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Issues: Energy Efficiency
Witness: John Buchanan
Sponsoring Party: Missouri Department of Economic
Development – Division of Energy
Type of Exhibit: Surrebuttal Testimony
Case No.: GR-2014-0152

MISSOURI PUBLIC SERVICE COMMISSION

LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.

d/b/a

LIBERTY UTILITIES

CASE NO. GR-2014-0152

SURREBUTTAL TESTIMONY

OF

JOHN BUCHANAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri
August 15, 2014

DED Exhibit No. 49
Date 9 8 14 Reporter SJO
File No. _____

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Liberty Utilities (Midstates Natural)
Gas) Corp. d/b/a Liberty Utilities' Tariff Revisions)
Designed to Implement a General Rate Increase for)
Natural Gas Service in the Missouri Service Areas)
of the Company.)

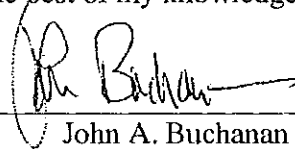
Case No. GR-2014-0152

AFFIDAVIT OF JOHN BUCHANAN

STATE OF MISSOURI)
) ss
CITY OF JEFFERSON)

John A. Buchanan, of lawful age, being first duly sworn on his oath, deposes and states:

1. My name is John Buchanan. I work in the City of Jefferson, Missouri, and I am employed by the Missouri Department of Economic Development as a Senior Planner, Division of Energy.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of the Missouri Department of Economic Development – Division of Energy.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

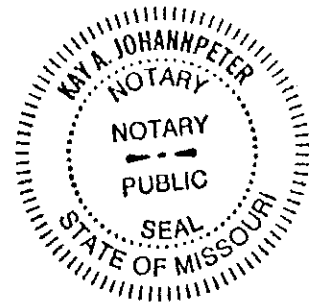


John A. Buchanan

Subscribed and sworn to before me this 15th day of August, 2014.



Notary Public



My commission expires:

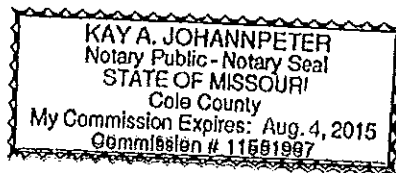


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1 I. INTRODUCTION

2
3 **Q. Please state your name and business address.**

4 A. John Buchanan, Missouri Department of Economic Development, Division of Energy, 301
5 West High Street, Suite 720, Jefferson City, Missouri.

6 **Q. Have you previously filed testimony in this case?**

7 A. Yes. On June 6, 2014, I filed direct testimony on behalf of the Missouri Department of
8 Economic Development's Division of Energy (DE).

9 **Q. On whose behalf are you presenting surrebuttal testimony in this case?**

10 A. As in my direct testimony, I am testifying on behalf of the DE.
11

12 II. PURPOSE AND SUMMARY OF SURREBUTTAL TESTIMONY

13
14 **Q. What is the purpose of your surrebuttal testimony in these proceedings?**

15 A. The purpose of my surrebuttal testimony is to address rebuttal testimony filed by Kory
16 Boustead on behalf of the staff of the Missouri Public Service Commission (Staff). I will
17 specifically offer testimony to address the following energy efficiency issues:

18 (1) Target funding levels to support cost effective energy efficiency programs to be designed
19 and offered by SNG.
20
21
22
23

1 In Laclede Gas Company's general rate case GR-2013-0171, the Commission approved a
2 stipulation and agreement which provided for funding to support low-income weatherization
3 assistance:

4 B. The rates recommended herein include Nine Hundred Fifty Thousand
5 (\$950,000) annually for Laclede to continue its existing low-income
6 weatherization program, beginning on the effective date of new rates resulting
7 from this proceeding. The funds shall be forwarded to the Missouri
8 Environmental Improvement and Energy Resource Authority ("EIERA") for
9 administration by DNR of the Low-Income Weatherization Assistance Program
10 for eligible Laclede residential natural gas customers. Payment in full shall be
11 submitted to EIERA no later than November 1 each year. Any funds not expended
12 in a given year shall be carried forward to the subsequent year.²
13

14 **Q. Please continue.**

15 A. The Commission authorized separate funding to support energy efficiency:

16 C. Laclede will continue to work with its Energy Efficiency Collaborative
17 ("EEC") to develop cost-effective conservation and energy efficiency programs
18 under the same terms and conditions as exist today, except that, for the 12 month
19 period beginning October 1, 2013, the funding level goals as referenced in the
20 Second Stipulation and Agreement in Case No. GR-2010-0171 shall be updated to
21 \$4,235,000, which is .5% of the annual average of the Company's Missouri
22 jurisdictional gas distribution operating revenues for the Laclede Gas division
23 service territory, including cost of gas for Residential, Commercial and Industrial,
24 and Interruptible Customers for the fiscal years ending 2010, 2011 and 2012, as
25 such revenues are set forth in the Company's 10-K filings with the Securities and
26 Exchange Commission, or if not set forth in those filings, then through another
27 credible source. For the 12 month period beginning each October 1 thereafter,
28 such target levels shall be updated to .5% of the moving average of these revenues
29 over the three previous years. This updating method shall remain in effect until
30 the effective date of a Commission order mandating otherwise in a subsequent
31 rate case or until the parties unanimously agree to request and the Commission
32 approves a different method or target level amount.³
33

34 **Q. Please summarize the Commission's authorization to separately fund MGE's low-**
35 **income weatherization and energy efficiency programs.**

² Missouri Public Service Commission Case No. GR-2013-0171, *In the Matter of Laclede Gas Company's Filing of Revised Tariffs to Increase its Annual Revenues for Natural Gas*, Stipulation and Agreement, May 31, 2013, pages 12-13.

