Exhibit No.:	
Issues:	DSM Cost-Recovery and Program operation
Witness:	Adam Bickford
Sponsoring Party:	Missouri Department of Natural Resources – Division of Energy
Type of Exhibit:	Direct Testimony
Case No.:	ER-2010-0356

DIRECT TESTIMONY

OF

ADAM BICKFORD

MISSOURI DEPARTMENT OF NATURAL RESOURCES

DIVISION OF ENERGY

November 17, 2010

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

KCP&L GREATER MISSOURI OPERATIONS COMPANY (GMO)

RATE CASE

CASE NO. ER-2010-0356

DENOTES HIGHLY CONFIDENTIAL INFORMATION

Q. Please state your name and business address.

A. My name is Adam Bickford. My business address is Missouri Department of Natural Resources, Division of Energy, 1011 Riverside Drive, P.O. Box 176, Jefferson City, Missouri 65102-0176.

Q. Please describe your educational background and employment experience.

A. I began work with the Missouri Department of Natural Resources Energy Center in August, 2009. In my current position I am a Research Analyst. Prior to working with Missouri Department of Natural Resources I was employed as a program evaluator by Optimal Solutions Group, LLC in Hyattsville, Maryland; the University of Missouri Extension Office of Social and Economic Data Analysis in Columbia, Missouri; and the Smithsonian Institution in Washington D.C. In these positions my responsibilities included the design and execution of evaluation projects in the K-12 education and arts domains.

I received my B.A. degree in Sociology from the University of California, Berkeley. I hold a Masters of Arts degree and a Doctor of Philosophy degree in Sociology from the University of Chicago.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Missouri Department of Natural Resources ("MDNR"), an intervenor in these proceedings. As a representative of MDNR I have also participated in the review of KCP&L Greater Missouri Operations ("GMO") 2009 IRP and the stakeholder review process leading up to GMO's revised IRP scheduled to be filed on December 17, 2010.[1]

[1] *In the Matter of the 2009 Resource Plan of KCP&L Greater Missouri Operations Company Pursuant to 4 CSR 240-22*, Missouri Public Service Commission Case No. EE-2009-0237

Q. What is the purpose of your direct testimony in these proceedings?

A. The purpose of my testimony is to address the continued administration of GMO customer programs (which include demand response, energy efficiency and affordability programs). Specifically, MDNR is commenting on the operation of GMO's demand response, energy efficiency programs (their "DSM Portfolio") in the interim period between the conclusion of this current rate case (May 4, 2010) and GMO's filing of a Demand Side Investment Mechanism ("DSIM") under the proposed rules under the Missouri Energy Efficiency Investment Act ("MEEIA")[2] MDNR is not addressing GMO's affordability programs.

Q. Why does MDNR have a concern about the continued administration of GMO's DSM Portfolio?

A. GMO has taken the position that these programs will not be made permanent until issues of cost recovery, lost revenues and performance incentives are resolved[3]. The proposed MEEIA rules anticipate that a cost recovery mechanism will be proposed by a utility when (and if) it files a DSIM. MDNR is concerned about how GMO will approach demand response and energy efficiency programs in the period between the conclusion of this rate case (May 4, 2011) and the approval of its DSIM.

Q: Please elaborate.

A: GMO states that the continuation of its DSM Portfolio is dependent on the resolution of existing cost recovery issues. Under the proposed MEEIA rules these, and other financing issues, are intended to be resolved through the

[2] Section 393.1124, RSMo
[3] Direct Testimony of Curtis Blanc, ER-2010-0356, 5.

DSIM. Under the proposed rules, each utility is given the opportunity to propose mechanisms that will address its particular circumstances. GMO's position does not recognize that, as a utility, it has considerable discretion in fashioning its proposed cost recovery mechanism.

Q: What is the timeline of these proposed MEEIA rules?

A: The Commission, its Staff, and many other interested parties have worked diligently in Case No. EW-2010-0265 to draft rules for implementing the provisions regarding demand side management resources in the MEEIA. The proposed rules include provisions for a regulated electric utility to file a demand side management program plan with the Commission, and allow the utilities to file for approval of a DSIM that will include provisions for recovery of DSM program costs, lost revenues, and a performance incentive.[4]

The Commission submitted proposed rules (4 CSR 240-3.163, 4 CRS 240-3.164, 4 CSR 240-20.093, and 4 CSR 240-20.094) to the Secretary of State on October 4, 2010[5], which resulted in publication of the proposed rules in the November 15, 2010 Missouri Register. A 30-day public comment period applies to the publishing of these proposed rules and a public hearing has been scheduled for December 20, 2010. The earliest date for the rules to take effect is in March 2011, according to the Secretary of State's timeline calculator[6].

Despite the efforts of the Commission, its Staff, and many other stakeholders in Case No. EW-2010-0265, the process ended with considerable disagreements among stakeholders, some of which could prompt legal challenges to the proposed rules. Should these challenges be made,

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[4] See Proposed Rule 4 CSR 240-20.093(2).
[5] *In The Matter Of The Consideration And Implementation Of Section 393.1075, The Missouri Energy Efficiency Investment Act,* Missouri Public Service Commission Case No. EX-2010-0368.
[6] See http://www.sos.mo.gov/adrules/datecalc/default.aspx

significant delays in the implementation of final rules could occur. As stated earlier, the proposed rules will allow an electric utility to submit a DSM plan and accompanying DSIM to detail its DSM programs, define a method of cost recovery, define a method for recovering lost revenues, and provide for a performance incentive. Once the rules take effect, GMO will then need time to develop and propose its DSM plan and DSIM, if it decides to pursue a DSIM. MDNR anticipates that this activity could take at least one year to complete, making it possible that GMO's DSM Portfolio and accompanying DSIM would not be approved by the Commission and implemented for a considerable amount of time, possibly years.

This creates a situation where GMO will not have clear direction from the Commission regarding expected levels of DSM investment, expected levels of energy savings, or a defined recovery mechanism, for what could be a significant amount of time between the conclusion of its current rate case and the implementation of its DSM Portfolio under the provisions of its DSIM.

Q. Do you have concerns related to this possible gap in time for GMO's programs?

A. Yes. This is problematic because MEEIA has been in effect since 2009. The language of the law compels electric utilities "to implement commission-approved demand-side programs proposed pursuant to this section with a goal of achieving all cost-effective demand-side savings".[7]

[7] Section 393.1124, RSMo, Paragraph 4.

Q. What is the status of GMO's DSM programs?

A. Prior to being acquired by Great Plains Energy, Inc., this utility operated as Aquila, Inc. Aquila had implemented and was managing some limited DSM programs. Following the acquisition, GMO established a portfolio of programs based on the stipulation and agreement approved by the Commission in rate case ER-2009-0090.[8] GMO's DSM programs are now aligned closer to its "sister" company's, Kansas City Power & Light, portfolio, although are more limited in scope and budget.

In his direct testimony, Mr. Curtis Blanc mentioned that GMO's DSM Portfolio have saved 17,000 MWh[9]. Materials from KCP&L's Customer Programs Advisory Group ("CPAG"), report that **[redacted]** have been saved by the programs implemented in GMO's territory, this amount is **[redacted]** of its five-year goal (see Schedule AB-1 (HC)). However, I note below, it is not clear whether this savings figure represents cumulative savings over a number of years or whether it represents annual savings.

While the on-going stakeholder process in GMO's revised IRP appears to have produced a positive commitment by GMO to analyze increased levels of savings associated with its DSM Portfolio (although the final revised IRP won't be filed until December 17, 2010) [10], there is considerable ambiguity surrounding the MEEIA rules, which leads to uncertainty regarding the future of GMO's DSM Portfolio.

[8] *Non-Unanimous Stipulation and Agreement General Missouri Operating Company,* Missouri Public Service Commission, Case No. ER-2009-0090

[9] Direct Testimony of Curtis Blanc, ER-2010-0356, 11.

[10] *Non-Unanimous Stipulation and Agreement General Missouri Operating Company,* Missouri Public Service Commission, Case No. EE-2009-0237.

Q: How would you describe GMO's current savings levels from its DSM Portfolio?

A: Tracking GMO's program savings is problematic. GMO's DSM Portfolio began under Aquila's management, but has generally been modeled on KCP&L's portfolio after Aquila's acquisition by Great Plains Energy. Aquila did have a DSM advisory group and GMO's programs are now reviewed by the KCP&L CPAG established as part of KCP&L's experimental regulatory plan in 2005. However the transition of GMO's DSM Portfolio from Aquila to Great Plains Energy makes comparisons difficult.

As mentioned above Mr. Curtis Blanc states that GMO's energy efficiency and affordability programs have resulted in energy savings of more than 17,000 MWh, while its demand response programs have reserved 24 MW it can call upon for curtailment.[11] However, it is not clear whether these savings levels represent annual or cumulative savings. If these figures represent cumulative savings, the period of these savings is not specified. Beyond this general description of savings, the direct testimony submitted by GMO in this case does not describe the outcomes of the GMO's DSM Portfolio. Mr. Jimmy Alberts describes GMO's experience with one of its affordability programs, the Economic Relief Pilot Program (ERPP), but the effectiveness of the demand response and energy efficiency programs in GMO's portfolio are not discussed.

Even with the lack of energy savings information available for GMO's programs, MDNR does not believe that GMO is achieving all cost-effective DSM.

Q. How should GMO determine all cost-effective DSM savings?

[11] Direct Testimony of Curtis Blanc, ER-2010-0356, 11.

A. MDNR has requested that other utilities model 1% and 2% DSM savings relative to their projected loads as in resource planning. This allows utilities to test what is cost-effective and make determinations based on this information.

Q: Does GMO have stipulations to model these savings levels in its resource planning?

