

Exhibit No.: 511  
Issues: Low-Income Weatherization  
Witness: Sharlet E. Kroll  
Sponsoring Party: Missouri Department of Economic  
Development – Division of Energy  
Type of Exhibit: Surrebuttal Testimony  
Case Nos.: GR 2017-0215; GR-2017-0216

**MISSOURI PUBLIC SERVICE COMMISSION**

**SPIRE COMPANY**

**CASE NO. GR-2017-0215**

**and**

**CASE NO. GR-2017-0216**

**SURREBUTTAL TESTIMONY**

**OF**

**SHARLET E. KROLL**

**ON**

**BEHALF OF**

**MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT**

**DVISION OF ENERGY**

Jefferson City, Missouri

November 21, 2017

DE Exhibit No. 511  
Date 12-15-17 Reporter AF  
File No. GR-2017-0215  
GR-2017-0216

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

In the Matter of Laclede Gas Company's	)	<u>File No. GR-2017-0215</u>
Request to Increase Its Revenue for Gas Service	)	Tariff No. YG-2017-0195
In the Matter of Laclede Gas Company d/b/a	)	
Missouri Gas Energy's Request to Increase Its	)	<u>File No. GR-2017-0216</u>
Revenues for Gas Service	)	Tariff No. YG-2017-0196

**AFFIDAVIT OF SHARLET E. KROLL**

STATE OF MISSOURI            )  
  )        ss  
COUNTY OF COLE            )

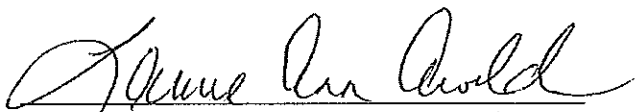
Sharlet E. Kroll, of lawful age, being duly sworn on her oath, deposes and states:

1. My name is Sharlet E. Kroll. I work in the City of Jefferson, Missouri, and I am employed by the Missouri Department of Economic Development, Division of Energy as an Energy Specialist IV.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony (Revenue Requirement) 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.

  
\_\_\_\_\_  
Sharlet E. Kroll

Subscribed and sworn to before me this 21<sup>st</sup> day of November, 2017.

Laurie Ann Arnold  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Callaway County  
My Commission Expires: April 26, 2020  
Commission Number: 16808714

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

My commission expires: 4/26/20

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1 **I. INTRODUCTION**

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

3 A. My name is Sharlet E. Kroll. My business address is 301 West High Street, Suite 720, PO  
4 Box 1766, Jefferson City, Missouri 65102.

5 **Q. By whom and in what capacity are you employed?**

6 A. I am employed by the Missouri Department of Economic Development (“DED”) –  
7 Division of Energy (“DE”) as an Energy Specialist IV, and my working title is the  
8 Weatherization Administrative Manager.

9 **Q. Are you the same Sharlet E. Kroll that filed direct testimony in this case on September**  
10 **8, 2017?**

11 A. Yes, I am.

12 **II. PURPOSE AND SUMMARY OF TESTIMONY**

13 **Q. What is the purpose of your surrebuttal testimony?**

14 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of the  
15 Public Service Commission Staff (“Staff”) witness Natelle Dietrich, and her comments  
16 regarding the Laclede Gas Company’s (“LAC” or “Company”) and Missouri Gas Energy’s  
17 (“MGE” or “Company”) weatherization assistance programs.

18 **Q. What was DE’s recommendation in direct testimony regarding the LAC and MGE**  
19 **weatherization programs?**

20 A. “LAC’s and MGE’s weatherization programs should continue and  
21 be funded at their present level of \$950,000 and \$750,000  
22 respectively. In addition to these funding levels, the Commission  
23 should allow the company to compensate DE to receive an  
24 administration fee of up to five percent to cover costs associated  
25 with administering LAC’s weatherization program or initiate a  
26 discussion among stakeholders about options for ongoing

1 administration of the utility funded programs. Compensation for  
2 EIERA administrative functions should also be addressed. Lastly,  
3 a check-off box should be added to the companies' customer bills  
4 and on-line billing system to allow customers the option of  
5 providing additional voluntarily contributions to weatherization."<sup>1</sup>

6 **Q. What were party positions regarding the LAC and MGE weatherization program**  
7 **funding levels?**

8 **A.** Both Staff witness, Karen Lyons, and Office of Public Counsel ("OPC") witness, Lena M.  
9 Mantle, testified to continue current funding levels for both programs at \$950,000 and  
10 \$750,000 respectively.

11 **Q. Has any party objected to DE's recommendation to convene a group of interested**  
12 **stakeholders to discuss the future administration of the LAC weatherization**  
13 **program?**

14 **A.** No party expressed support for or objection against this in rebuttal testimony.

