Exhibit No.:	
Issues:	Energy Efficiency
Witness:	John Buchanan
Sponsoring Party:	Missouri Department of Economic Development - Division of Energy
Type of Exhibit:	Direct 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

DIRECT TESTIMONY

OF

JOHN BUCHANAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri
June 6, 2014

(Revenue Requirement)

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I. INTRODUCTION

Q. Please state your name and business address.

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

Q. What is the Division of Energy?

A. The Division of Energy (DE) is a division of the Missouri Department of Economic Development (DED) and is the designated state energy office in Missouri responsible for the administration of several federal programs and grants including the federal State Energy Program (SEP) established by the United States Congress in 1978, which is managed nationally by the United States Department of Energy (USDOE). The SEP consists of several statewide energy efficiency programs administered by the DE and funded by the USDOE. The DE is also responsible for administering the federal Low Income Weatherization Assistance Program (LIWAP). The DE is vested with the powers and duties set forth in Section 640.150, RSMo.

Q. **What is your position with the Missouri Division of Energy?**

A. I am the Senior Planner in the DE's Energy Policy and Resources Program.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the DE, an intervenor in these proceedings.

Q. Please describe your educational background and business experience.

A. I joined the Missouri Department of Natural Resources' (DNR) DE in July of 1980 as director of the Missouri Residential Conservation Service Program, a congressionally mandated investor-owned electric and natural gas utility Demand Side Management initiative. In 1986, I was promoted to serve as the Senior Planner within the Director's

Office at the DE. In this capacity, I was involved in a variety of programs and projects addressing energy, environmental, and natural resource issues. In October 1995, I was appointed as a Senior Planner within the Policy and Planning Unit at the DE where my responsibilities include preparation of testimony filed in general rate or other cases by the DNR before the Missouri Public Service Commission (Commission), energy efficiency program design and development, energy emergency planning, energy supply and price monitoring and energy-related policy development. Governor Jay Nixon by Executive Order 13-03 transferred the DE from the DNR to the DED effective August 28, 2013. Prior to my employment with the DNR, I served as Special Assistant to the Mayor, City of Columbia, Missouri for two years. I have a Bachelor of Arts degree in Political Science from Columbia College. I am a former Fellow of Missouri University, where I received my Master of Science in Public Administration.

Q. Are you currently working with Missouri gas utilities to implement energy efficiency initiatives?

A. Yes. Since 1980 I have worked directly with investor-owned regulated gas utilities on several natural gas energy efficiency initiatives including the federal Residential Conservation Service Program established by Congress. This was the first nationwide utility-sponsored non-low income residential energy efficiency program under the guidance of the USDOE. The DE is a charter member of several natural gas energy efficiency collaboratives authorized by the Commission. I serve as the designated DE representative on the following natural gas utility efficiency collaboratives:

1) Ameren Missouri (natural gas) established by GR-2003-0517;

2) Laclede Gas Company established by GR-2007-0208;

3) Liberty Utilities (formerly Atmos Energy Corporation), established by GR-2006-0387;

4) The Empire District Gas Company established by ER-2006-0315; and,

5) Missouri Gas Energy established by GR-2006-0422 and GT-2008-0005.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your direct testimony in these proceedings?

A. The purpose of my testimony is to address natural gas related energy efficiency issues with respect to Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities (Liberty). I will specifically offer testimony regarding:

(1) Target funding level for Liberty to design, implement and evaluate successful non-low income energy efficiency programs for residential and commercial customers;

(2) Funding level for Liberty's Low-Income Weatherization Assistance Program; and,

(3) Timely meetings of Liberty's Energy Efficiency Advisory Group.

(4) A requested change in tariff.

III. RECOMMENDATIONS REGARDING LIBERTY'S ENERGY EFFICIENCY AND CONSERVATION PROGRAMS

Q. What recommendations do you have regarding energy efficiency and conservation programs for Liberty?

A. To assist Liberty in its continuing efforts to fully identify, develop and implement appropriate energy efficiency programs designed to reduce natural gas consumption by its customers that may lead to lower utility bills, the DE recommends that the Commission:

(1) Require Liberty to commit to adequately fund non-low income energy efficiency programs identified by the collaborative that are determined to be cost-effective. Annual funding levels should be at a targeted level of no less than 0.5 percent of Liberty's gross annual operating revenues, including commodity expense (cost of natural gas) beginning in calendar year 2015 following authorization by the Commission in this rate case;

(2) Require Liberty to continue to fund the Low Income Weatherization program at the current level of no less than $105,000 per year. Low Income Weatherization Assistance funding should be in addition to the 0.5 percent target funding level for energy efficiency; and,

(3) Require Liberty to convene timely meetings of the Liberty Energy Efficiency Advisory Group following the acquisition of the Atmos Energy Corporation in 2012.

