

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

STATE CORPORATION COMMISSION

MAR 31 2010



Docket No. 10-BHCG-639-TAR

**Black Hills/Kansas Gas Utility Company, LLC,**

**d/b/a Black Hills Energy**

**Prepared Direct Testimony of**

**Matthew E. Daunis**

**DIRECT TESTIMONY OF MATTHEW E. DAUNIS**  
**THE STATE CORPORATION COMMISSION**  
**OF THE STATE OF KANSAS**  
**DOCKET NO. \_\_\_\_\_**

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

2           **A:**   My name is Matthew E. Daunis. My business address is 110 East 9<sup>th</sup> Street  
3           Lawrence, Kansas 66044.

4   **2.   Q:   By whom are you presently employed and in what capacity?**

5           **A:**   I am employed as Director of Energy Efficiency Programs for Black Hills  
6           Energy (“BHE” or “Company”). I am testifying on behalf of BHE.

7   **3.   Q:   What is your educational background?**

8           **A:**   I received a bachelor’s degree in mechanical engineering from the  
9           University of Maine in 1976. I received a master’s degree in business  
10          administration from the University of Nebraska in 1985.

11   **4.   Q:   Please describe your professional experience.**

12          **A:**   I have been employed in the utility industry in positions requiring  
13          knowledge of Demand Side Management, customer service, and marketing for  
14          about 24 years. Prior to that, I was employed by a major HVAC manufacturer for  
15          ten years in various marketing and sales positions.

16   **5.   Q:   What is the purpose of your direct testimony?**

17          **A:**   The purpose of my direct testimony is to sponsor Exhibit 1, BHE’s  
18          Demand Side Management (DSM) Plan, also called the Energy Efficiency Plan.

19   **6.   Q:   Do you have any overall observations regarding the DSM Plan?**

1           **A:**     Yes. Energy efficiency is relevant to multiple arenas of BHE’s operations.  
2           In addition to the vital role energy efficiency plays in BHE’s planning for the  
3           utilization of resources, it has also been a critical element in remaining faithful to  
4           the principles of environmental stewardship and providing excellent customer  
5           service. In Iowa, for example, where the Iowa Utilities Board has endorsed the  
6           cost-recovery of DSM programs, we have been running gas programs for nearly  
7           two decades. The Commissions rulings in Dockets 08-GIMX-441-GIV and 08-  
8           GIMX-442-GIV have provided an opportunity for BHE to review its current  
9           program portfolio and explore both program improvements and innovative new  
10          offerings for Kansas. The resulting DSM Plan is composed of three broad  
11          categories: residential programs, nonresidential programs, and special programs,  
12          with each designed to address the needs of various customer types. The residential  
13          program category is further separated into subcategories of a space and water  
14          heating program, an audit program, an envelope measures program and a new  
15          construction program. The nonresidential programs are the prescriptive and  
16          custom rebate program, and the small commercial audit program. The special  
17          programs category consists of three low-income programs and school-based  
18          energy education.

19          BHE looks forward both to working expeditiously with the Commission and other  
20          interested parties in this proceeding and to the next step in this process – rolling  
21          out our ambitious plan as soon as possible to maximize customer benefits.

22   **7.    Q:     Has BHE developed the Plan in compliance with the Commission’s**  
23   **Final Order in Docket 08-GIMX-441-GIV?**

1           **A:**     Yes. We have provided the DSM Plan, and its appendices, as Exhibit 1 of  
2           this filing. The Plan and associated tariffs follow the outline provided as  
3           Appendix A to that order.

4   **8.    Q:     How was the Plan designed?**

5           **A:**     Because of BHE’s strong program history and existing programs in Iowa,  
6           it was a priority in the development of this plan to build on this success and  
7           economies of scale in offering our programs across jurisdictions, while at the  
8           same time incorporating Kansas-specific information into the estimates of energy  
9           savings potential and program designs. The Plan relied on the measure specific  
10          costs and savings estimates from California’s DEER database, augmented where  
11          necessary with measure data from our Iowa and Colorado jurisdictions adjusted  
12          for Kansas weather and markets to develop a portfolio of energy-efficiency  
13          programs for our Kansas service area. BHE and its consultant, The Cadmus  
14          Group, relied on a multi-criteria program development and selection approach.  
15          Criteria included past program performance at BHE, analysis of other utility  
16          programs, cost-benefit analysis of the proposed programs, and input from the  
17          various meetings we have had in Kansas with Commission staff and other  
18          interested parties.

19   **9.    Q:     Has BHE considered the impact that an aggressive energy efficiency  
20          program would have on its ability to fully recover its authorized costs?**

21          **A:**     Yes. An aggressive energy efficiency program, and its corresponding  
22          impact on customer usage, will inhibit our ability to fully recover our authorized  
23          costs. Consequently, BHE is proposing an alternate cost recovery mechanism we

1 call the “Revenue Normalization Mechanism” or RNM. The RNM is described in  
2 our Application, the DSM Plan, and in our Energy Efficiency Cost Recovery  
3 (EECR) tariff. In addition, another BHE witness – Dr. John Chamberlin –  
4 explains the rationale underlying the RNM in his direct testimony.

5 **10. Q: Is BHE proposing a performance incentive mechanism?**

6 **A:** Yes. The Commission indicated that energy efficiency programs should be  
7 considered in a “balanced approach”. Unlike traditional utility investments,  
8 energy efficiency program expenditures do not earn a return for shareholders.  
9 Consequently, BHE is proposing a modest performance incentive mechanism for  
10 savings associated with the residential and low income programs.

11 **11. Q: Does this conclude your prepared direct testimony?**

12 **A:** Yes, it does.

**VERIFICATION OF MATTHEW E. DAUNIS**

STATE OF Kansas )  
COUNTY OF Johnson )ss:

Matthew E. Daunis, being first duly sworn, deposes and says that he is Matthew E. Daunis referred to in the foregoing document entitled "Direct Testimony of Matthew E. Daunis" before the State Corporation Commission of the State of Kansas and the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.

Matthew E. Daunis  
Matthew E. Daunis

SUBSCRIBED AND SWORN to before me this 29 day of March, 2010.

Debra Ruggova  
Notary Public

My Appointment Expires:

