

Exhibit No.: _____
Issues: Natural Gas Efficiency
Initiatives
Witness: David Hendershot
Sponsoring Party: Missouri Gas Energy
Case No.: GR-2009-0355
Date Testimony Prepared: October 14, 2009

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

SURREBUTTAL TESTIMONY OF

DAVID HENDERSHOT

Jefferson City, Missouri

October 2009

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CASE NO. GR-2009-0355

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1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is David Hendershot, and my business address is 3420 Broadway, Kansas City,
3 Missouri 64111.

4

5 **Q. DID YOU SUBMIT DIRECT AND REBUTTAL TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. Yes, I did.

8

9 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

10 A. I will address the Rebuttal Testimony of Public Counsel witness Ryan Kind.

11

12 **Q. BEGINNING ON PAGES 1 OF HIS REBUTTAL TESTIMONY, MR. KIND**
13 **STATES THAT “MGE HAS NOT PROVIDED ANY DESCRIPTIONS OF THE**
14 **PROPOSED NEW ENERGY EFFICIENCY PROGRAMS FOR SGS**
15 **CUSTOMERS.” HOW DO YOU RESPOND?**

16 A. I provided detail on proposed energy efficiency programs for the proposed SGS class
17 starting at page 4 of my rebuttal testimony. My rebuttal testimony offers a good
18 overview of our proposed programs, along with detail on the type of Energy Star

1 Appliances for which we would offer incentives. As I noted in my rebuttal testimony, I
2 anticipate further development of these programs with the Energy Efficiency
3 Collaborative.

4
5 **Q. ON PAGE 4 OF HIS REBUTTAL TESTIMONY, MR. KIND STATES THAT HE**
6 **ASSUMES THAT MGE IS NOT PROPOSING TO WORK WITH THE ENERGY**
7 **EFFICIENCY COLLABORATIVE. IS THIS CORRECT?**

8 A. No. As noted in my rebuttal testimony, MGE supports the continuation of the Energy
9 Efficiency Collaborative (“EEC” or “Collaborative”) created by GT-2008-0005, with
10 slight modifications. The Collaborative has been useful, but MGE concurs with MDNR
11 and the Commission Staff suggestion to have the collaborative changed to an advisory
12 capacity. Please refer to my rebuttal testimony for more detail.

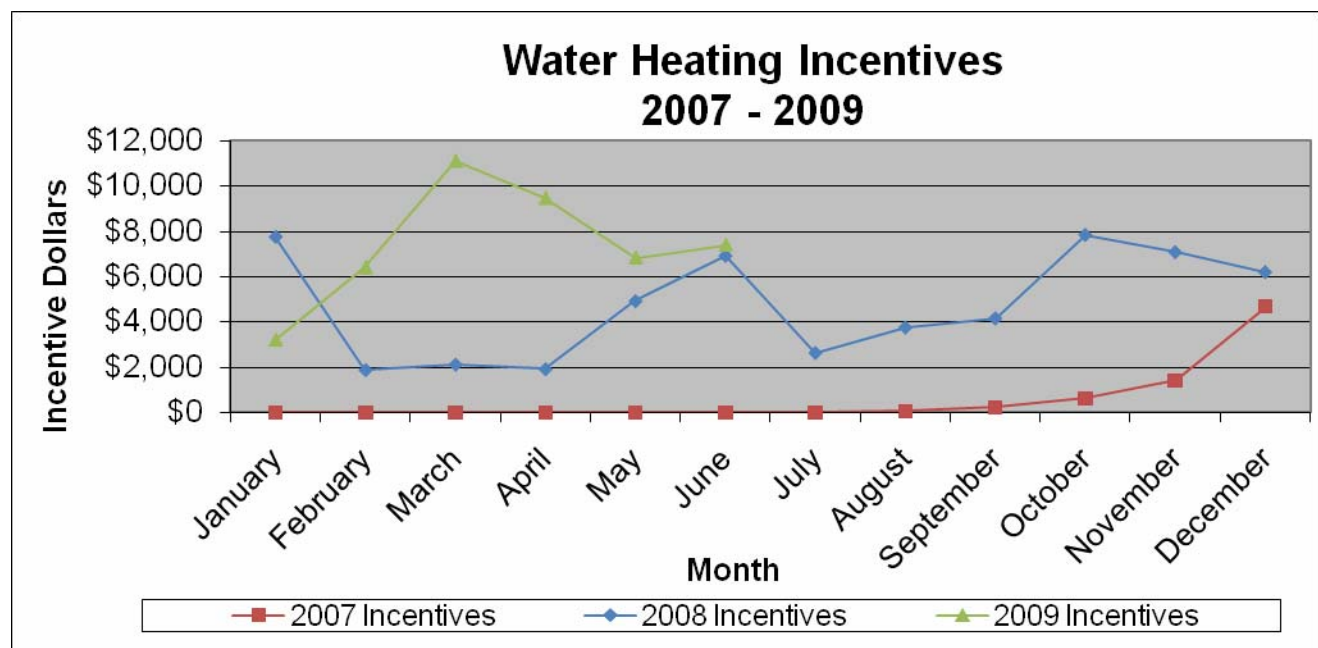
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14 **Q. MR. KIND STATES THAT MGE HAS HAD DIFFICULTY IN DESIGNING AND**
15 **DELIVERING ENERGY EFFICIENCY PROGRAMS. HOW DO YOU**
16 **RESPOND?**

