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SURREBUTTAL TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

CASE NO. GR-2017-0215
CASE NO. GR-2017-0216

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SURREBUTTAL TESTIMONY

OF

LENA M. MANTLE

LACLEDE GAS COMPANY

MISSOURI GASE ENERGY COMPANY

CASE NOS. GR-2017-0215 and GR-2017-0218

1 **Q. Please state your name.**

2 **A. My name is Lena M. Mantle.**

3 **Q. Are you the same Lena M. Mantle that filed direct and rebuttal testimony in**
4 **this case?**

5 **A. Yes, I am.**

6 **PURPOSE OF TESTIMONY**

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

8 **A. The purpose of this surrebuttal testimony is to summarize the various Parties**
9 **reasons for natural gas energy-efficiency programs for Laclede Gas Company and**
10 **Missouri Gas Energy Company (“Laclede” and “MGE” or collectively**
11 **“Companies”) should be continued. Parties’ positions vary widely. The Office of**
12 **Public Counsel’s (“OPC”) recommendation is that all program funding cease until**
13 **programs are shown to be cost effective to both the participant and the non-**
14 **participants that fund the programs. The Division of Energy’s (“DE”) request is**
15 **to increase the spending on energy-efficiency programs. National Housing Trust**
16 **(“NHT”) requests continuation and development of more effective low-income**
17 **multifamily housing energy efficiency programs.**

18 **Q. Would you summarize OPC’s position with respect to the Companies’**
19 **energy-efficiency programs?**

1 A. OPC has three recommendations regarding the energy-efficiency programs of the
2 Companies:

3 1) Funding for Low Income Weatherization Assistance Programs continue at
4 the current annual levels of \$950,000 for Laclede and \$750,000 for MGE and the
5 Companies work towards a well-designed, well-delivered low-income multi-
6 family-housing energy-efficiency program;

7 2) Funding for all other energy-efficiency programs for the Companies be
8 suspended with resumption occurring as discussed in recommendation 3) below;

9 3) The Companies may reinstate programs upon demonstration that an
10 energy-efficiency program is cost effective to both participating and non-
11 participating customers through a Company filing compliant with 4 CSR 240-
12 3.255 Filing Requirements for Gas Utility Promotional Practices, with cost
13 recovery consistent with current cost recovery. Costs of programs approved by
14 the Commission shall be recorded in FERC Uniform System of Accounts
15 (“USOA”) Account 182.3 for recovery in the Companies’ next general rate case.

16 **Q. Has OPC’s position change since your direct filing?**

17 A. Yes. OPC is recommending the development of well-designed, well-delivered
18 low-income multi-family housing energy-efficiency programs.

19 **Q. Whose rebuttal testimony will you be responding to?**

20 A. I respond to DE witness Martin R Hyman, the Companies’ witness Shaylyn Dean,
21 and NHT witness Annika Brink.

22 **SURREBUTTAL TO DE WITNESS MARTIN HYMAN**

23 **Q. Does DE witness Hyman state what he believes the purpose of the**
24 **Companies’ energy-efficiency programs is?**

1 A. Not explicitly. He does state, however, “[f]undamentally, it is important to
2 provide customers with options to avoid the wasteful use of natural gas.”¹ He also
3 seems concerned about any actions that would lower Missouri’s rank in the
4 American Council for an Energy-Efficient Economy (“ACEEE”) scorecard and
5 opines that suspension of the energy-efficiency programs would impact “progress
6 in energy efficiency job creation and retention and could even lead to job loss.”²

7 **Q. Should the Commission be concerned with “the wasteful use of natural gas”?**

8 A. The Commission should consider what is meant by “wasteful use.” DE is asking
9 the Commission to determine that any use of natural gas above what would be
10 used in a world of perfect energy-efficient end-use. DE considers all other use to
11 be “wasteful use” and asks the Commission require every ratepayer to pay higher
12 rates so the Companies can offer incentives to customers who are “wasteful.”

