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Witness: John Buchanan
Sponsoring Party: Missouri Department of Economic
Development – Division of Energy
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Case No.: GR-2014-0086

MISSOURI PUBLIC SERVICE COMMISSION

SUMMIT NATURAL GAS OF MISSOURI, INC.

CASE NO. GR-2014-0086

SURREBUTTAL TESTIMONY

OF

JOHN BUCHANAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri
August 8, 2014

DOE Exhibit No. 502
Date 8-19-14 Reporter FF
File No GR-2014-0086

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

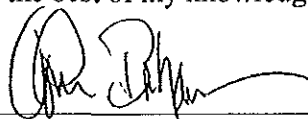
In the Matter of Summit Natural Gas of Missouri's)
Filing of Revised Tariffs to Increase its Annual) Case No. GR-2014-0086
Revenues for Natural Gas Service)

AFFIDAVIT OF JOHN BUCHANAN

STATE OF MISSOURI)
) ss
CITY OF JEFFERSON)

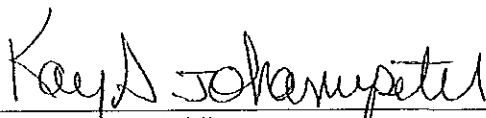
John A. Buchanan, of lawful age, being first duly sworn on his oath, deposes and states:

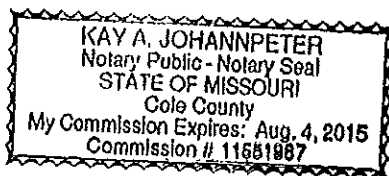
1. My name is John Buchanan. I work in the City of Jefferson, Missouri, and I am employed by the Missouri Department of Economic Development as a Senior Planner, Division of Energy.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of the Missouri Department 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 8th day of August, 2014.


Notary Public



My commission expires:

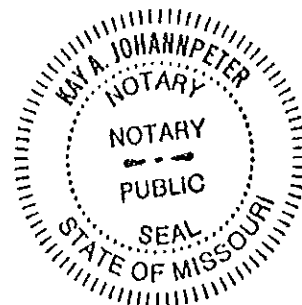


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1 I. INTRODUCTION

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 May 30, 2014, I filed direct testimony and on July 11, 2014, I filed rebuttal
8 testimony on behalf of the Missouri Department of Economic Development's Division of
9 Energy (DE).

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

11 A. As in my direct and rebuttal testimony, I am testifying on behalf of the DE.
12

13 II. PURPOSE AND SUMMARY OF SURREBUTTAL TESTIMONY

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

16 A. The purpose of my surrebuttal testimony is to address rebuttal testimony filed by Kory
17 Boustead on behalf of the staff of the Missouri Public Service Commission (Staff); Martha
18 Wankum on behalf of Summit Natural Gas of Missouri, Inc. (SNG); and Geoff Marke on
19 behalf of the Office of Public Counsel (OPC). I will specifically offer testimony to address
20 the following energy efficiency issues:
21 (1) Target funding levels to support cost effective energy efficiency programs to be designed
22 and offered by SNG; and,
23 (2) SNG energy efficiency collaborative.

1 **III. FUNDING FOR ENERGY EFFICIENCY AND COLLABORATIVE**

2

3 **Q. Please summarize Staff's position regarding funding for energy efficiency.**

4 A. Staff agrees with DE's proposed target funding level of 0.5 percent of SNG's total annual
5 operating revenue, including commodity (natural gas) expense. According to Staff witness

6 Kory Boustead:

7 Staff proposes the goal of 0.5 percent of annual revenues as the target level for
8 both energy efficiency and Low-Income Weatherization assistance program as
9 has been calculated for other company programs in the past.¹

10

11 **Q. Do you agree with this statement?**

12 A. Not entirely. In recent actions, the Missouri Public Service Commission (Commission) has
13 authorized a target funding level of 0.5 percent to support natural gas utilities' energy
14 efficiency programs, and a *separate* funding level for low-income weatherization assistance.

15 **Q. Please identify the natural gas utilities for which the Commission has authorized
16 separate funding levels for energy efficiency and low-income weatherization assistance.**

17 A. The Commission authorized the following Missouri investor-owned natural gas utilities to
18 fund energy efficiency programs separately from a low-income weatherization assistance
19 program:

Utility	Case Number
Missouri Gas Energy, a division of Laclede Gas Company	GR-2014-0007
Laclede Gas Company	GR-2013-0171

20

21

22

23

24

¹ Rebuttal Testimony, Staff Witness Kory Boustead, lines 12-14, page 4, July 2014.