Q. Please describe the level of energy efficiency funding for Liberty approved by the Commission?

A. As reflected in the Unanimous Stipulation and Agreement in Atmos' (now Liberty) last rate case, GR-2010-0192:

> The Program year will begin with the effective date of the tariffs approved in this case. The initial total funding level for the next year of the Program shall be $210,000.00. Atmos will take all reasonable actions toward the target of increasing annual expenditures for cost-effective conservation and energy efficiency programs to one-half (0.5%) of annual operating revenues, including gas costs, within three year. After the effective date of the new tariffs, Atmos will work with the Energy Efficiency Advisory Group ("EE Advisory Group") to take reasonable actions toward a target of increasing the funding level for cost-effective conservation and energy efficiency programs for the plan year ending in 2013 to 0.5% of the annual average of the Company's Missouri Jurisdictional Total Revenues for the calendar years ending 2008, 2009 and 2010, as such Total Revenues are set forth in the Company's Gas Annual Report filings with the Commission. Such target level shall remain in effect until the effective date of a Commission order mandating otherwise in a subsequent rate case or until the parties

unanimously agree to request and the Commission approves a different target level amount during that time period.[1]

Q. Please describe the energy efficiency target funding level for Liberty after the 2013 program year approved by the Commission.

A. As reflected by the Unanimous Stipulation and Agreement in Atmos' (now Liberty) last rate case GR-2010-0192:

> Thereafter, Atmos will take all reasonable actions to develop and implement cost-effective energy efficiency programs that will move toward a goal of increasing annual expenditures above the one-half percent (0.5%) target level of annual operating revenues, including gas costs.[2]

Q. What level of energy efficiency funding should the Commission authorize for Liberty?

A. The DE recommends an annual target funding level of no less than 0.5 percent of Liberty's gross operating revenue including commodity/cost of gas to implement cost-effective, non-low income residential and commercial energy efficiency programs for Program Year 2015. This recommended funding level is a minimum level of investment to support successful energy efficiency initiatives. Liberty should take all reasonable actions to develop and implement cost-effective energy efficiency programs that will move toward a goal of increasing annual expenditures above the one-half percent (0.5%) target level of annual operating revenues, including gas cost, approved by the Commission.

Q. Has the Commission approved energy efficiency program funding based on utility operating revenue for other Missouri natural gas utilities?

A. The Commission has approved funding based on utility operating revenue for the following natural gas utilities:

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[1]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, August 11, 2010, pages 5-6.
[2]*Ibid.* (page 6).

In MGE's last rate case, GR-2014-0007, the Commission ordered the following:

> MGE will continue to work with its Energy Efficiency Collaborative ("EEC") to develop cost-effective conservation and energy efficiency programs under the same terms and conditions as exist today, except that, for the 12 month period beginning October 1, 2014, the funding level goals as referenced herein shall be updated to Two Million Six Hundred Fifty Thousand Dollars ($2,650,000), which is .5% of the annual average of the Company's Missouri jurisdictional gas distribution operating revenues for the MGE service territory, including cost of gas for the fiscal years ending 2011, 2012 and 2013. For the 12 month period beginning each January 1st thereafter, such target levels shall be updated to .5% of the moving average of these revenues over the three previous years. This updating method shall remain in effect until the effective date of a Commission order mandating otherwise in a subsequent rate case or until the parties unanimously agree to request and the Commission approves a different method or target level amount.[3]

The Stipulation and Agreement in Laclede's last rate case, GR-2013-0171, noted:

> Laclede will continue to work with its Energy Efficiency Collaborative ("EEC") to develop cost-effective conservation and energy efficiency programs under the same terms and conditions as exist today, except that, for the 12 month period beginning October 1, 2013, the funding level goals as referenced in the Second Stipulation and Agreement in Case No. GR-2010-0171 shall be updated to $4,235,000, which is .5% of the annual average of the Company's Missouri jurisdictional gas distribution operating revenues for the Laclede Gas division service territory, including cost of gas for Residential, Commercial and Industrial, and Interruptible Customers for the fiscal years ending 2010, 2011 and 2012, as such revenues are set forth in the Company's 10-K filings with the Securities and Exchange Commission, or if not set forth in those filings, then through another credible source.[4]

Likewise, in GR-2009-0434, Empire District Gas Company's last rate case, the Commission ordered the following:

> The Empire District Gas Company is directed to budget for energy efficiency programs previously approved in the *Partial Stipulation and Agreement* at levels that will begin at $231,200 in 2010; and to take all reasonable actions toward the

[3] Missouri Public Service Commission Case No. GR-2014-0007, *In the Matter of Missouri Gas Energy's Filing of Revised Tariffs to Increase its Annual Revenues for Natural Gas Service;* Stipulation and Agreement, April 11, 2014, page 19-20.

[4] 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, page 13.

goal of increasing expenditures for those programs to .5 percent of annual operating revenues, including gas costs, for 2011 and 2012.[5]

In addition to Empire District Gas, Laclede and MGE, as discussed above, the Commission has authorized a target funding level of 0.5 percent for Ameren Missouri[6].