13 **Q. Why is this approach of particular concern?**

14 A. It assumes natural gas consumers do not place enough value on energy efficiency
15 and will not voluntarily reduce their consumption without an incentive. It also
16 presumes that all consumers should pay more to provide an incentive to customers
17 that would have willingly reduced their natural gas consumption without an utility
18 incentive. It is DE’s position that this altruistic purpose of reducing “wasteful use
19 of natural gas” should be forced on all ratepayers regardless of their incomes,
20 priorities, and personal values.

21 **Q. Does this purported “wasteful” use of natural gas increase the Companies’
22 costs?**

23 A. Not directly. Customers pay the cost of the natural gas commodity through the
24 Companies purchased gas adjustments (“PGA”) so the Companies are made

¹ Hyman Rebuttal, page 6: 3-4.

² *Id.* page 4: 6-11.

1 whole for all natural gas commodity expenditures. “Wasteful” use of natural gas
2 may increase the Companies costs, but only if it results in an increase the
3 Companies’ infrastructure costs.

4 **Q. Could energy-efficiency programs increase the Companies’ costs?**

5 A. Yes. If the programs do not generate benefits to all customers that are greater than
6 the program costs, the programs increase costs to the utility and ultimately its
7 customers. Take the example of a customer whose water heater has quit. As a
8 result of some research and analysis using information from the internet, he
9 decides to purchase a high-efficiency water heater because of the energy savings.
10 He contacts a contractor or goes into an appliance store to purchase the water
11 heater and finds out he can get a rebate on the water heater that he has already
12 chosen. Even though he was going to buy the high efficient water heater prior to
13 learning of the rebate, he pockets the rebate offered by the utility.³ His bill would
14 not be lower than it would have been without the rebate but he benefits from the
15 rebate. The infrastructure to serve that customer’s residence is already in place so
16 this measure would not result in a savings of infrastructure costs to the Company.
17 However, the cost of the rebate, plus the Company’s administrative costs would
18 be included in revenue requirement in the next case, resulting in higher bills for
19 all other customers. While the participant would receive a benefit, all the other
20 customers see an increase in rates because the Company is made whole.

21 Also, to the Companies’ extent fixed costs are included in volumetric
22 charges, there may be costs the Companies do not recover as a result of decreased
23 usage due to increased energy-efficiency.

³ This person would be what is referred to as a “free-rider” because he would have made the same decision absent the rebate.

1 **Q. Mr. Hyman has an example of payback periods for energy-efficiency rebates**
2 **that shows payback periods of five to twelve years.⁴ Is this the payback**
3 **period to the Companies?**

4 **A.** No, it is not. It would only be the payback period if the Companies were able to
5 recover the “Value of Fiscal Year 2016 Savings” shown in his table. In actuality,
6 the participants would see these savings because this savings is based on the
7 natural gas price, which the participant would no longer pay through the PGA.
8 The cost to the Companies is the “Increased Spending” amount in his table while
9 none of the benefits shown in this table would decrease the costs to the
10 Companies.

11 **Q. In his rebuttal testimony, Mr. Hyman discusses the Societal Cost Test**
12 **(“SCT”) for energy-efficiency programs. What is the SCT?**

13 **A.** In very basic terms, it considers every possible benefit and cost to all in the utility
14 service territory, in the state, and/or in the nation as a whole.

15 **Q. Do you have concerns with this particular cost-benefit test?**

16 **A.** Yes. “Society” is not paying the costs of the programs. This test does not directly
17 link the costs of the program to the beneficiaries of the program. This test may
18 force certain values on ratepayers, while absent these programs, ratepayers have
19 more money to spend on the things that they value. To state it differently, if the
20 Commission requires energy-efficiency programs to be funded by ratepayers and
21 the ratepayers do not receive more benefit than the costs, this unreasonably
22 deprives customers of the ability to determine how they spend their money.

23 For example, consumers may choose to spend this money to weatherize
24 their homes or buy more energy-efficient appliances. Ratepayers might use the

⁴ Hyman Rebuttal, page 7: 1-2.

