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February 18, 2011

Tom Franks
KEMA, Inc.
67 South Bedford Street
Suite 201 East
Burlington, MA 01803

Dear Mr. Franks:

Consistent with my letter of January 25, 2011, the Commission provides the following guidance and feedback on its requirements to be included in the final Missouri DSM Market Potential Study Report to be delivered on March 4, 2011.

1) Remove all references to and discussions of the KEMA Norm Scenario (75 percent scenario) from the body of the final report. Thus, the body of the report will present the 1-year and 3-year payback scenarios previously directed by the Commission.
2) Include as Appendix A of the final report, the KEMA Norm Scenario (75 percent scenario). This Appendix should begin with a disclaimer (to be reviewed and accepted by the Commission prior to finalizing) explaining that the KEMA Norm Scenario is KEMA's standard modeling procedure which assumes incentives were increased to 75 percent of incremental measure costs.
3) Include as Appendix B of the final report, all previously submitted questions/comments and KEMA responses on the draft report (including, but not limited to responses to issues and concerns raised at the January 20, 2011 roundtable; questions and responses related to KEMA's February 7, 2011 memo; subsequent response to Commissioner Jarrett's question identified as Issue Identifier: PSC3; questions and responses related to the email exchange with John Rogers from February 14 through February 18, 2011).
4) KEMA's February 7, 2011 memo notes in Issue Identifier: PSC1 and PSC2, respectively, "The final report should include a detailed explanation of the baseline forecast and explain more clearly how it was developed" and "The final report should include a discussion of the Ameren study, with a comparison or approach and result…". Both items should still be included in the body of the final report as previously directed by the Commission, not just as part of Appendix B of the final report.

5) Use the formula in KEMA's February 18 memo, Item (1), and present the results of technical, economic and achievable potential relative to the adjusted baseline. In other words, subtract naturally occurring from the technical, economic and achievable potential and from the baseline before presenting any relative potential savings (technical, economic or achievable) as a percentage of the adjusted baseline. With this adjustment, naturally occurring should not be displayed or included in energy or demand savings in any charts or tables. NOTE: This adjustment will make the baseline calculations consistent with the definition of "baseline" in the Commission's recently approved rules implementing the Missouri Energy Efficiency Investment Act.
6) If KEMA has the information available upon completion of the study, the Commission would also like an answer to item 3b in KEMA's February 18 memo. (What is the quantity of savings attributable to measures for which no incentive is paid?)

None of the directives in this letter should require KEMA to re-run any models. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Natelle Dietrich

Natelle Dietrich
Director – Utility Operations

cc: Fred Coito, KEMA
Brenda Wilbers, MDNR
Andrea Kliethermes, MDNR