15 **III. DE RESPONSE TO STAFF**

16 **Q. Will you address concerns mentioned in Staff witness Natelle Dietrich's testimony**  
17 **regarding DE's statutory authority?**

18 **A.** No, I respectfully defer arguments regarding legal interpretation of Section 640.676 –  
19 Public and private partnership agreements (noted on Page 3 beginning at Line 12 of Ms.  
20 Dietrich's rebuttal testimony) and Section 393.130<sup>2</sup> to DE's legal counsel.

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<sup>1</sup> Direct Testimony of Sharlet E. Kroll, Page 23 Lines 12-20.

<sup>2</sup> Staff witness, Natelle Dietrich, response to DED-DE Data Request No. 403. November 17, 2017

1 **Q. Has any party objected to DE's request to allow the Company to compensate DE for**  
2 **its administrative costs of LAC's weatherization program?**

3 A. Yes. Staff witness, Natelle Dietrich, raised concerns regarding program administrative  
4 costs being funded by ratepayers.

5 **Q. Did Staff or any other party contest DE's assertion that DE incurs costs from its**  
6 **administration of the LAC program?**

7 A. No.

8 **Q. What is Staff's position regarding a third party implementer?**

9 A. "The relationship of the administrator does not affect whether the  
10 administration and delivery of weatherization services is unlawfully  
11 discriminatory and preferential."<sup>3</sup>

12 Unless this policy position is rejected, then Investor owned utilities  
13 ("IOUs") must administer their programs or have shareholders pay the cost  
14 of program administration.

15 **Q. Are there IOU's who utilize third party implementers for program delivery?**

16 A. Yes. Union Electric d/b/a Ameren Missouri, Kansas City Power & Light ("KCP&L"),  
17 KCP&L Greater Missouri Operations, LAC, and MGE have contracted with third party  
18 implementers for residential program delivery. Further, some residential customers may  
19 want to participate in programs but be unable. Renters, may require owner approval to  
20 install energy efficiency measures or be unwilling to make upgrades to property they do  
21 not own even if the upgrade would pay for itself in savings on their energy bill. Low-  
22 income residential customers have barriers to participation.

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<sup>3</sup> Staff witness, Natelle Dietrich, response to DED-DE Data Request No. 403. November 17, 2017

1 **Q. Do these third party implementers provide their services free of charge for the**  
2 **IOU?**

3 A. No. If the contract does not specifically line item administrative fees, then these fees are  
4 incorporated into products or services provided by the contractor.

5 **Q. Do low-income ratepayers participate in energy efficiency programs?**

6 A. As I testified in this case<sup>4</sup> and past cases, low-income ratepayers are less likely to have the  
7 financial means to participate in traditional energy efficiency programs to meaningfully  
8 reduce their energy burden. Because this has been recognized in the past, parties advocated  
9 for development of programs which would promote access to energy efficiency measures  
10 by low-income ratepayers.

11 **Q. If it is unlawful for ratepayers to fund administration of low income programs, then**  
12 **how are these programs managed and administrative costs provided?**

13 A. IOUs routinely contract with local service agencies to deliver weatherization and other  
14 low-income programs. Administrative fees paid to the social service agencies are included  
15 in the contracts. Some IOU low-income programs are funded with a combination of  
16 ratepayer and shareholder funds. These programs include: Ameren's Keeping Current,  
17 Kansas City Power & Light's ("KCP&L") Economic Relief Pilot Program ("ERPP"), and  
18 KCP&L Greater Missouri Operations ("GMO") ERPP. Other IOU low-income programs  
19 are 100 percent funded by ratepayers. These programs include: Missouri Gas Energy  
20 ("MGE") weatherization program, KCP&L and KCP&L GMO's weatherization programs,  
21 and Empire District Electric Company's Low-Income Pilot Program. MGE's current

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<sup>4</sup> Direct Testimony of Sharlet E. Kroll, Page 6 starting at line 10.

1 weatherization tariff,<sup>5</sup> is P.S.C. MO. No. 6 Original Sheet No. 96. Its Term & Conditions  
2 state:

3 "The amount of reimbursable administrative costs per program year  
4 shall not exceed 13% of the total program funds..."  
5

6 Staff participated in the review of this tariff.<sup>6</sup> Additionally, the Commission order  
7 approving Tariff No. JG-2015-0041 states its approval of the "Temporary Low-Income  
8 Energy Affordability Program" is based on the recommendation of its staff for expedited  
9 treatment. Section 4 of P.S.C. MO. No. 6 First Revised Sheet No. R-93 reads:

10 "Compensation to the CAA for its duties will be negotiated between  
11 the Company and the CAA subject to an overall limitation of no more  
12 than 5% of the total funding of the Program." "Any company funds  
13 used in the Program, plus administrative funds, shall be deferred into  
14 a low-income asset account for recovery over a five-year period in the  
15 company's next rate case."<sup>7</sup>  
16