1 money to buy medicine or food. They may choose to spend the money on a social
2 event such as a ball game, if that is what they value.

3 **Q. Do you have any other concerns regarding the SCT?**

4 **A.** Yes. It is hard to determine where benefits and costs to society begin and end.

5 As described in Mr. Hyman's rebuttal testimony, the SCT is based on
6 many subjective and speculative determinations.⁵ One such subjective benefit is
7 job creation. While Mr. Hyman is quick to credit energy efficiency as a job
8 creator he does not address any potential decline in jobs in other sectors as a result
9 of customers having less discretionary spending.

10 Mr. Hyman also brings up improvement in energy security, efficiency of
11 use, energy affordability and diversity of supply. These benefits, while real, are
12 difficult at best to attach a dollar value to. Increase the dollar value assigned to
13 these benefits and the energy-efficiency program is cost-effective. Decrease the
14 dollar value and the energy-efficiency program is not cost-effective.

15 **Q. Mr. Hyman brings up the Commission's promotional practices chapter, 4**
16 **CSR 240-14 Utility Promotional Practices, to justify using various cost-**
17 **benefit tests.⁶ Does this rule specify any tests that should be used to**
18 **determine if a natural gas utility energy-efficiency program should be**
19 **continued?**

20 **A.** No.

21 **Q. What is the purpose of this chapter?**

22 **A.** It is my understanding that prior to when this rule was created in 1971, utilities
23 were offering customers appliances and other consideration in order to incent the
24 customer to take service from the utility. For example, a gas utility would offer a

⁵ Page 8: 10-12.

⁶ Page 7: 15-19, page 9: 16-20.

1 free gas stove if the customer installed a gas furnace. Then the electric utility
2 might decide to offer an electric stove and water heater if the customer installed
3 electric heating. This rule was created to end that practice. The last revision of
4 this rule took place in 1992 at the time the original Electric Utility Resource
5 Planning chapter, 4 CSR 240-22, became effective. There was concern that with
6 Chapter 22, which requires electric utilities to evaluate demand-side measures
7 including energy-efficiency programs as resources, the electric utilities would start
8 giving away appliances or other forms of consideration and label that as an
9 “energy-efficiency” program when it was actually using the program to incent a
10 customer to install electric appliances instead of natural gas appliances. In an
11 effort to thwart this, the promotional practices rule was revised in 1992 to clarify
12 that energy-efficiency programs were not prohibited promotional practices but
13 added language that required the screening of energy-efficiency pilot programs
14 and evaluation of pilot program results prior to the implementation an energy-
15 efficiency program.

16 **Q. What is the basis for your understanding of the purpose of the promotional**
17 **practices rule?**

18 A. I participated in the revision of the rule in 1992 while employed by Staff. In
19 addition, while at Staff, I participated in various tariff filings and cases in which
20 the interpretation of this rule was at issue. I also was the lead Staff when 4 CSR
21 240-14.040 Filing of Promotional Practices was rescinded and 4 CSR 240-3.255
22 Minimum Filing Requirements for Gas Utility Promotional Practices was written.

23 **Q. Is Mr. Hyman correct in his interpretation that 4 CSR 240-3.255(2)(B)3 does**
24 **not require ex post demonstration of program cost-effectiveness?**

25 A. Yes. That, however, was not intended to be the norm. If the utilities file as
26 required by this rule, prior to implementation of the program, parties will have the

1 opportunity to challenge the appropriateness of any program in which the
2 evaluation was conducted,. Commission rule 4 CSR 240-3.255 Minimum Filing
3 Requirements for Gas Utility Promotional Practices describes the minimum
4 information utilities are required to file to support proposed energy-efficiency
5 programs. It describes what must be included in tariff sheets and requires a
6 natural gas utility to file “information relevant to a complete understanding” of the
7 energy-efficiency program. It also requires a description of the advertising
8 proposed for the program, and allows filing for pilot programs to determine cost-
9 effectiveness. Importantly, the rule is very clear that an evaluation of a pilot
10 program is to be planned prior to the beginning of the pilot program. Before full
11 implementation of energy-efficiency programs, the rule requires the completion of
12 an evaluation.

13 When utilities make filings for energy-efficiency programs as I
14 recommended in my direct testimony, all parties would have the ability to
15 challenge the implementation of an energy-efficiency program based on the
16 information provided.

17 **Q. When would an *ex post* demonstration be reasonable?**

18 A. Only when it is obvious that a program would be cost-effective under all cost-
19 effectiveness tests would an *ex post* demonstration of program effectiveness be
20 acceptable. In most cases, the cost-effectiveness is not that apparent. Hence the
21 need for pilot programs.

22 **Q. Is a filing as required by the promotional practices rule important for gas
23 utility energy-efficiency programs?**

24 A. Yes. It is vital for natural gas utilities because there are no gas utility resource
25 planning rules that requires the detailed evaluation of energy-efficiency programs

1 for cost-effectiveness as the Electric Utility Resource Planning Chapter 22
2 requires of the electric utilities.

3 **Q. You stated Mr. Hyman is concerned about Missouri's rank in the ACEEE**
4 **scorecard. Is the lowering of Missouri's rank in the ACEEE scorecard a**
5 **valid reason to continue energy-efficiency programs?**

6 A. No. Energy-efficiency programs should be implemented and continued because
7 they are good for all of the Companies' customers – not because of how the
8 energy-efficiency programs increased funding or suspension may impact
9 Missouri's rank on the ACEEE scorecard.

10 **Q. Finally, Mr. Hyman is concerned about job creation and retention in the**
11 **energy-efficiency sector. Is his concern valid?**

12 A. Maybe. However, the goal of a utility energy-efficiency program should be to
13 move the market to be more energy efficient without incentives, not to perpetuate
14 itself. When the market is moved or a market barrier is removed, utility
15 incentives should not be continued in an effort to perpetuate jobs. There is a
16 potential for energy-efficiency programs to actually stifle free-market job creation
17 to implement energy efficiency if free-market options are crowded out by utility
18 energy-efficiency programs.

19 **Q. Mr. Hyman opines that “[f]undamentally, it is important to provide**
20 **customers with options to avoid the wasteful use of natural gas.”⁷ Are**
21 **natural-gas utility energy-efficiency programs the only way that this can be**
22 **done?**

23 A. No. There are many other ways customers can get this information. For example,
24 in an appliance store the energy usage of appliances is prominently displayed on
25 each appliance. The federal government has set minimum energy-efficiency

1 standards for most appliances. The internet is available to most everyone for
2 research on HVAC options to avoid the wasteful use of natural gas. The DE
3 website contains information on low-interest loan availability and energy
4 efficiency. If a customer makes a decision to be energy efficient, the information
5 is available to help them make a decision without a natural gas utility energy-
6 efficiency program. If an energy-efficiency incentive from their gas utility is
7 available, the person that has taken the time to educate themselves as to the best
8 choice for them is very likely to be what is called a freerider, i.e., they would have
9 made the same decision even if the utility did not offer an incentive. They take
10 the incentive merely because it is offered.

11 **RESPONSE TO COMPANIES' WITNESS SHAYLYN DEAN**

12 **Q. Does the Companies witness Dean state the Companies' position regarding**
13 **the purpose of energy-efficiency programs?**

14 **A.** Not directly. However, Mr. Dean states that doing away with the Companies'
15 energy-efficiency programs, "will create what may be an unintended, but very
16 distinct competitive advantage for electric companies that seems to me to violate
17 promotional practices concepts."⁸ He also brings up possible reduction in
18 pollutants and greenhouse gases and a "common sense approach to help
19 Missourians keep their energy costs low."⁹

20 **Q. Are electric utility energy-efficiency programs designed to give the electric**
21 **utility a competitive advantage over natural gas utilities?**

22 **A.** They should not be. Electric utility energy-efficiency programs go through
23 complicated screening for cost-effectiveness prior to implementation. If Laclede

⁷ Page 6: 3-4.

