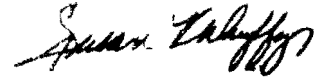


**THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

STATE CORPORATION COMMISSION

In the Matter of the Application of )  
The Empire District Electric Company )  
For Approval to Implement its Portfolio )  
Of Energy Efficiency and Demand Response )  
Programs for its Kansas Customers, to )  
Provide for Program Cost Docket Recovery )  
And Lost Revenues Through a Rider Mechanism )  
To Obtain any Necessary Waivers from the )  
Commission, and for Appropriate Accounting )  
Authority to Defer Expenses and Revenues )  
Associated with the Filing. )

MAY 19 2010



Docket No. 10-EPDE-497-TAR

**CROSS-ANSWERING TESTIMONY**

**OF**

**STACEY HARDEN**

**ON BEHALF OF**

**THE CITIZENS' UTILITY RATEPAYER BOARD**

**MAY 19, 2010**

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

2 A. My name is Stacey Harden and my business address is 1500 SW Arrowhead  
3 Road, Topeka, KS 66604-4027.

4  
5 **Q. Did you previously file testimony in this proceeding?**

6 A. Yes. On May 5, 2010, I filed Direct Testimony on behalf of the Citizens' Utility  
7 Ratepayer Board. In that testimony, I recommended that the Kansas Corporation  
8 Commission ("KCC" or "Commission") deny the Residential High Efficiency  
9 CAC Program proposed by The Empire District Electric Company ("Empire" or  
10 "company"). I also recommended the Commission deny Empire's proposed  
11 method of program cost recovery as well as its request for a lost revenue recovery  
12 mechanism.

13  
14 **Q. What is the purpose of your Cross-Answering Testimony?**

15 A. The purpose of my Cross-Answering Testimony is to respond to the testimony  
16 submitted by Mr. Michael Deupree of KCC Staff. Specifically, I am challenging  
17 Mr. Deupree's recommendation that the Commission approve each of Empire's  
18 energy-efficiency programs.

19  
20 **Q. Why does Mr. Deupree recommend the Commission approve Empire's  
21 proposed energy-efficiency programs?**

22 A. Mr. Deupree performed a benefit-cost analysis on the energy-efficiency programs  
23 proposed by Empire utilizing the benefit-cost framework outlined by the

1 Commission in its June 2, 2008, *Order Setting Energy Efficiency Policy Goals* in  
2 Docket No. 08-GIMX-442-GIV (“442 Docket”). Based on his analysis, Mr.  
3 Deupree determined that the energy-efficiency programs proposed by Empire are  
4 cost-effective and therefore should be approved.

5

6 **Q. Do you agree with Mr. Deupree’s conclusion that the Commission should**  
7 **approve each of Empire’s proposed energy-efficiency programs?**

8 A. No, I do not.

9

10 **Q. Why do you disagree with Mr. Deupree’s recommendation?**

11 A. I disagree with Mr. Deupree’s recommendation because his analysis shows that  
12 the Residential High Efficiency CAC program severely fails the Ratepayer Impact  
13 Measure Test (“RIM”) test and can barely achieve a passing Total Resource Cost  
14 Test (“TRC”) score.

15

16 **Q. Please discuss the benefit-cost test results calculated by Mr. Deupree.**

17 A. In Exhibit MDW-4 of his direct testimony, Mr. Deupree calculated each of the  
18 five benefit-cost tests as directed in the Commission’s order in the 442 Docket.  
19 Based on his analysis, Empire’s Residential High Efficiency CAC Program has a  
20 TRC ratio of 1.04 and a RIM ratio of 0.41. Because the program scored a TRC  
21 ratio of more than 1.0, Mr. Deupree determined the Residential High Efficiency  
22 CAC Program as proposed by Empire is cost-effective and therefore should be  
23 approved.

1 **Q. Do you agree with Mr. Deupree's conclusion that the Residential High**  
2 **Efficiency CAC Program is cost-effective?**

3 **A.** No, I do not. Mr. Deupree bases his recommendation solely on the results of the  
4 TRC test. The TRC test – which is basically the summation of the Participant  
5 Test and the RIM test – incorporates the total costs and benefits of a program,  
6 including cost and benefits for both participants and non-participants, regardless  
7 of which party pays.

