

# EXHIBIT

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Demand-Side Management

Kind/Rebuttal

Public Counsel

ER-2007-0004

## REBUTTAL TESTIMONY

OF

RYAN KIND

Submitted on Behalf of  
the Office of the Public Counsel

**FILED**

MAY 3 2007

Missouri Public  
Service Commission

**AQUILA, INC. D/B/A AQUILA NETWORKS-MPS  
AND AQUILA NETWORKS-L&P**

Case No. ER-2007-0004

February 20, 2007

OPC Exhibit No. 402  
Case No(s) ER-2007-0004  
Date 4-11-07 Rptr XF

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

In the Matter of the Tariff Filing of Aquila, Inc., to )  
Implement a General Rate Increase for Retail )  
Electric Service Provided to Customers in its )  
Aquila Networks—MPS and Aquila Networks— )  
L&P Missouri Service Areas. )

**Case No. ER-2007-0004**


**Tariff No. YE-2007-0001**

**AFFIDAVIT OF RYAN KIND**

STATE OF MISSOURI     )  
                                      )   ss  
COUNTY OF COLE     )

Ryan Kind, of lawful age and being first duly sworn, deposes and states:


1. My name is Ryan Kind. I am a Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.

  
Ryan Kind

Subscribed and sworn to me this 20<sup>th</sup> day of January 2007.



JERENE A. BUCKMAN  
My Commission Expires  
August 10, 2009  
Cole County  
Commission #05754036

  
Jerene A. Buckman  
Notary Public

My commission expires August 10, 2009.

**REBUTTAL TESTIMONY**

**OF**

**RYAN KIND**

**AQUILA, INC.**

**CASE NO. ER-2007-0004**

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. Ryan Kind, Chief Energy Economist, Office of the Public Counsel, P.O. Box 2230,  
3 Jefferson City, Missouri 65102.

4 **Q. ARE YOU THE SAME RYAN KIND THAT SUBMITTED DIRECT TESTIMONY IN THIS CASE**  
5 **ON JANUARY 18, 2007 REGARDING FUEL ADJUSTMENT CLAUSE ISSUES?**

6 A. Yes, I am.

7 **Q. PLEASE IDENTIFY THE ISSUES THAT YOU WILL BE ADDRESSING IN YOUR REBUTTAL**  
8 **TESTIMONY.**

9 A. This testimony will respond to some of the Demand-Side Management (DSM) planning  
10 and cost recovery issues that are raised in the direct testimonies of Aquila, Inc (Aquila or  
11 Company) witnesses Mathew Daunis and Dennis Williams and Commission Staff (Staff)  
12 witness Lena Mantle.

13 **Q. WHAT COMMENTS DO YOU HAVE IN RESPONSE TO THE DISCUSSION OF DSM**  
14 **PLANNING ISSUES IN THE DIRECT TESTIMONY OF AQUILA WITNESS MATHEW DAUNIS?**

15 A. My general response to his testimony is that he mistakenly holds forth a 2005 DSM  
16 analysis that was done as part of a 2005 Integrated Resource Plan (IRP) that was

submitted to Staff and the Office of the Public Counsel (Public Counsel or OPC) as support for Aquila's DSM proposals in this case. Public Counsel has never given Aquila any feedback that would indicate that DSM resources were properly analyzed in the 2005 IRP submission. In fact, Public Counsel has spoken at length with Aquila representatives (including Mr. Daunis) about the deficiencies of the Company's DSM and IRP analysis and about how they those deficiencies could be corrected or avoided in the future.

**Q. HAS PUBLIC COUNSEL EVER SEEN A CREDIBLE IRP ANALYSIS OF DSM RESOURCES PERFORMED BY AQUILA?**

A. No, I have had extensive discussions with Aquila personnel including Mr. Daunis on this subject but I have yet to see a credible integrated and risk analysis of Aquila's DSM resource proposals. I have hopes that the extensive amount of time that I have spent with Aquila representatives discussing DSM analysis issues has resulted in the Company performing a credible analysis as part of the 2007 IRP filing that Aquila made a couple weeks ago, but I have not yet begun reviewing that filing.

**Q. ON PAGE 4 OF HIS TESTIMONY, MR. DAUNIS CITES A NARUC RESOLUTION AS SUPPORT FOR THE COMPANY'S DSM PROPOSALS. ARE AQUILA'S DSM PROGRAM PROPOSALS CONSISTENT WITH THIS RESOLUTION?**

A. At this point I would have to say no. The NARUC resolution refers to "cost-effective energy efficiency and load management investments." I do not believe that Aquila has ever performed the integrated (reflecting integration of supply and demand-side resources) modeling (e.g. MIDAS modeling) necessary to show that including demand-side resources in its resource plan would be cost effective. Aquila's failure to perform the analysis necessary to show that including demand-side resources into its resource plan is cost effective does not mean that such inclusion would be cost effective. This failure just

1 means that the credible cost effectiveness analysis needed to support Aquila's inclusion  
2 of demand-side resources into its resource plan has never been presented to and reviewed  
3 by OPC.