17 A. I disagree with his characterization. The development of energy efficiency programs has
18 been an entirely new focus for MGE, so we initially targeted our efforts in a very focused
19 way on high efficiency water heating incentives for the residential market. Although it
20 took some time to get the program off the ground (e.g., the energy efficiency tariff sheets
21 took effect in August 2007, while the SFV rate design took effect in April 2007), the high
22 efficiency gas water heater program has gained momentum since its inception and was
23 expanded to include an on-line energy analyzer in the Fall of 2008, along with additional

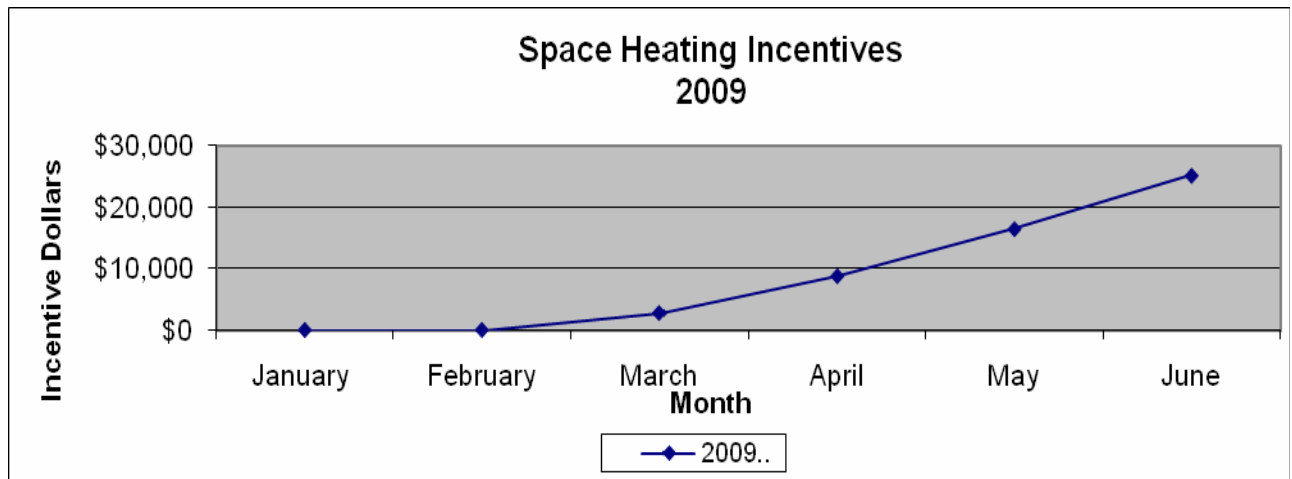
energy efficiency education and high efficiency gas space heating in January 2009. MGE continues to be committed to developing successful programs that benefit our customers. As Mr. Hack discusses in his testimony, the implementation of the Straight Fixed Variable rate design has enabled MGE to offer programs that aim to increase our customer's energy efficiency – and we are committed to making those programs work. Any new program, however, requires a ramp-up period. These are new initiatives, with new messages and new benefits for our customers.