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 other recommendations regarding the target funding level of 0.5**
25 **percent?**

26 A. Staff recommends the following:

27 A ramp-up period of three (3) years is appropriate to allow SNG to form the
28 EEAG, develop cost-effective programs, submit tariffs for approval and allow
29 time to advertise the measures in the natural gas energy efficiency programs. At
30 the end of the three (3) year period SNG should reach the goal of 0.5 percent of
31 annual revenues for Low-Income Weatherization assistance program and energy
32 efficiency initiatives.⁶

33
34 **Q. Do you agree with Staff's proposal?**

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 14-19, page 4.

1 A. The DE agrees with the portion of Staff's proposal regarding a "ramp-up" period to support
2 energy efficiency initiatives, as reflected in my rebuttal testimony.⁷ DE, however,
3 recommends a separate annual amount of funding for low-income weatherization assistance.
4 A "ramp-up" in funding for a SNG low-income weatherization assistance program
5 administered by DE, as Staff appears to recommend, is unnecessary. DE witness Joe
6 Gassner provides additional information regarding low-income weatherization
7 assistance in his surrebuttal testimony.

8 **Q. Why should the Commission authorize separate funding to support SNG energy**
9 **efficiency initiatives?**

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

13 **Q. Please summarize SNG's position regarding funding for energy efficiency.**

14 A. According to SNG witness Martha Wankum:

15 The Company does not currently have any energy efficiency programs in place
16 and does not currently employ personnel with the expertise to immediately begin
17 to administer robust energy efficiency and low-income weatherization programs.
18 As such, an initial target of 0.5 percent of annual revenues is too high, and the
19 Company recommends a more incremental approach be taken toward target
20 funding levels.⁸

21
22 **Q. Do you agree with SNG?**

23 A. DE agrees that SNG would need some period of time in which to "ramp up" its energy
24 efficiency portfolio and expertise; "incremental approach" is another way to refer to the
25 "ramp up" approach presented in my rebuttal testimony.⁹ However, DE continues to

⁷ Rebuttal Testimony, DE Witness John Buchanan, lines 1-5, page 5, July 11, 2014.

⁸ Rebuttal Testimony, SNG Witness Martha Wankum, lines 20-21, page 3 and lines 1-4, page 4, July 2014.

⁹ Buchanan, *op. cit.*, lines 1-5, page 5.

1 recommend that the Commission set the target of 0.5 percent in this case. It is neither too
2 soon to set the target nor too high a target to set in this case, with appropriate provision for
3 ramp-up.

4 **Q. Please summarize OPC's position regarding funding for energy efficiency.**

5 A. OPC opposes funding to support the energy efficiency programs proposed by SNG. According to
6 OPC witness Geoff Marke:

7
8 Public Counsel favors EE programs when cost effective and a benefit to all rate payers.
9 However, adding an additional \$100,000+ to this budget will not be cost effective as
10 presently designed, and so, would not accrue appreciable benefit to ratepayers.¹⁰
11
12

13 **Q. Do you agree with the OPC?**

14 A. First, DE's recommendation will not result in "adding an additional \$100,000+ to this
15 budget." DE requests that the Commission set a 0.5 percent target with a ramp-up over a 3-
16 year period, which may result in an energy efficiency budget over \$100,000 for the 2018/19
17 program year. DE supports the use of a collaborative process authorized by the Commission
18 in past natural gas utility general rates cases. A Commission authorized energy efficiency
19 collaborative composed of representatives of the OPC, Staff, SNG and DE would assure that
20 cost-effective energy efficiency portfolios for residential and commercial (including small
21 general service) customers would be fully evaluated prior to implementation by SNG.¹¹ The
22 collaborative is uniquely positioned to identify and propose additions or modifications to
23 SNG energy efficiency programs to account for changing market conditions, including
24 changes to industry technical standards and federal standards or guidelines, to ensure the
25 cost-effectiveness of a SNG energy efficiency program. To fully evaluate and implement a
26 portfolio of cost-effective energy efficiency initiatives by SNG, the DE recommends the

¹⁰ Rebuttal Testimony, OPC Witness Geoff Marke, lines 5-7, page 12, July 11, 2014.