IV. LOW INCOME WEATHERIZATION ASSISTANCE

Q. Briefly describe the current funding level of Liberty's Low Income Assistance Program approved by the Commission.

A. As noted in the Unanimous Stipulation and Agreement in Case No. GR-2010-0192:

> Future funding for the Energy Conservation and Efficiency Program shall include $150,000 per year in base rates ($105,000 of which shall be annually dedicated to the Residential Low Income Weatherization Assistance Program), with the utilization of a regulatory asset account mechanism for additional monies required to fund said Program.[7]

Q. Has the Commission approved natural gas utility-based Low-Income Weatherization Assistance funding in addition to the 0.5 percent target funding level?

A. The following natural gas utilities have Commission authorization to fund Low-Income Weatherization Assistance (This is in addition to the 0.5 percent target funding level for energy efficiency):

Ameren Missouri[8] - $263,000/annual
Empire District Gas Company[9] - $72,667/annual

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[5] Missouri Public Service Commission Case No. GR-2009-0434, *In the Matter of The Empire District Gas Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Gas Service Provided to Customers in the Missouri Service Area of the Company,* Report and Order on DSM Funding, February 24, 2010, pages 15-16.
[6] Missouri Public Service Commission Case No. GR-2010-0363, *In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Natural Gas Service Provided to Customers in the Company's Missouri Service Area,* Unanimous Stipulation and Agreement, January 4, 2011, page 3.
[7] Case No. GR-2010-0192, Unanimous Stipulation and Agreement, *op. cit.*, pages 5-6.
[8] Case No. GR-2010-0363, Unanimous Stipulation and Agreement, *op. cit.*, page 3.
[9] Case No. GR-2009-0434, Report and Order on DSM Funding, *op. cit.*, pages 15-16.

MGE[10] - $750,000/annual
Laclede Gas Company[11] - $600,000/annual

Q. Do you recommend a level of funding by Liberty to support Low Income Weatherization Assistance?

A. The Commission should approve funding of no less than $105,000 since Liberty is allowed to recover this expense in base rates. Low Income Weatherization Assistance funding should be in addition to the 0.5 percent target funding level for energy efficiency. Also, DE proposes that weatherization assistance funding be a subject for discussion among the parties to determine if the funding level should be increased.

V. TIMELY MEETINGS

Q. Should Liberty schedule timely meetings of the EEAG following the acquisition of Atmos Energy Corporation?

A. Yes. In an advisory capacity, the EEAC should meet regularly to discuss energy efficiency program design and implementation. Liberty is responsible for the day-to-day management of the energy efficiency measures adopted/implemented and should schedule meetings in accordance with the Unanimous Stipulation and Agreement approved by the Commission that states:

> The EE Advisory Group shall have meetings or conference calls at least two (2) times per year.[12]

[10] Case No. GR-2014-0007, Stipulation and Agreement, *op. cit.*, page 19.
[11] Case No. GR-2013-0171, Stipulation and Agreement, *op. cit.*, page 11.
[12] Case No. GR-2010-0192, Unanimous Stipulation and Agreement, *op. cit.*, page 6.

VI. TARIFF REVISIONS

Q. Is there a specific revision to Liberty's current tariff sheet 115 that you request?

A. Yes. In the section titled "ENERGY CONSERVATION AND EFFICIENCY," there is a reference to the Department of Natural Resources that I request be changed to read "Department of Economic Development – Division of Energy." The Division of Energy was formerly a part of the Department of Natural Resources, but was transferred to the Department of Economic Development (DED) on August 29, 2013 by Executive Order 13-03. The Executive Order transfers "all authority, powers, duties, functions, records, personnel, property, contracts, budgets, matters pending, and other pertinent vestiges of the Division of Energy from the Missouri Department of Natural Resources to the Missouri Department of Economic Development...." The Division of Energy is a charter member of the EEC and continues in that role after the transfer.

Q. Please summarize your testimony.

A. Significant strides have been made by investor-owned natural gas utilities, including Liberty, to successfully implement cost-effective energy efficiency programs in Missouri. These investments should continue to be strongly supported at adequate levels to ensure their on-going success. The DE respectfully recommends, therefore, that the Commission address and authorize the following:

- Require Liberty to commit to adequately fund non-low income energy efficiency programs identified by the collaborative that are determined to be cost effective;

- Authorize funding by Liberty of no less than $105,000 annually to support Low-Income Weatherization Assistance. Low Income Weatherization Assistance funding should be in addition to the 0.5 percent target funding level for energy efficiency; and,
- Require Liberty to conduct regularly scheduled meetings and or conference calls as approved by the Commission.

Q. Does this conclude your testimony?

A. Yes. Thank you.

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 A. BUCHANAN

STATE OF MISSOURI)
) ss
CITY OF JEFFERSON)

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

1. My name is John A. Buchanan. I work in the City of Jefferson, Missouri, and I am employed by the Missouri Department of Economic Development as Senior Planner, Division of Energy.
2. Attached hereto and made a part hereof for all purposes is my Direct 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.

John A. Buchanan

KAY A. JOHANNPETER NOTARY NOTARY PUBLIC SEAL STATE OF MISSOURI

Subscribed and sworn to before me this 6th day of June, 2014

Notary Public

My commission expires:

KAY A. JOHANNPETER
Notary Public - Notary Seal
STATE OF MISSOURI
Cole County
My Commission Expires: Aug. 4, 2016
Commission # 11551967