³ *Ibid.*, page 13.

1 A. The Commission authorized separate funding in MGE’s last general rate case, GR-2014-
2 0007:

3 (b) The rates recommended herein include Seven Hundred and Fifty Thousand
4 Dollars (\$750,000) annually for MGE to continue its existing low-income weatherization
5 program, beginning on the effective date of new rates resulting from this proceeding. Any
6 funds not expended in a given year shall be carried forward to the subsequent year. The
7 funds shall be allocated and the program shall be otherwise operated pursuant to the
8 existing program terms and conditions set forth in MGE Tariff Sheet Nos. 96-97
9 contained in Attachment 1 hereto.⁴

10
11 (c) MGE will continue to work with its Energy Efficiency Collaborative (“EEC”) to
12 develop cost-effective conservation and energy efficiency programs under the same terms
13 and conditions as exist today, except that, for the 12 month period beginning October 1,
14 2014, the funding level goals as referenced herein shall be updated to Two Million Six
15 Hundred Fifty Thousand Dollars (\$2,650,000), which is .5% of the annual average of the
16 Company’s Missouri jurisdictional gas distribution operating revenues for the MGE
17 service territory, including cost of gas for the fiscal years ending 2011, 2012 and 2013.
18 For the 12 month period beginning each January 1st thereafter, such target levels shall be
19 updated to .5% of the moving average of these revenues over the three previous years.
20 This updating method shall remain in effect until the effective date of a Commission
21 order mandating otherwise in a subsequent rate case or until the parties unanimously
22 agree to request and the Commission approves a different method or target level amount.⁵

23
24 **Q. Does Staff have recommendations regarding the target funding level of 0.5 percent?**

25 A. Staff recommends the following:

26 Staff recommends the Commission approve the goal of 0.5 percent of annual
27 revenues as the target level for both energy efficiency and Low Income
28 Weatherization assistance programs combined. Since the utility potentially can
29 recover the costs through rates [,] Staff feels there is not enough information
30 regarding how effective these programs are in reducing energy usage to justify
31 allowing more money in addition to the 0.5 percent of annual revenues, causing a
32 further potential future increase than what could be necessary.⁶

33
34 **Q. Do you agree with Staff’s recommendation?**

35 A. No. Staff is simply recommending no changes to Liberty’s current energy efficiency and
36 low-income programs.

⁴ Missouri Public Service Commission Case No. GR-2014-0007, *In the Matter of Missouri Gas Energy and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service*; Stipulation and Agreement, page 19.

⁵ *Ibid.*, page 19-20.

⁶ Boustead, *op. cit.*, lines 21-23, page 2 and lines 1-3, page 3.

1 **Q. Why should the Commission authorize separate funding to support Liberty's energy**
2 **efficiency initiatives?**

3 A. Given the Commission's recent decisions on this point, separate funding authorization by the
4 Commission in this case would enhance regulatory consistency and predictability among
5 Missouri natural gas utilities and stakeholders with respect to energy efficiency.

6 **Q. Do you have other concerns with Staff's position?**

7 A. Staff states that, "there is not enough information regarding how effective these programs are
8 in reducing energy usage to justify allowing more money in addition to the 0.5 percent of
9 annual revenues, causing a further potential future increase than what could be necessary". In
10 fact, there is sufficient information on the performance of these programs. As noted in the
11 Unanimous Stipulation and Agreement in Case No. GR-2010-0192:

12 (f) Atmos shall file annual reports with the Commission reporting on the status of
13 implementing energy conservation and efficiency programs...Annual reports shall
14 include: (1) a narrative description of the status of each program; (2) information
15 (by program) on actual program expenditures and estimated impacts (Ccfs, to the
16 extent reasonably available); (3) a comparison (by program) of budgeted
17 expenditures and impacts (Ccfs, to the extent reasonably available) to actual
18 expenditures and impacts (Ccfs, to the extent reasonably available); and (4) an
19 update on the progress made in the prior year, and progress anticipated in the next
20 year, towards the target of increasing annual expenditures for cost-effective
21 energy conservation and efficiency programs to one-half percent (0.5%) of total
22 gas and non-gas annual revenues at the level of annualized revenues determined
23 in this rate case, within three (3) years.⁷

24
25 Furthermore, the Unanimous Stipulation and Agreement approved by the
26 Commission recognized the potential for additional investment in Liberty's energy
27 efficiency programs and the approved regulatory asset accounting mechanism is still
28 appropriate today:

29 [F]unding for the Energy Conservation and Efficiency Program shall include
30 \$150,000 per year in base rates (\$105,000 of which shall be annually dedicated to

⁷ Case No. GR-2010-0192, Unanimous Stipulation and Agreement, *op. cit.*, page 8.

1 the Residential Low Income Weatherization Assistance Program), with the
2 utilization of a regulatory asset account mechanism for additional monies required
3 to fund said Program. Atmos shall accumulate any additional Program costs
4 (above the \$150,000) in regulatory asset accounts as the costs are incurred, for
5 potential recovery in a future rate case...Program costs in the regulatory asset
6 account that have been prudently incurred will be included in rate base in the
7 Company's next general rate case and amortized over six (6) years.⁸
8
9

10 **Q. Does this conclude your surrebuttal testimony?**

11 Yes. Thank you.

⁸ Missouri Public Service Commission Case No. GR-2010-0192, *In the Matter of Atmos Energy Corporation's Tariff Revision Designed to Implement a General Rate Increase for Natural Gas Service in the Missouri Service Area of the Company*, Unanimous Stipulation and Agreement, page 5.