⁸ Dean Rebuttal, page 7: 10-12.

⁹ Page 7: 6-7.

1 and MGE believe an electric utility's energy-efficiency program is violating the
2 promotional practices rules and is designed to give the electric utility a
3 competitive advantage over natural gas utilities, they should file a complaint when
4 the electric utility energy-efficiency program description tariff sheet is filed, just
5 as they have done in the past.

6 Creating natural gas energy-efficiency programs that are not cost-effective
7 for the customers that are paying for them so the Companies can counter
8 perceived violation of promotional practices rules by electric utilities is exactly
9 what the promotional practices rule was created to prevent.

10 **Q. You stated Mr. Dean also brings up reduction in pollutants and greenhouse**
11 **gases as a potential reason for natural gas energy-efficiency programs. What**
12 **is your response to this statement?**

13 **A.** If this is the reason for natural gas energy-efficiency programs, then the measures,
14 programs, and portfolio of programs needs to be evaluated, designed, and
15 implemented with this specific objective.

16 **Q. What is your response to Mr. Dean's statement the Companies' energy-**
17 **efficiency programs are a common sense approach to help Missourians keep**
18 **their energy costs low?**

19 **A.** Laclede and MGE are in the business of delivering natural gas as needed for
20 consumption by their customers. An energy-efficiency program should only be
21 implemented by any utility if it is beneficial to both those Missourians that
22 participate in the program and also to those who pay for the program. It is only
23 these types of programs that will keep the costs the Companies pass on to their
24 customers low. The energy-efficiency programs' "common sense approach to
25 help Missourians keep their energy costs low" supported by the Companies will
26 actually increase most of their customers' energy costs.

1 **RESPONSE TO NHT WITNESS ANNIKA BRINK**

2 **Q. What is your understanding of NHT's goal for the Companies' energy-**
3 **efficiency programs?**

4 **A.** Ms. Brink seems to be most interested in mitigating the impact of an increase in
5 the Companies' residential rates on low-income customers through the use of
6 energy-efficiency programs. Her concern in her rebuttal testimony centers on use
7 of the ratepayer impact measure ("RIM") for cost-effectiveness for low-income-
8 energy-efficiency programs.¹⁰

9 **Q. What is OPC's response to Ms. Brink's concerns?**

10 **A.** OPC is also interested in mitigating the impact of costs on low-income customers.
11 In that regard, OPC is proposing continuation of the Low Income Weatherization
12 Assistance program that provides funding to community action agencies to
13 weatherize single-family dwellings. This program is well delivered and has
14 proven to help low-income customers reduce their energy bill burden and/or
15 increase their comfort. OPC is also open to a well-designed, well-delivered low-
16 income multi-family housing energy-efficiency program. This is a sector that it
17 has been proven difficult to impact since any incentive provided by the utility
18 typically goes to the owner of the building not the customers that are actually
19 consuming the energy.

20 **SUMMARY OF TESTIMONY**

21 **Q. Would you summarize your testimony?**

22 **A.** Yes. Various parties in this case have various reasons for wanting to continue the
23 Companies' energy-efficiency programs. In order to know whether or not an
24 energy-efficiency program is effective, it is important to determine goal of the

¹⁰ Brink rebuttal, page 5: 15 – 7:7.

1 program. Is it lowest-cost natural gas provision costs, i.e. should the monetary
2 benefits to the customers that fund the program be greater than the costs? Is it to
3 avoid the wasteful use of natural gas regardless of who gets the benefits or the
4 pays the costs? Is it to raise Missouri's ranking in the ACEEE scorecard? Is it to
5 create jobs? Is it to remove a competitive advantage between electric and gas
6 utilities?

7 The correct goal for a regulated natural gas utility's energy-efficiency
8 programs should be to reduce the cost of providing natural gas to all customers.

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

10 **A. Yes, it does.**