

Exhibit No.: _____
Issues: Natural Gas Efficiency
Initiatives
Witness: David Hendershot
Sponsoring Party: Missouri Gas Energy
Case No.: GR-2009-0355
Date Testimony Prepared: September 28, 2009

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

REBUTTAL TESTIMONY OF

DAVID HENDERSHOT

Jefferson City, Missouri

September 2009

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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
3 City, Missouri 64111.

4

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

6 A. Yes, I did.

7

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. I will address the Direct Testimony of Public Counsel witness Ryan Kind, the Direct
10 Testimony of MDNR witness John Buchanan and Staff Report - Cost of Service with
11 regard to MGE's Energy Efficiency Program. I will also briefly address Public
12 Counsel witness Barb Meisenheimer's Direct Testimony with regard to
13 recommendations related to MGE's rate design.

14

15 **Q. BEGINNING ON PAGES 3 AND 4 OF MS. MEISENHEIMER'S DIRECT**
16 **TESTIMONY, SHE RECOMMENDS THAT THE COMMISSION MOVE**
17 **AWAY FROM THE STRAIGHT FIXED VARIABLE ("SFV") RATE DESIGN**
18 **IT APPROVED FOR MGE'S RESIDENTIAL CUSTOMERS IN CASE NO.**

1 **GR-2006-0422. HOW DOES THIS AFFECT THE COMPANY'S**
2 **RECOMMENDATION FOR ENERGY EFFICIENCY PROGRAMS IN THE**
3 **PRESENT CASE?**

4 A. As noted in Mr. Hack's rebuttal testimony, MGE's Commission-approved SFV rate
5 design and its subsequent move away from volumetric rate designs for its residential
6 customers has removed the disincentive for utilities like MGE from offering energy
7 efficiency programs for its customers. (Hack Rebuttal Testimony, at pp. 6-7.)
8 Because of this, MGE would not voluntarily pursue the residential energy efficiency
9 programs that it has undertaken since 2007 if its current residential rate structure
10 (SFV) is eliminated. As noted in my direct testimony, MGE only supports expansion
11 of its energy efficiency initiatives if SFV is expanded into the SGS class.

12
13 **Q. HOW DO YOU RESPOND TO MDNR'S AND PUBLIC COUNSEL'S**
14 **FUNDING PROPOSALS?**

15 A. Although MGE is committed to evaluating and possibly expanding on its energy
16 efficiency programs in coming years, I believe that current funding levels (\$750,000
17 per year) are appropriate, as discussed in my direct testimony. MGE would propose
18 to fund the programs proportionally to customer numbers (with the new SGS class
19 receiving 10% of the funding and Residential receiving 90% of the funding). MGE
20 looks forward to the continuation of the Energy Efficiency Collaborative and the
21 advisory recommendations of MDNR, Staff, and Public Counsel with regard to
22 specific programs and funding. MGE witness Mike Noack will respond to MDNR's

1 and Public Counsel's recommendations regarding the regulatory accounting treatment
2 for these funds.

3 **Q. WHAT IS YOUR POSITION ON MODIFICATIONS TO THE ENERGY**
4 **EFFICIENCY COLLABORATIVE PROPOSED BY MDNR AND STAFF?**

5 A. MGE supports the continuation of the Energy Efficiency Collaborative ("EEC" or
6 "Collaborative") created by GT-2008-0005, with slight modifications. Consequently,
7 the Staff's proposal to discontinue the Collaborative need not be adopted, although I
8 have no dispute with Staff's analysis that the Commission's Order Approving
9 Unanimous Stipulation and Agreement in Case No. GT-2008-0005 would allow for
10 the discontinuation of the Collaborative once new rates go into effect as the result of
11 this rate case proceeding.

12
13 MGE believes that the Collaborative is useful in that it allows the Company to obtain
14 input from other agencies and to gain insight into how energy efficiency programs are
15 being implemented throughout Missouri and nationally. MGE has been excited to
16 offer energy efficiency initiatives after the SFV rate design was approved for its
17 residential class in 2007 and looks forward to implementing new programs for the
18 SGS class assuming the SFV rate structure is approved for that class. MGE concurs,
19 however, with MDNR's suggestion to modify the structure of the Collaborative so
20 that it serves in an advisory capacity (rather than its present "consensus" capacity). I
21 have been informed by counsel that an "advisory" structure would still allow parties
22 to file actions for Commission review if there is a belief that MGE is not following its
23 tariffs related to energy efficiency or if there is otherwise some dispute among the

1 Collaborative members needing Commission resolution. With that noted, however,
2 MGE hopes to have the opportunity to continue working with Staff, Public Counsel,
3 and MDNR on successful energy efficiency programs.

4

5 **Q. WHAT PROGRAMS WOULD YOU OFFER TO THE NEW SGS CLASS?**

6

7 A. We plan to work with the Collaborative to develop many of our programs, but the
8 SGS Energy Efficient Natural Gas Equipment Incentive Program would be designed
9 to encourage more effective utilization of natural gas by encouraging energy
10 efficiency improvements through the replacement of less efficient natural gas
11 equipment with high efficient Energy Star qualified natural gas equipment and other
12 high efficiency equipment and measures.

13 The incentives would include but would not be limited to the following Energy Star
14 qualified appliances:

- 15 • Natural gas forced air furnaces
- 16 • Natural gas water heater
- 17 • Natural gas boiler systems
- 18 • Natural gas combination systems
- 19 • Commercial natural gas utilization equipment such as;
 - 20 o Modulating burners
 - 21 o Venturi steam traps
 - 22 o Kitchen exhaust hoods
 - 23 o Waste heat recovery
 - 24 o Heat exchangers

25

26 The program would be available to active SGS customers (those with no final bill or
27 inactive accounts) who purchase or install the equipment listed above. The incentive
28 levels would be determined at a later date.

29

30 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

1 A. Yes, at this time.