17 On December 3, 2015, Staff filed a Response and Recommendation in Case No. GT-2016-  
18 0134<sup>8</sup> stating they had reviewed the tariff sheets for the "Independence Power & Light  
19 (IPL) Pilot Weatherization Program", a co-delivered experimental program with MGE.  
20 Staff recommended expedited treatment. Section B of P.S.C. MO. No. 6 Original Sheet  
21 No. 106 reads:

22 "Truman Heritage/Habitat for Humanity (THHFH) will administer the  
23 pilot program for IPL and MGE pursuant to a written contract between  
24 THHFH and Laclede Gas Company."<sup>9</sup>  
25

26 The Company has shared its contract with THHFH with the Energy Efficiency Advisory  
27 Group – a consensus-based group – of which three Staff representatives are members. The

<sup>5</sup> Missouri Public Service Commission Tariff No. JG-2014-0293. P.S.C. MO. No. 6 Original Sheet No. 96. Effective February 9, 2014.

<sup>6</sup> Michael R. Noack. (February 5, 2014). Cover letter for electronic filing of MGE weatherization tariff. "...incorporating changes recommended by the MPSC Staff after their review of the revision to MGE's Weatherization Tariff..."

<sup>7</sup> Missouri Public Service Commission Case No. GO-2015-0031. P.S.C. MO. No. 6 First Revised Sheet No. R-9. Effective August 7, 2014.

<sup>8</sup> Missouri Public Service Commission Case No. GT-2016-0134. Tariff No. JG-2016-0136. P.S.C. No. 6 Original Sheet No. 106.



1 contract states that half of THHFH's costs, including "General Administration" and  
2 "Project Management" be charged to MGE.<sup>10</sup> It is unclear how the Staff's past willingness  
3 to include administrative costs in program design reconciles with its position to oppose  
4 ratepayer funding of administrative costs in the current case.

5 **Q. Is DE agreeable to transitioning the weatherization program back to the Company?**

6 A. Yes. Ms. Dietrich testifies that Staff is amenable to LAC administering its weatherization  
7 program. DE has no objection in transitioning administration of the LAC program to the  
8 Company either under the oversight of the Energy Efficiency Advisory Committee or a  
9 quorum-based weatherization advisory committee. In this scenario, DE respectfully  
10 recommends the Commission direct the Company to (1) grant the oversight committee  
11 members full access to review weatherization documents, data, and contracts; and (2)  
12 establish a minimum set of criteria for program management.

13 **Q. What program management criteria would DE recommend for Company or third  
14 party administration of the LAC weatherization program?**

15 A. This criteria includes (1) local agency contracts which minimally delineate: the annual  
16 budget amount, any carry amounts, reporting, invoicing, and process for reallocation of  
17 funds; (2) administrative monitoring of contracts: monthly agency invoices, monthly  
18 agency reports, and annual agency site visit by the Company.

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<sup>10</sup> Exhibit No. 2 of Company Energy Efficiency Advisory Group packet distributed August 17, 2017.

1 **Q. Is DE agreeable to having the LAC weatherization program administered by a third**  
2 **party?**

3 A. Yes. DE has no objection in allowing the Company to contract with a third party  
4 implementer through a competitive bid process assuming program management criteria are  
5 established with oversight by a quorum based advisory committee. However, as stated  
6 earlier in this testimony, Staff has concerns about applying ratepayer funds to a third party  
7 implementer's administrative costs.

8 **Q. If the Company wished to select a third party implementer through a competitive**  
9 **bid process, has DE determined if it would submit a bid?**

10 A. DE is still exploring the role it would take in this scenario. However, as I testified in Direct,  
11 DE believes its administration of the program has value and transparency for the Company  
12 and ratepayers. DE is interested in the ensuring the continuity and success of the program.

13 **Q. Would DE be willing to continue administration of the LAC weatherization**  
14 **program, while a workgroup explored its future administration?**

15 A. DE is agreeable to continue administration of the LAC weatherization program in the short-  
16 term. However, given that it may be a number of years before the next general rate  
17 proceeding for these companies, DE would prefer that a reasonable timeline be established  
18 for a decision on ongoing administration of the program. If a decision on ongoing  
19 administration is not made in this case, DE respectfully requests the Commission direct  
20 Spire to convene interested stakeholders for the development of a report outlining all  
21 options for future LAC weatherization program administration. Options should include:

1           Company administration, DE administration, and third party administration. Further, DE  
2           requests that the workgroup convene no less than three times with at least one face to face  
3           meeting, and the final report be submitted to the Commission no later than December 1,  
4           2018.

5   **Q.    Does this conclude your testimony?**

6   **A.    Yes, thank you.**