, Aquila, September 30,
11 2005 Attachment, Aquila – State of Missouri, Electric Demand-Side Management Plan, 2006
12 – 2010, Table V.32: Annual Program Impacts, page V-22). Aquila also notes a benefit/cost
13 ratio of 1:1.16 with a net benefit of \$159,156 to the company and \$2,247,158 to program
14 participants (Data Request MDNR-010, Matt Daunis, Aquila, September 30, 2005
15 Attachment, Aquila – State of Missouri, Electric Demand-Side Management Plan, 2006 –
16 2010, Table V.33: Annual Program Impacts, page V-23).

17 **Q. Please briefly summarize Aquila's position regarding the proposed low-income**
18 **weatherization assistance and energy efficiency programs presented by your direct**
19 **testimony.**

20 A. Mr. Daunis notes that "Aquila is willing to discuss each of the program recommendations
21 with the MDNR and other interested parties. Each of the recommended programs bears
22 costs, some of which are substantial, and a clear determination of cost recovery and cost

1 assignment should be made." (Daunis Rebuttal, p. 3, lines 7-10) Aquila did not oppose any
2 of the energy efficiency programs requested in my direct testimony.

3 **Q. What is Aquila's recommendation to the Commission regarding cost recovery for these**
4 **energy efficiency programs?**

5 A. Mr. Daunis notes that "following the terms of the Stipulation it signed in 2004 in Case No.
6 ER-2004-0034, (Aquila) has been exploring alternate funding mechanisms for energy
7 efficiency -- in particular the rate surcharge approach used in Iowa, as a way to fund its
8 proposed energy efficiency programs." (Daunis Rebuttal, p. 2, lines 15-18) However, Mr.
9 Daunis states that "some of the parties to the Stipulation in Case No. ER-2004-0034 -- staff
10 and OPC -- claim that a rate surcharge approach is illegal in Missouri, and do not seem
11 willing to work collaboratively toward a way to adopt it, through new legislation if
12 necessary." (Daunis Rebuttal, p. 3, lines 1-2). Aquila has requested the Commission to
13 "order a pilot effort to fund either its (Aquila) proposed programs or MDNR's recommended
14 programs via a rate surcharge for at least two years" (Daunis Rebuttal, p. 3, lines 12-14).

15 **Q. What is your position regarding Staff's and Aquila's cost recovery proposals?**

16 A. I respectfully request that the Commission fully consider the fact that, with the exception of
17 the Home Performance with Energy Star program, Staff supports the programs included in
18 my direct testimony with funding provided equally by both Aquila and its ratepayers. The
19 MEC requests that the Commission approve the adoption and continuation of these energy
20 efficiency programs to be implemented in the company's service territory until such time that
21 the Commission takes specific action to terminate the program(s). I consider the Staff's
22 proposal to split the cost of the programs evenly between the company and the ratepayers to
23 be a reasonable approach.

Aquila is requesting a funding mechanism similar to the approach used in Iowa, to assure recovery of any program expenses incurred by the company. The MEC supports a forum to explore appropriate cost recovery mechanisms for energy efficiency programs in Missouri, including a review of Missouri statutes to identify changes that may be necessary.

Q. Does this conclude your testimony?

A. Yes. Thank you.