

**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 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.)

JUN 11 2010



Docket No. 10-EPDE-497-TAR

TESTIMONY IN SUPPORT OF SETTLEMENT

STACEY HARDEN

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

June 11, 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 specific components of the
9 Residential High Efficiency CAC Program proposed by The Empire District
10 Electric Company ("Empire" or "company"). I also recommended the
11 Commission deny Empire's proposed method of program cost recovery as well as
12 its request for a lost revenue recovery mechanism. On May 19, 2010 I filed
13 Cross-Answering Testimony addressing the testimony submitted by Michael
14 Deupree of the KCC Staff regarding benefit-cost test results. In my cross-
15 answering testimony, I expressed concern that the benefit-cost analyses performed
16 by Mr. Deupree indicated that Empire's proposed energy-efficiency programs
17 may not be cost-effective.

18
19 **Q. Since your Direct Testimony and Cross-Answering Testimony were filed,
20 have the parties engaged in settlement discussions?**

21 A. Yes. Empire, the KCC Staff and CURB have engaged in settlement discussions.
22 Kansas City Power and Light (KCP&L), the only other party to this docket, did
23 not participate in the discussions. As a result of our discussions, the negotiating

1 parties filed a Joint Motion on June 3, 2010, requesting approval of a Stipulation
2 and Agreement ("S&A") to resolve the issues in this case. I have been told that
3 KCP&L is not signing onto the settlement agreement, but does not intend to
4 oppose it.

5
6 **Q. Can you please summarize the terms of the S&A?**

7 **A.** The S&A allows Empire to offer each of its proposed energy-efficiency programs
8 as part of a three-year pilot beginning on July 1, 2010, with the following
9 modifications:

10 a. The programmable thermostat rebate will be included with either
11 the replacement or tune-up of a central cooling system.

12 b. A list of the prescriptive rebates will be included in the
13 Commercial & Industrial Rebate Program tariff.

14 c. The language relating to the roll-over of unused funds and of
15 allocating unused funds to other programs will be removed from each tariff,
16 allowing each program year's budget to stand alone.

17 d. For Evaluation, Measurement and Verification ("EM&V")
18 purposes, Empire shall track separately the costs relating to its Residential High
19 Efficiency Central Air Conditioning ("CAC") program, for (i) providing an
20 incentive payment for customers to replace inefficient central air conditioning
21 systems; (ii) providing an incentive payment for a seasonable tune-up of the
22 customers' cooling system; and (iii) providing an incentive payment to customers
23 who install a programmable thermostat.

1 In addition, the S&A provides Empire with an accounting order to defer
2 and recover only actual and reasonable costs of implementing the programs; and
3 to allow Empire to establish at the end of the first year of the programs a DSM
4 Rider to begin recovery of its actual costs after they are reviewed by Staff and
5 CURB and approved by the Commission. Additionally, the S&A requires a full
6 EM&V to be completed by an independent third-party evaluator agreed to by the
7 parties, at the end of the second year of the pilot.

8 The S&A also addressed the company's request for a lost revenue
9 recovery mechanism. The parties have agreed that Empire shall not be allowed to
10 seek recovery of lost revenues resulting from its implementation of its energy-
11 efficiency programs during the pilot period. Empire may request approval to seek
12 recovery of lost revenues if it decides to apply for the Commission's approval to
13 make the pilot programs permanent, but only on a forward-going basis.

14
15 **Q. Are you familiar with the standards used by the KCC to evaluate a**
16 **settlement that is proposed to the Commission?**

17 A. Yes, I am. The KCC has adopted five guidelines for use in evaluating settlement
18 agreements. These include: (1) Has each party had an opportunity to be heard on
19 its reasons for opposing the settlement? (2) Is the agreement supported by
20 substantial evidence in the record as a whole? (3) Does the agreement conform to
21 applicable law? (4) Will the agreement result in just and reasonable rates? (5) Are
22 the results of the agreement in the public interest, including the interests of
23 customers represented by any party not consenting to the agreement?