A: In the stipulation and agreement to Case ER-2009-0090, GMO agreed to the following:

> GMO also agrees in its next Chapter 22 Resource Planning filing to include at least one alternative resource plan that demonstrates energy reductions from demand side resources of at least 1% of the projected retail energy requirements per year over the 20-year planning horizon, assuming a net-to-gross ratio of 1.0. (Paragraph 14.b)

This stipulation applied to GMO's 2009 IRP filing in EE-2009-0237. In the subsequent stipulation and agreement to Case EE-2009-0237, GMO agreed to this:

> GMO agrees to include one or more portfolios of new DSM programs in addition to the all-DSM portfolio in the revised IRP scheduled to be filed December 17, 2010. At least one of these additional portfolio(s) of DSM programs will incorporate a more aggressive level of DSM implementation than the "all-DSM" portfolio. These additional portfolios will be treated as resources that are available for selection of alternative resource plans that are included in the integrated analysis (Appendix A, Paragraph 21).

and this, which applies to GMO's 2012 filing:

> For its next Chapter 22 compliance filing, GMO agrees to model and fully analyze at least one alternative DSM portfolio that annually achieves incremental electric energy and demand savings equivalent to 1% by 2015 and 2% by 2020 reductions in annual sales and peak requirements, respectively. "Fully analyze" means that the alternative portfolio(s) will be treated as resources that are available for selection in the determination of critical uncertain factors and in the identification of alternative resource plans and that at least one of the alternative portfolios will be included in an alternative resource plan that is included in the integration analysis. (Main Stipulation, Paragraph 28).

Although there are requirements in existing Chapter 22 stipulation and agreements for GMO to model the 1% and 2% savings levels for its 2012 filing, MDNR requests that the Commission affirm its support for GMO's commitment as it will provide the basis for GMO decisions on future DSM program plans.

Q: What is the status of GMO's 2009 IRP?

A: There is currently a stakeholder process that was agreed to for the purpose of addressing alleged deficiencies in GMO's August 5, 2009 Chapter 22 filing.[12] The alleged deficiencies related to a number of issues including the planning and analysis of DSM programs. These meetings have continued throughout 2010 and GMO is preparing a revised IRP filing for December 17, 2010. This filing will revise GMO's load forecast, DSM portfolio, and risk and integration analysis.

Q: Have you participated in GMO's IRP stakeholder process? What is your impression of the process?

[12] *Non-Unanimous Stipulation and Agreement General Missouri Operating Company,* Missouri Public Service Commission, Case No. EE-2009-0237.

A: Yes, I have participated in all of the stakeholder meetings. I would characterize the process as positive. Compared to its initial filing in August 2010, GMO has increased the range of DSM end-use measures being considered, added a multi-family program to its existing portfolio, and re-examined its program savings to increase projected cumulative energy savings by nearly **[redacted]** over the twenty-year planning period. These projected savings have not yet gone through the integration analysis process, so it is premature to assess the level of savings that will be included in GMO's preferred resource plan to be filed on December 17. GMO's work on revising its DSM portfolio since the August 5 filing shows a promising trend towards the ultimate goal of achieving all cost-effective demand-side savings.

Q: What actions should the Commission take to address the period between the end of this current rate case and the implementation of MEEIA rules and GMO's response to those rules by filing a DSM plan and accompanying DSIM?

A: At minimum, MDNR asks the Commission to require that GMO meet its obligation to achieve all cost-effective demand-side savings by expanding its existing DSM efforts to include and continue all cost-effective DSM programs until the MEEIA rules are implemented and GMO files and the commission approves its DSM plan and an accompanying DSIM.

Q: Under the draft MEEIA rules the utilities may propose mechanisms for cost recovery, lost revenue recovery and a performance incentive. Does MDNR have any recommendations regarding these mechanisms as they relate to GMO's activities in the interim period?

A: Yes. The current method of DSM program cost recovery for GMO is the use of a regulatory asset account that capitalizes expenses over ten years[13]. MDNR recommends that the DSM expenses incurred between the end of its rate case and filing of a DSM plan and accompanying DSIM be booked into a regulatory asset account with a term of six years. This temporary adjustment would put GMO's cost recovery opportunities on a par with Ameren Missouri's as established in the settlement to Case ER-2010-0036.[14]

Q: Does this conclude your testimony?

A: Yes. Thank you.

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[13] *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*. Stipulation and Agreement, ER-2009-0090, Paragraph 14..

[14] *In the Matter of Union Electric Company d/b/a AmerenUE's Tariffs to Increase its Annual Revenues for Electric Service,* ER-2010-0036, *Order Approving First Stipulation and Agreement*, Effective March 24, 2010, Attachment: *First Stipulation and Agreement*, paragraph 10, page 5.

HC

Schedule AB2010-1 (HC): KCP&L Savings data from February 17, 2010 CPAG meeting

****Highly Confidential in its Entirety****