

Exhibit No.:
Issues: Revenue Requirement
Witness: Laura Wolfe
Sponsoring Party: Missouri Department of Natural
Resources, Division of Energy
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2010-0130

SURREBUTTAL TESTIMONY
OF
LAURA WOLFE
ON
BEHALF OF
MISSOURI DEPARTMENT OF NATURAL RESOURCES
DIVISION OF ENERGY

April 23, 2010

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

2 A. My name is Laura Wolfe. My business address is Missouri Department of Natural Resources,
3 Division of Energy (MDNR-DE), 1101 Riverside Drive, P.O. Box 176, Jefferson City, Missouri
4 65102-0176.

5 **Q. Are you the same Laura Wolfe who filed Direct Testimony in this case?**

6 A. Yes, I am.

7 **Q. On whose behalf are you testifying?**

8 A. I am testifying on behalf of the Missouri Department of Natural Resources (“MDNR”), an
9 intervenor in these proceedings.

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

11 A. The purpose of my surrebuttal testimony is to address the following issues raised in the
12 rebuttal testimony of Empire District Electric Company (“Empire”) witness Ms. Sherrill
13 McCormack:

- 14 1. characterization of MDNR’s recommendation as “annual energy and demand savings
15 goals of 1% and 2%”;
- 16 2. inclusion of previous year energy savings in a calculation of annual energy reduction
17 percentage; and
- 18 3. assertion that MDNR’s recommendation regarding energy savings is more appropriately
19 handled in individual utility IRP processes, through amendment of the IRP rules, or the Senate
20 Bill 376 workshops rather than testimony in individual rate cases.

21
22 I will also comment on the testimony provided by Staff witness Mr. Henry E. Warren
23 regarding a suggested requirement that Empire’s low-income program participants apply to
24 low-income weatherization assistance program.

25 **Q. Do you have a response to Ms. McCormack’s characterization of MDNR’s recommendation as**
26 **“annual energy and demand savings goals of 1 to 2%”? (Please refer to page 4 of Ms.**
27 **McCormack’s testimony.)**

1 A. Yes, I do. I think this is a slight mischaracterization of MDNR's recommendation. MDNR
2 recommends utilities employ the goal established by SB 376 to achieve all cost effective demand side
3 savings. To increase the likelihood of identifying all cost effective DSM, MDNR recommends
4 Empire *model* DSM measures that can achieve 1% and 2% of annual demand savings and energy
5 savings in its next integrated resource plan. (Please refer to pages 11 and 16 of my Direct
6 Testimony.)

7 **Q. How does Ms. McCormack calculate an annual energy savings percentage?**

8 A. Ms. McCormack states on page 3 of her rebuttal testimony that the "annual DSM savings are
9 greater than the 0.061% of 2008 energy sales indicated" in my direct testimony. Ms.
10 McCormack asserts that the savings achieved by DSM programs available in years 2006,
11 2007, and 2008 should be included with the projected 2009 energy savings in the comparison
12 to the energy sales for one year, 2008. In other words, Ms. McCormack is comparing
13 cumulative energy savings to annual energy sales. It is appropriate to compare *annual*
14 savings to *annual* energy sales, and *cumulative* savings to *cumulative* energy sales.

15 I recommended Empire model annual energy savings of 1% and 2%, meaning a 1%
16 reduction each year and a 2% energy reduction each year. This would accumulate over time
17 to several percentage points of energy reductions. Below are calculations of both annual
18 energy savings and cumulative energy savings percentages for Empire from the period of
19 2006. Empire's MWhs sold is not available for 2009. In its absence, I used the MWhs sold
20 by Empire in 2008 as reported in the Missouri Public Service Commission's 2009 Annual
21 Report as an estimate for 2009 sales:

A	B	C	D	E	F
		2006	2007	2008	2009
1	Annual MWhs Sold ¹	4,155,082	4,223,934	4,223,367	4,223,367
2	Cumulative MWhs Sold	4,155,082	8,379,016	12,602,383	16,825,750
3					
4	Energy Savings in kWhs:				
5	Change A Light	503,897	559,748	503,846	
6	Low-Income Weatherization	28,728	264,708	283,176	260,604
7	Central Air Conditioner		148,617	316,833	381,571
8	Commercial & Industrial Rebate			2,085,856	2,085,856
9					
10	Annual kWhs Saved	532,625	973,073	3,189,711	2,728,031
11	Cumulative kWhs Saved	532,625	1,505,698	4,695,409	7,423,440
12					
13	Annual Percentage Savings (Line 10/1000/Line 1)	0.013%	0.023%	0.076%	0.065%
14	Cumulative Percentage Savings (Line 11/1000/Line 2)	0.013%	0.018%	0.037%	0.044%

¹ Annual MWhs from the following sources:

Missouri Public Service Commission 2007 Annual Report, Page 62.

<http://www.psc.mo.gov/publications-reports/annual-report/2007%20Annual%20Report.pdf>

Missouri Public Service Commission 2008 Annual Report, Page 62.

http://www.psc.mo.gov/publications-reports/annual-report/PSC_2008.pdf

Missouri Public Service Commission 2009 Annual Report, Page 56.

<http://www.psc.mo.gov/publications-reports/annual-report/2007%20Annual%20Report%20-%20Statistical%20Information.pdf>

2008 is used as an estimate of 2009 MWhs Sold.

2

3 **Q. Do you agree with Ms. McCormack's assertion that MDNR's energy efficiency recommendation**
4 **of modeling specific energy savings is more appropriately handled in individual utility IRP**
5 **processes, through amendment of the IRP rules rather than testimony in individual rate case,**
6 **or the Senate Bill 376 workshops?**

7 A. I agree that these are all forums for addressing energy efficiency recommendations and
8 MDNR participates in the IRP rule-revision workshops (Case No. EW-2009-0412), the

1 Senate Bill 376 rule-making workshops (EW-2010-0265), and all IRP cases as they are filed.
2 Neither the IRP rule-making nor the Senate Bill 376 rule-making are completed, and
3 although progress is being made in those workshops, it is unclear when final rules will be
4 promulgated. Waiting for resolution of these rule-making cases will create a missed
5 opportunity for Empire and its customers to achieve significant energy savings. Empire is
6 scheduled to file an IRP in September 2010. Its next IRP is not due until 2013. By not
7 pursuing an aggressive energy savings goal, based on modeling aggressive levels of DSM
8 savings, Empire and its customers will have lost three years of energy savings opportunities.

9 It is appropriate to address energy efficiency recommendations in the course of rate cases
10 as well, and has been done in recent rate cases. DSM programs have an impact on costs
11 incurred by utilities, and therefore have an impact on rates charged to customers. The
12 Missouri Public Service Commission issued an *Order Approving Non-Unanimous*
13 *Stipulations and Agreements and Authorizing Tariff Filings* on June 10, 2009, in Case No.
14 ER-2009-0089 in which Kansas City Power and Light and other parties including MDNR
15 agreed to the following¹:

16 **18. Demand-Side Management**
17

18 KCP&L agrees in its next IRP filing to include at least one alternative resource plan that
19 demonstrates energy reductions from demand side resources of at least 1% of the
20 projected retail energy requirements per year over the 20-year planning horizon,
21 assuming a net-to-gross ratio of 1.0.
22

23 Similarly, on the same day in Case No. ER-2009-0090, the Commission issued an *Order*
24 *Approving Non-Unanimous Stipulations and Agreements and Authorizing Tariff Filings* in

¹ Case No. ER-2009-0089, *In the Matter of the Application of Kansas City Power and Light Company for Approval to Make Certain Changes in its Charges for Electric Service to Continue the Implementation of its Regulatory Plan, Order Approving Non-Unanimous Stipulations and Agreements and Authorizing Tariff Filings, Effective June 23, 2009, Appendix A (Non-Unanimous Stipulation and Agreement), page 9.*

1 which Kansas City Power and Light – Greater Missouri Operations and other parties
2 including MDNR agreed to the following²:

3 **14. Demand-Side Management (“DSM”)**
4

5 (b) GMO also agrees in its next Chapter 22 Resource Planning filing to include at least
6 one alternative resource plan that demonstrates energy reductions from demand side
7 resources of at least 1% of the projected retail energy requirements per year over the 20-
8 year planning horizon, assuming a net-to-gross ratio of 1.0.
9

10 Furthermore, Union Electric Company, d/b/a. AmerenUE, agreed to IRP modeling
11 requirements in a Stipulation and Agreement in its recent rate case³:

12 AmerenUE shall... model two demand-side management program portfolios for analysis
13 in its next Chapter 22 Resource Planning Filing due February 5, 2011 (the resource
14 planning filing regarding which AmerenUE has sought waivers in Case No. EE-2010-
15 0243), that annually achieve incremental electric energy and demand savings equivalent
16 to (A) 1% (by 2015) and (B) 2% (by 2020) reductions in annual sales.
17

18 Therefore, MDNR believes it is appropriate to recommend modeling of specific energy
19 savings in the context of rate cases as has been approved by the Commission in other rate
20 case orders. MDNR also believes it is appropriate for Empire to conduct similar modeling as
21 all other investor-owned electric utilities in Missouri.

22 **Q. Do you agree with the testimony of Staff witness Mr. Warren regarding the**
23 **implementation of a requirement that Empire’s low income program participants apply**
24 **for weatherization assistance as suggested by OPC witness Barbara A. Meisenheimer?**

²Case No. ER-2009-0090, *In the Matter of the Tariff Filing of KCP&L Greater Missouri Operations Company, to Implement a General Rate Increase for Retail Electric Service Provided to Customers in its Missouri Service Areas it formerly served as Aquila Networks—MPS and Aquila Networks— L&P*, Order Approving Non-Unanimous Stipulations and Agreements and Authorizing Tariff Filings, Effective June 23, 2009, Appendix A (Non-Unanimous Stipulation and Agreement), page 9.

³ Case No. ER-2010-0036, *In the Matter of Union Electric Company d/b/a AmerenUE’s Tariffs To Increase its Revenues For Electric Service*, Order Approving First Stipulation and Agreement, Effective March 24, 2010, Attachment “First Non-Unanimous Stipulation and Agreement”, page 6.

1 A. Yes, I do. As the state agency responsible for administering the federal Low-Income
2 Weatherization Assistance Program since 1977, MDNR recognizes the benefits of
3 weatherization as an approach to low-income energy needs that is a longer-term solution than
4 bill payment assistance. MDNR appreciates the need for both forms of low-income
5 assistance -- improving the energy efficiency of a residence through weatherization, as well
6 as assisting with immediate bill payments. As such, MDNR supports the coordination of
7 these programs to maximize the services and benefits available to low-income customers.

8 It makes good policy sense to minimize as much as possible the amount of financial
9 assistance needed by low income program participants for bill-paying by making their homes
10 as efficient as possible through weatherization measures. Mr. Warren deftly pointed out,
11 however, that not all customers who need financial assistance to pay energy bills own their
12 homes. Homeowners can readily and easily apply for weatherization assistance. Rental units
13 can only be weatherized with approval and a financial contribution from the landlord. It is
14 pointless for a renter to file an application for weatherization assistance without a
15 commitment from the landlord to make the financial contribution. The application will still
16 require time and effort by the weatherization agency staff to review, only to reject the
17 application if the landlord refuses to contribute financially to the weatherization. As Mr.
18 Warren pointed out, the weatherization agencies have had little success in persuading
19 landlords of low income rental properties to agree to weatherization measures.

20 MDNR agrees with Mr. Warren that eligible homeowners in Empire's electric service
21 territory who participate in Empire's low-income program should be required to apply for
22 weatherization assistance. MDNR also agrees that participants in Empire's low-income
23 program who live in rental units should not be required to apply for weatherization assistance

1 as this creates an unnecessary burden on the agencies administering the low-income
2 weatherization program.

3 **Q. Does this conclude your testimony?**

4 A. Yes.