1 I understand that CURB counsel will address item 3, i.e., does the
2 agreement conform to applicable law, in her opening statement at the upcoming
3 hearing. Since I am not an attorney, it is more appropriate for CURB counsel to
4 address this issue than for me to address it. However, I will discuss the remaining
5 four guidelines used by the KCC to evaluate settlements.

6
7 **Q. Has each party had an opportunity to be heard on its reasons for opposing**
8 **the settlement?**

9 A. I did participate personally in settlement negotiations and each party had a full
10 and complete opportunity to be heard. The parties discussed issues and
11 negotiated aggressively. At this time, I am not aware of any party to the case who
12 opposes the settlement.

13
14 **Q. Is the agreement supported by substantial evidence in the record as a whole?**

15 A. Yes, it is. In my direct testimony, I recommended the Commission split Empire's
16 proposed Residential High Efficiency CAC program into three individual
17 components. I then recommended the Commission deny two of the three
18 components to the Residential High Efficiency CAC program. My
19 recommendation was primarily based on the company's "bundling" of programs,
20 which would distort the performance results of each individual component. The
21 S&A requires Empire to track the costs and performance of each individual
22 component of the Residential High Efficiency CAC program separately during the

1 three-year pilot period. This stipulation satisfies my concerns regarding the
2 Residential High Efficiency CAC program.

3 In addition, in my direct and cross-answering testimonies I urged the
4 Commission to consider the cost-effectiveness of Empire's proposal for all
5 ratepayers, especially those that do not participate in the energy-efficiency
6 programs. The KCC Staff supported Empire's energy-efficiency programs and
7 recommended Commission approval. The S&A allows Empire to offer its energy-
8 efficiency programs as a three-year pilot, with EM&V taking place after the
9 second year. This compromise will allow for the energy-efficiency programs to be
10 offered during a pilot period and fully evaluated before becoming permanent
11 programs.

12 Both the KCC Staff and CURB opposed Empire's request to recover
13 budgeted expenses, as well as the company's request for a lost revenue recovery
14 mechanism. The S&A permits Empire to recover only actual expenses incurred
15 from its energy-efficiency programs and denies the company's request for a lost
16 revenue recovery mechanism. This is consistent with my recommendations and
17 the KCC Staff's, as well.

18
19 **Q. Will the agreement result in just and reasonable rates?**

20 **A.** Yes. The S&A allows Empire to recover its incremental expenses for its energy-
21 efficiency pilot programs through a DSM Rider, only after the expenses have
22 been reviewed for accuracy and prudence by the KCC Staff and CURB. I am
23 satisfied that this will result in just and reasonable rates.

1 **Q. Are the results of the agreement in the public interest, including the interests**
2 **of customers represented by any party not consenting to the agreement?**

3 A. As noted above, there are no parties opposing the S&A. KCP&L opted to monitor
4 the parties' discussions rather than participate directly. Therefore, the interests of
5 customers represented by all parties to this proceeding have been considered. The
6 S&A allows for Empire's customers to take advantage of energy-efficiency
7 programs, while ensuring that ratepayers are not funding inefficient programs. It
8 is my opinion that the Commission can find that this agreement meets the public
9 interest standard.

10
11 **Q. What do you recommend?**

12 A. I recommend that the KCC find that the S&A is supported by substantial evidence
13 in the record, will result in just and reasonable rates, and can be found to be in the
14 public interest. Therefore, I recommend that the KCC approve the S&A as filed.

15
16 **Q. Does this conclude your testimony?**

17 A. Yes, it does.

18

VERIFICATION

STATE OF KANSAS)
COUNTY OF SHAWNEE) ss:

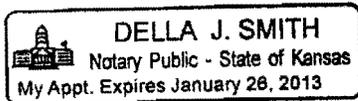
I, Stacey Harden, of lawful age, being first duly sworn upon her oath states:

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 11th day of June, 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 11th day of June, 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

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