

Exhibit No.:
Issue: *Energy Efficiency
Funding*
Witness: *Brad J. Fortson*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *GR-2018-0013*
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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

ENERGY RESOURCES DEPARTMENT

SURREBUTTAL TESTIMONY

OF

BRAD J. FORTSON

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.
d/b/a LIBERTY UTILITIES**

CASE NO. GR-2018-0013

*Jefferson City, Missouri
May 2018*

1 **SURREBUTTAL TESTIMONY**

2 **OF**

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4 **LIBERTY UTILITES (MIDSTATES NATURAL GAS) CORP.,**

5 **d/b/a LIBERTY UTILITIES**

6 **CASE NO. GR-2018-0013**

7 Q. Please state your name and business address.

8 A. My name is Brad J. Fortson, and my business address is Missouri Public
9 Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

10 Q. Are you the same Brad J. Fortson who filed testimony on March 2, 2018, as a
11 part of the Missouri Public Service Commission Staff's ("Staff") *Staff Report – Cost Of*
12 *Service* ("COS Report") and rebuttal testimony on April 13, 2018?

13 A. Yes, I am.

14 Q. What is the purpose of your surrebuttal testimony?

15 A. My surrebuttal testimony will address Liberty Utilities (Midstates Natural Gas)
16 Corp. ("Liberty Midstates - MO") witness Mr. Nathaniel W. Hackney's rebuttal testimony.

17 Q. What was Mr. Hackney's response to Mr. Hyman's Red Tag Program
18 recommendation?

19 A. Mr. Hackney states that Liberty Midstates – MO believes there is a good
20 chance that it would have success offering a program with similar features, qualifications, and
21 incentive amounts to those of Spire Missouri. He further states that during the design of such
22 a program, Liberty Midstates – MO would like the freedom to modify the design of Spire
23 Missouri's program to better meet the needs of Liberty Midstates – MO's unique service

1 territory and would like to work in conjunction with the Energy Efficiency Advisory Group
2 (“EEAG”) to design a program and budget to reflect the needs of Liberty Midstates – MO’s
3 customers.

4 Q. What is Staff’s position in regard to Mr. Hackney’s response?

5 A. As I stated in my rebuttal testimony, Staff would support a Red Tag Program
6 similar to Spire Missouri’s like Mr. Hyman recommends for Liberty Midstates – MO if
7 Liberty Midstates – MO determines it wants to pursue a Red Tag Program. However, as I
8 further stated in my rebuttal testimony, Staff recommends a tiered incentive approach that
9 would allow for a greater incentive for more efficient permanent space heating equipment and
10 other gas appliance and piping measures. Staff also recommends funding for a Red Tag
11 Program come from the current non-weatherization portion of the energy efficiency
12 program budget.

13 Q. What was Mr. Hackney’s response to Mr. Hyman’s energy efficiency funding
14 level recommendation?

15 A. Mr. Hackney states that provided that the Commission approves a decoupling
16 mechanism for Liberty Midstates – MO, as described by Liberty Midstates – MO witnesses
17 Mr. Tim Lyons and Mr. Robert Hevert, or as authorized by the Commission in the recent
18 Spire Missouri case, Liberty Midstates – MO agrees to consider a target budget level for its
19 energy efficiency programs based on 0.75 percent of its operating revenue. Mr. Hackney
20 further states that he does not believe either the 0.5 percent of the rolling three-year average of
21 gross operating revenues, or the rolling three-year average of 0.75 percent of its gross
22 operating revenues would be realistically achievable with the current energy efficiency
23 program portfolio. Mr. Hackney believes achieving the increase in program budget targets

1 would require significant modifications to the current energy efficiency program portfolio,
2 which would include any combination of additional new programs, dissolution of current
3 programs, increases or decreases to current budgets, or reallocations of budgets
4 amongst programs.

5 Q. Does Mr. Hackney support an increase to Liberty Midstates – MO’s energy
6 efficiency program funding targets?

7 A. Mr. Hackney appears to support an increase to Liberty Midstates – MO’s
8 energy efficiency program funding target budget of either the 0.5 percent of the rolling
9 three-year average of gross operating revenues or the rolling three-year average
10 of 0.75 percent of its gross operating revenues, with caveats to each: 1) An increase in
11 program funding target spend of 0.5 percent of the rolling three-year average of gross
12 operating revenues would require significant modification to the current energy efficiency
13 portfolio as mentioned above; or 2) An increase in program funding target spend
14 of 0.75 percent of the rolling three-year average of gross operating revenues would require
15 Commission approval of a decoupling mechanism. However, even with Commission
16 approval of a decoupling mechanism, Mr. Hackney simply states that Liberty Midstates – MO
17 would *consider* a target budget level of 0.75 percent of the rolling three-year average of gross
18 operating revenues.

19 Q. What is Staff’s response to Mr. Hackney’s recommendation to achieving an
20 increase in program budget targets?

21 A. Staff does not believe adding a Red Tag Program and a Low-Income
22 Assistance Program to Liberty Midstates – MO’s energy efficiency program portfolio
23 necessitates a higher spending target. As I stated in my rebuttal testimony, Liberty Midstates

1 – MO’s current annual non-weatherization portion of the energy efficiency program budget
2 has gone unspent since its approval in GR2010-0192. Even Mr. Hackney admits that,
3 “...there are no guarantees of full subscription when a program requires the customer to
4 voluntarily participate.” Therefore, if programs such as a Red Tag Program and a
5 Low-Income Assistance Program are included in Liberty Midstates – MO’s energy efficiency
6 program portfolio, they should be included as part of Liberty Midstates – MO’s current
7 energy efficiency funding level.

8 Q. What is Staff’s position in regard to Mr. Hackney’s response to Mr. Hyman’s
9 energy efficiency funding level recommendation?

10 A. As I stated in my rebuttal testimony, Staff does not support
11 Mr. Hyman’s energy efficiency program funding recommendation, and recommends that
12 Liberty Midstates – MO’s energy efficiency program funding target remain unchanged.
13 Liberty Midstates – MO’s current annual non-weatherization portion of the energy efficiency
14 program budget has not been fully utilized since the current funding structure was approved
15 in GR-2010-0192.

16 Q. Does Mr. Hackney request any further changes to the current structure of
17 Liberty Midstates – MO’s energy efficiency programs as conditions to an increase in program
18 funding targets?

19 A. Yes. Mr. Hackney requests that if Liberty Midstates - MO’s energy efficiency
20 program funding targets are increased, that the amount of energy efficiency expenses
21 collected in base rates be raised commensurate to the increase in the energy efficiency
22 program funding targets.

23 Q. What is Staff’s response to Mr. Hackney’s request?

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1 A. Based on Staff's recommendation that Liberty Midstates – MO's energy
2 efficiency program funding targets remain unchanged, no increase to the amount of energy
3 efficiency expenses collected in base rates is necessary.

4 Q. Does that conclude your surrebuttal testimony?

5 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Liberty Utilities)
(Midstates Natural Gas) Corp. d/b/a) Case No. GR-2018-0013
Liberty Utilities' Tariff Revisions)
Designed to Implement a General Rate)
Increase for Natural Gas Service in the)
Missouri Service Areas of the Company)

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BRAD J. FORTSON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Surrebuttal Testimony, and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



BRAD J. FORTSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 9th day of May, 2018.

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377



Notary Public