4 **Q. DOES PUBLIC COUNSEL SUPPORT THE IMPLEMENTATION OF PROPERLY DESIGNED**  
5 **COST EFFECTIVE DSM PROGRAMS?**

6 A. Yes. I have encouraged utilities to engage in efforts to properly design and analyze DSM  
7 programs since the early 1990s in order to encourage the implementation of cost-effective  
8 DSM programs.

9 **Q. AT LINE 11 ON PAGE 8 OF HIS TESTIMONY, MR. DAUNIS STATES THAT AQUILA WILL**  
10 **PRESENT DSM PROPOSALS TO A "COLLABORATIVE" CONSISTING OF COMMISSION**  
11 **STAFF, OPC, MDNR AND ANY OTHER INTERESTED PARTY FOR COMMENT." HE THEN**  
12 **STATES ON LINE 13 THAT "THE COLLABORATIVE PROCESS WAS USED SUCESSFULLY**  
13 **BY" EMPIRE. IS MR. DAUNIS'S PROPOSED DSM "COLLABORATIVE" SIMILAR TO THE**  
14 **EMPIRE DSM COLLABORATIVE?**

15 A. No. Mr. Daunis describes a "collaborative" where the members would provide  
16 "comment" to Aquila about its DSM proposals. The Empire DSM collaborative  
17 (Customer Programs Collaborative) was entirely different since the members of the  
18 Empire DSM collaborative made decisions as a group about DSM program design and  
19 implementation.

20 **Q. WOULD IT BE APPROPRIATE FOR THE COMMISSION TO AUTHORIZE AQUILA TO**  
21 **PROCEED WITH IMPLEMENTING DSM PROGRAMS UNDER THE FOUR STEP PROCESS**  
22 **OUTLINED ON LINES 9 THROUGH 17 ON PAGE 11 OF MR. DAUNIS'S TESTIMONY?**

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Ryan Kind

1 A. No. It would not be appropriate for the Commission to authorize that such a process be  
2 used to implement DSM programs, many of which have not yet even been developed,  
3 and none of which have been properly analyzed for cost-effectiveness, as part of an IRP  
4 analysis.

5 Q. LET'S TURN NOW TO ANOTHER AQUILA WITNESS, DENNIS WILLIAMS. AT LINE 6 ON  
6 PAGE 13 OF HIS DIRECT TESTIMONY, HE STATES THAT "BEFORE AQUILA BEGINS  
7 SPENDING SIGNIFICANT AMOUNTS OF MONEY NEEDED TO IMPLEMENT DSM  
8 PROGRAMS, IT IS SEEKING AGREEMENT FOR STAFF, OPC, AND OTHER INTERESTED  
9 PARTIES THAT THE PROGRAMS ARE APPROPRIATE, WOULD BENEFIT AQUILA'S  
10 CUSTOMERS, AND SHOULD BE AUTHORIZED BY THE COMMISSION." IS PUBLIC  
11 COUNSEL IN AGREEMENT WITH THE COMPANY ON ALL THESE POINTS?

12 A. No. Public Counsel hopes to make progress on these issues during the review of Aquila's  
13 recent 2007 IRP filing in Case No. EO-2007-0298. The process of reviewing Aquila's  
14 filing in Case No. EO-2007-0298 is likely to extend well past the evidentiary hearings in  
15 this case.

16 Q. HAVE YOU REVIEWED THE DSM COST RECOVERY PROPOSAL IN THE DIRECT  
17 TESTIMONY OF STAFF WITNESS LENA MANTLE?

18 A. Yes. Ms. Mantle addresses this subject on pages 3 through 5 of her direct testimony. The  
19 DSM cost recovery proposal set forth in Ms. Mantle's testimony is similar to the proposal  
20 made in her recent testimony in Union Electric's rate case (Case No. ER-2007-0002) and  
21 in the regulatory plans that the Commission approved for KCPL and Empire.

22 Q. DOES PUBLIC COUNSEL SUPPORT MS. MANTLE'S DSM COST RECOVERY  
23 PROPOSAL?

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Ryan Kind

1 A. Yes.

2 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

3 A. Yes.