Q. WHAT PERFORMANCE MEASURES DO YOU HAVE TO SHOW THE PROGRESS OF THESE PROGRAMS?

A: The Company has seen encouraging growth trends since the programs were instated. Water heating incentives were first received from residential customers in August 2007. Since then, incentives have continued to grown as evidenced by the following chart:



1 Additionally, the Company's space heating program was started in January 2009 and has
2 consistently increased each month as evidenced by the following chart:



3
4
5
6 **Q: HAVE YOU PROVIDED ANY REPORTS ON THE PROGRESS OF MGE'S**
7 **ENERGY EFFICIENCY PROGRAMS?**

8 A: Yes. The Company's Energy Efficiency tariffs require that MGE provide the Office of
9 Public Counsel and the Staff of the Missouri Public Service Commission with detailed
10 quarterly reports on the cost and participation for energy efficiency programs.

11
12 **Q: WERE ANY REPORTS PRODUCED REGARDING THE ADMINISTRATION**
13 **OF MGE'S ENERGY EFFICIENCY PROGRAMS?**

14 A: Yes. As part of the Stipulation and Agreement in GT-2008-0005, (attached as Schedule
15 DCH-1) MGE was required to report key metrics regarding operations from the High
16 Efficiency Gas Water Heater Replacement Incentive Program (Water Heater Program) within
17 15 months of the program's initiation. The Energy Efficiency Collaborative approved that
18 Johnson Consulting Group (JCG) conduct an independent process and impact evaluation.

1 JCG is a strategic consulting firm specializing in the energy efficiency field. It is
2 headquartered in Washington, D.C.

3
4 The JCG report was filed as part of the case GT-2008-0005 and is attached as Schedule
5 DCH-2 to my testimony. The report reviews the Company's water heater energy
6 efficiency program from August 2007 to October 2008.

7
8 **Q: WHAT WERE THE RESULTS OF JCG'S INDEPENDENT EVALUATION?**

9 A: The evaluation concluded that "MGE's Water Heater Program has led to significantly higher
10 energy savings among program participants. The findings from the billing analysis revealed
11 that the energy savings for *program participants* were significantly higher than for non-
12 participants — between 18 and 20 percent of annual energy use." (page 4, JCG Report, under
13 "Major Findings").

14
15 Additionally, Johnson Consulting indicated that "Overall, MGE staff have done an
16 excellent job in administering this program during its first year. The program has been
17 operating effectively since program initiation. The program database is well-designed
18 and organized. The staff processes applications in a timely manner, and the records are
19 well-organized. The program records and database exceed the requirements established
20 for compliance with the Missouri Public Service Commission." (p. 53-54, JCG report,
21 under "Program Operations").

22
23 **Q: HAVE YOU RECEIVED ANY OTHER FEEDBACK ON THE ENERGY**
24 **EFFICIENCY INITIATIVES?**

1 A: Yes. MGE received an unsolicited letter from Rinnai, an international natural gas
2 appliance company, in May 2008 which is attached as Schedule DCH-3. MGE has
3 worked with Rinnai to develop programs for tankless water heating systems. In the letter,
4 Phil Weeks, the General Manager for Rinnai America, applauds MGE's efforts to
5 "educate and incentivize [its] customers to conserve energy by installing Energy Star
6 rated gas fired tankless water heating systems." Mr. Weeks stated that Rinnai "work[s]
7 with many energy companies throughout North America and [that MGE's] Energy Sense
8 effort is one of the best we've seen."

9
10 **Q: WHAT IS YOUR ASSESSMENT OF MGE'S ENERGY EFFICIENCY**
11 **PROGRAM?**

12 A: I am gratified by the initial success of the program and am committed to continuous
13 improvement and expansion to the proposed SGS class. I am confident that the
14 residential programs, along with the proposed SGS programs, will grow over time as our
15 customers become better acquainted with the savings they offer. MGE is committed to
16 making these programs work and grow.

17
18 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

19 A. Yes, at this time.