¹¹ Direct Testimony, DE Witness John Buchanan, lines 7-13, page 5, May 30, 2014

1 Commission authorize SNG to ramp up to an adequate level of funding of 0.5 percent of
2 SNG's annual total operating revenue within 3 years.

3 **Q. Please continue.**

4 A. DE believes the Commission recognizes the importance and benefits of the collaborative
5 process to support responsible development of cost-effective energy efficiency programs.

6 With the exception of SNG, every investor-owned natural gas utility in Missouri has an
7 energy efficiency collaborative authorized by the Commission.

8 **Q. Did the OPC suggest an appropriate amount of funding or other scenario to support an
9 SNG energy efficiency program?**

10 A. The OPC does not recommend an amount to support energy efficiency. OPC witness Geoff
11 Marke states:

12 A ratepayer-funded EE program administered solely by SNG does not make sense
13 from a cost-effective perspective under present constraints. This is not to say it
14 [sic] no program would ever make sense. The simplest way to create a cost-
15 effective program for a gas utility like SNG is to deliver EE programs coordinated
16 with the respective electric utilities in their service territory in order to take
17 advantage of economies of scale. This approach would bring the costs of
18 delivering the program, as well as the cost-effectiveness screening of measures,
19 down considerably."¹²

20
21 OPC witness Geoff Marke goes on to state:

22 Public Counsel would be in favor of redirecting the funds (\$15,000) that SNG had
23 proposed to allocate towards EE to low-income weatherization instead.¹³

24
25 **Q. Do you agree with the OPC?**

26 A. No. Mr. Marke takes the position that, "adding an additional \$100,000+ to this budget will
27 not be cost effective as presently designed"¹⁴, suggesting that DE proposes the entire 0.5
28 percent target level of funding to support SNG's proposed furnace and thermostat rebate

¹² Marke, *op. cit.*, lines 8-14, page 14.

¹³ Marke, *op. cit.*, lines 9-10, page 15.

¹⁴ Marke, *op. cit.*, lines 5-7, page 12.

1 program. To be clear, DE proposes a 0.5 percent target funding level (approximately
2 \$114,000) to be phased in over a three-year period with a Collaborative providing guidance
3 in program design and budget development.

4 As to Mr. Marke's statement that "[t]he simplest way to create a cost-effective program for a
5 gas utility like SNG is to deliver EE programs coordinated with the respective electric
6 utilities in their service territory", the OPC is fully aware through its direct participation,
7 natural gas utility energy efficiency collaboratives have and continue to advocate joint
8 delivery programs by Missouri natural gas utilities. Examples of current joint or co-delivery
9 energy efficiency programs include a low-income multi-family dwelling program managed
10 by Ameren Missouri (electric) and Laclede Gas Company; and, a Home Performance with
11 Energy Star program jointly delivered by MGE and Empire District Electric Company. SNG
12 can't possibly implement jointly delivered cost-effective energy efficiency programs that
13 benefit SNG customers as well as partner utilities' customers, if the Commission follows
14 OPC's no funding recommendation. To recommend, as the OPC does, that SNG customers
15 should be denied the savings and benefits of an energy efficiency program in light of
16 potentially higher natural gas rates, is truly puzzling.

17 **Q. Did the OPC recommend an "alternative" model to fund natural gas utility energy**
18 **efficiency programs?**

19 A. According to OPC witness Geoff Marke:

20 Another useful model for consideration can be found in Massachusetts in which
21 EE programs are branded as a state-wide initiative (MASS SAVE) where costs of
22 marketing, administering, tracking and verifying are shared by all the utilities
23 (IOU's, co-ops; and municipals) collectively.¹⁵
24

25 **Q. Do you have comments regarding OPC's recommendation?**

¹⁵ Marke, *op. cit.*, lines 1-4, page 15.

1 A. The state of Massachusetts' MASS SAVE program is a legislatively mandated
2 program to support demand side management programs as well as combined heat and
3 power and geothermal heating and cooling projects. The proposal may have merit;
4 however, it is not clear how the Commission would address such matters in a general
5 rate case.

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

7 Yes. Thank you.