8  
9 **Q. Please explain why the Residential High Efficiency CAC Program is not cost-**  
10 **effective, despite its TRC score of 1.04.**

11 **A.** First, it is important to recognize that the process of performing a benefit-cost  
12 analysis is based heavily on assumptions and estimates. The TRC score can be  
13 over-or-under-stated because of incorrect estimates or assumptions. For example,  
14 if participation in the program is lower than expected, or if the program's  
15 estimated costs are too low, or if the actual energy savings by participants are less  
16 than assumed, the TRC score will decrease. A program with a TRC score of only  
17 1.04 does not provide any amount of cushion for the assumptions. Only a slight  
18 overestimate in any one of Mr. Deupree's assumptions used to generate a TRC  
19 score of 1.04 will cause the program's TRC score to fall below 1.0, thereby  
20 deeming the program not cost-effective. In my opinion, a TRC test result that only  
21 provides a margin of 0.04 between cost-effective and not cost-effective is not,  
22 standing alone, a supportable reason for concluding this program will be cost-  
23 effective.

1           Second, while Empire’s Residential High Efficiency CAC program does  
2 achieve a TRC score slightly greater than 1.0, it is clear that the program can only  
3 achieve this score with high levels of subsidization from non-participants. Empire  
4 has estimated that its Residential High Efficiency CAC program will have 35  
5 participants per year for five years – which is only 2.0% or 175 of Empire’s  
6 residential customers in Kansas.<sup>1</sup> According to Mr. Deupree’s Exhibit MDW-4,  
7 the benefits received by participants in the Residential High Efficiency CAC  
8 program will result in a Participant Test score of 3.44. This strong Participant Test  
9 score is in direct contrast to the weak RIM score. The RIM score of 0.41  
10 calculated by Mr. Deupree indicates that rates will increase for all non-  
11 participants to pay for the program. While the TRC test “nets” the effect of these  
12 two programs to achieve a score of 1.04, it does not accurately quantify the level  
13 of subsidization that is necessary from non-participants. Mr. Deupree’s TRC test  
14 score of 1.04 indicates that this program is cost-effective only if the program is  
15 subsidized by the 98% of residential customers who do not participate in the  
16 program.

17  
18 **Q. Based upon the benefit-cost test results performed by Mr. Deupree, should**  
19 **the Commission approve Empire’s Residential High Efficiency CAC**  
20 **Program?**

21 A. No. In its April 13, 2009, *Order Following Collaborative on Benefit-Cost Testing*  
22 *and Evaluation, Measurement, and Verification* in the 442 Docket, the  
23 Commission emphasized that the use of the “RIM and TRC tests is appropriate in

---

<sup>1</sup> Direct Testimony of Michael Deupree in KCC Docket No. 10-EPDE-497-TAR at page 21.

1 light of Kansas realities and Commission goals.”<sup>2</sup> The Commission further stated  
2 that an energy-efficiency program that scores less than one on the RIM test “may  
3 still be considered by the Commission for approval, depending on the degree of  
4 RIM test failure, (and) its performance on the other tests ...”<sup>3</sup> Mr. Deupree’s  
5 analysis shows that Empire’s Residential High Efficiency CAC Program has a  
6 high degree of RIM failure and cannot achieve a significant TRC score.

7  
8 **Q. Why should the Commission deny a program that suffers from a high degree**  
9 **of RIM failure and can barely pass the TRC test?**

10 A. The RIM test is designed to measure the cost-effectiveness of a program from the  
11 perspective of utility customers who do not participate in the program. A  
12 program with a high degree of RIM failure can be expected to have a larger  
13 impact on rates for a large subset of customers, while only a small subset of  
14 customers will benefit directly from the program. The TRC test is designed to  
15 look at the costs and benefits of a program from the perspective of both  
16 participants and non-participants. A program that can achieve a strong TRC score  
17 can be expected to have a smaller impact on customer rates, while spreading the  
18 benefits of the program to a larger portion of the utility’s customers. A program  
19 that suffers from a high degree of RIM failure while not achieving a strong TRC  
20 (0.41 and 1.04, Empire’s Residential High Efficiency CAC Program’s RIM and  
21 TRC scores respectively) indicates that significantly fewer customers will benefit

---

<sup>2</sup> April 13, 2009, KCC Docket 08-GIMX-442-GIV, Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification at ¶121.

<sup>3</sup> April 13, 2009, KCC Docket 08-GIMX-442-GIV, Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification at ¶123.

1 from the program than the customers that will have rates increased to pay for the  
2 program. The Commission should recognize the inequity between participants and  
3 non-participants that is apparent in programs that have a high degree of RIM  
4 failure and minimal TRC scores, and should ultimately deny such programs.

5  
6 **Q. Under what circumstances should the Commission approve a program with a  
7 RIM score of less than 1.0?**

8 A. Based upon the Commission's guidelines in the 442 Docket, I would expect the  
9 Commission to consider approval of a program that has a slight RIM failure but  
10 can achieve a high TRC score. A program with a slight RIM failure that can  
11 achieve a high TRC score indicates that while rates will increase slightly to pay  
12 for the program, the benefits of the program will accrue to all customers –  
13 whether or not they participated in the program. Empire's Residential High  
14 Efficiency CAC Program cannot meet this standard – the program just barely  
15 achieves a passing TRC ratio and has a high degree of RIM failure.

16  
17 **Q. Do you have other concerns about Mr. Deupree's recommendation that the  
18 Commission approve Empire's proposed energy-efficiency programs?**

19 A. Yes, I do. Mr. Deupree performed benefit-cost analyses on Empire's remaining  
20 energy-efficiency programs, except the Building Operator Certification ("BOC")  
21 program, which Mr. Deupree defines as an educational program. In addition to the  
22 Residential High Efficiency CAC program, Mr. Deupree's analysis shows that the  
23 C&I Rebate Program has a high degree of RIM failure. The benefit-cost analysis

1 performed by Mr. Deupree for the C&I Rebate program has the same  
2 subsidization problem as the Residential High Efficiency CAC program. The  
3 program achieves a high Participant Test score of 6.49, but receives a dismal RIM  
4 score of 0.38. The net effect of these two tests results in a TRC score of 1.26. Mr.  
5 Deupree determined the Empire's C&I Rebate Program is cost-effective from the  
6 TRC standpoint and should be approved, despite the high level of RIM failure.

7  
8 **Q. Do you agree with Mr. Deupree's recommendation that the Commission**  
9 **approve the C&I Rebate program?**

10 A. No, I do not. While I did not recommend denial of the C&I Rebate program in my  
11 direct testimony, it is clear from Mr. Deupree's benefit-cost analysis that this  
12 program suffers from the same problem as the Residential High Efficiency CAC  
13 program – a high degree of RIM failure with a barely passing TRC score. As  
14 discussed earlier, the Commission indicated in the 442 Docket that both the RIM  
15 and TRC tests are appropriate in light of Kansas realities, and that the  
16 Commission will consider approval of an energy-efficiency program that scores  
17 less than one on the RIM test, depending on the degree of RIM test failure and the  
18 program's performance on the other tests. Mr. Deupree's recommendation that the  
19 Commission approve a program that has a high degree of RIM failure, while only  
20 achieving a minimal passing TRC score, is inconsistent with the Commission's  
21 guidelines.



1 **Q. What is your recommendation to the Commission regarding Empire's**  
2 **proposed energy-efficiency programs?**

3 A. I continue to recommend that the Commission deny Empire's Residential High  
4 Efficiency CAC Program. The Commission should also consider denying the C&I  
5 Rebate program. While Mr. Deupree makes an effort to justify the cost-  
6 effectiveness of Empire's Residential High Efficiency CAC Program and the C&I  
7 Rebate Program, his benefit-cost test results indicate that both programs severely  
8 fail the RIM test and just barely pass the TRC test. I urge the Commission to  
9 carefully evaluate the appropriateness of requiring these energy-efficiency  
10 expenditures to be recovered from Empire's Kansas customers. These same  
11 customers are facing a rate increase of \$2.79 million, which has been settled upon  
12 by the parties in KCC Docket No. 10-EPDE-314-RTS ("314 Docket"). As part of  
13 the settlement agreement in the 314 Docket, parties agreed that Empire will file an  
14 abbreviated rate case within a year following the Commission's decision in the  
15 314 Docket. The Commission should remain mindful of the economic  
16 circumstances that Kansans in Empire's territory are facing, and should  
17 appropriately disallow any programs that do not make the most efficient use of  
18 energy-efficiency dollars.

19  
20 **Q. Does this conclude your testimony?**

21 A. Yes.

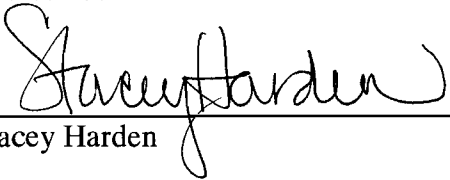
22

VERIFICATION

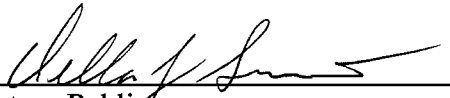
STATE OF KANSAS                    )  
COUNTY OF SHAWNEE            )     ss:

I, Stacey Harden, of lawful age, being first duly sworn upon her oath states:

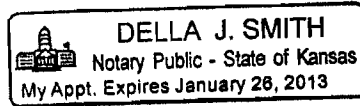
That she is a regulatory analyst for the Citizens' Utility Ratepayer Board, that she has read the above and foregoing testimony, and, upon information and belief, states that the matters therein appearing are true and correct.

  
\_\_\_\_\_  
Stacey Harden

SUBSCRIBED AND SWORN to before me this 19<sup>th</sup> day of May, 2010.

  
\_\_\_\_\_  
Notary Public

My Commission expires: 01-26-2013.



CERTIFICATE OF SERVICE

10-EPDE-497-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was placed in the United States mail, postage prepaid, electronic service, or hand-delivered this 19th day of May, 2010, to the following:

JAMES G. FLAHERTY, ATTORNEY  
ANDERSON & BYRD, L.L.P.  
216 SOUTH HICKORY  
PO BOX 17  
OTTAWA, KS 66067  
Fax: 785-242-1279  
jflaherty@andersonbyrd.com

\* GLENDA CAFER, ATTORNEY  
CAFER LAW OFFICE, L.L.C.  
3321 SW 6TH STREET  
TOPEKA, KS 66606  
Fax: 785-271-9993  
gcafer@sbcglobal.net

SHERRY MCCORMACK  
EMPIRE DISTRICT ELECTRIC COMPANY  
602 S JOPLIN AVE (64801)  
PO BOX 127  
JOPLIN, MO 64802  
Fax: 417-625-5169  
smccormack@empiredistrict.com

KELLY WALTERS, VICE PRESIDENT  
EMPIRE DISTRICT ELECTRIC COMPANY  
602 S JOPLIN AVE (64801)  
PO BOX 127  
JOPLIN, MO 64802  
Fax: 417-625-5173  
kwalters@empiredistrict.com

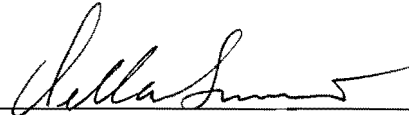
VICKIE SCHATZ, CORPORATE COUNSEL  
KANSAS CITY POWER & LIGHT COMPANY  
ONE KANSAS CITY PLACE  
1200 MAIN STREET (64105)  
P.O. BOX 418679  
KANSAS CITY, MO 64141-9679  
Fax: 816-556-2992  
victoria.schatz@kcpl.com

\* MARY TURNER, DIRECTOR, REGULATORY AFFAIRS  
KANSAS CITY POWER & LIGHT COMPANY  
ONE KANSAS CITY PLACE  
1200 MAIN STREET (64105)  
P.O. BOX 418679  
KANSAS CITY, MO 64141-9679  
Fax: 816-556-2110  
mary.turner@kcpl.com

DANA BRADBURY, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604-4027  
Fax: 785-271-3354  
d.bradbury@kcc.ks.gov  
\*\*\*\* Hand Deliver \*\*\*\*

TERRI PEMBERTON, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604-4027  
Fax: 785-271-3354  
t.pemberton@kcc.ks.gov  
\*\*\*\* Hand Deliver \*\*\*\*

ROGER W. STEINER, ATTORNEY  
SONNENSCHN NATH & ROSENTHAL LLP  
4520 MAIN STREET  
SUITE 1100  
KANSAS CITY, MO 64111  
Fax: 816-531-7545  
rsteiner@sonnenschein.com

  
\_\_\_\_\_  
Della Smith

\* Denotes those receiving the Confidential version