Exhibit No.:		
Issues:	Energy Efficiency Services	
Witness:	Laura Wolfe	
Sponsoring Party:	Party: Missouri Department of Natural	
	Resources - Missouri Energy Center	
Type of Exhibit:	Surrebuttal Testimony-DSM	
Case No.:	GR-2009-0434	

MISSOURI PUBLIC SERVICE COMMISSION

EMPIRE DISTRICT GAS COMPANY

CASE NO. GR-2009-0434

SURREBUTTAL TESTIMONY

OF

LAURA WOLFE

ON

BEHALF OF

MISSOURI DEPARTMENT OF NATURAL RESOURCES

ENERGY CENTER

Jefferson City, Missouri

December 29, 2009

Q. Please state your name.

2 A. My name is Laura Wolfe. .

3	Q. By whom and in what capacity are you employed?
4	A. I am employed by the Missouri Department of Natural Resources as an Energy Specialist in
5	the Energy Policy and Analysis Program in the Missouri Energy Center ("MDNR-EC").
6	The Missouri Energy Center is located within the Missouri Department of Natural
7	Resources, an agency of state government with its executive office located in Jefferson
8	City, Missouri.
9	Q. Are you the same Laura Wolfe who filed Direct Testimony regarding revenue
10	requirement and rate design in the case?
11	A. Yes, I am.
12	Q. What is the purpose of your surrebuttal testimony in these proceedings?
13	A. The purpose of my testimony is to address the rebuttal testimony of Mr. Ryan Kind,
14	witness for the Office of Public Counsel.
15 16	Q. Mr. Kind refers in his rebuttal testimony to the following quote from page 6-5 of the NAPEE:
17 18 19 20	Many energy efficiency programs are being delivered at a total program cost of about \$0.02 to \$0.03 per lifetime kilowatt-hour (kWh) saved and \$0.30 to \$2.00 per lifetime million British thermal units (MMBtu) saved. These costs
20 21	are less than the avoided costs seen in most regions of the country. Funding
22	for the majority of programs reviewed ranges from about 1 to 3 percent
23	of electric utility revenue and 0.5 to 1 percent of gas utility revenue.
24	[Emphasis added by Mr. Kind.]
25	
26	Mr. Kind then states that your "assertion that 'NAPEE states that the most
27	effective energy efficiency projects were funded at a level equal to a minimum
28	range of 0.5 percent to 1.5 percent of a natural gas utility's annual operating

1 revenue' is wrong for two reasons." Do you agree with Mr. Kind's asserted

2	reasons our statement is "wrong" because:
3 4 5 6 7	1) "contrary to Ms. Wolfe's assertion, it is not correct to assert that page 6-5 of NAPEE concludes that "the most effective energy efficiency projects" were funded at any particular level. No such statement about "the most effective energy efficiency projects" appears on page 6-5 of NAPEE," and
8 9 10 11	2) "it was also incorrect for her to cite funding level figures of '0.5 percent to 1.5 percent of a natural gas utility's annual operating revenue' when the corresponding range cited on page 6-5 of NAPEE for 'the majority of programs reviewed' was '0.5 to 1 percent of gas utility revenue.'"
12 13	A. No. I agree only that I referenced the wrong page. My reference actually came
14	from page 6-11 the NAPEE report:
15 16 17 18 19 20 21	Energy efficiency programs are being successfully operated across many different contexts including electric and gas utilities; regulated and unregulated markets; utility, state, and third-party administrators; and investor-owned, public, and cooperatively owned utilities. These programs are reducing annual energy use by 0.15 to 1 percent at spending levels between 1 and 3 percent of electric, and 0.5 and 1.5 percent of gas revenues —and are poised to deliver substantially greater reductions over time. (Emphasis added.)
22 23	Q. Mr. Kind goes to great lengths in his testimony to discuss the differences in
24	"operating revenue" versus "gross revenue" versus "gross non-gas revenues"
25	versus "gross annualized revenue", etc., and states that it is important to
26	distinguish between annual gas utility revenues with or without gas costs. Do
27	you agree that it is important to make that distinction?
28	A. Yes, I do. The point of the statement in my direct testimony was to demonstrate only
29	that the Commission has used a percentage of revenues to establish the level of
30	DSM funding. It is imperative to be clear what revenue is used. In all instances, I
31	intended to refer to gross revenue, meaning all revenue including gas costs. The
32	only exception is when I reference the Atmos case, Case No. GR-2006-0387. The
33	Commission did, indeed, clarify that it "required Atmos make a commitment to

contribute 1% of its annual gross non-gas revenues to be used for the program...." DNR 1 does not believe that this level of funding is sufficient to produce significant, cost effective 2 3 savings from DSM efforts. Funding based on non-gas revenues ignores the bulk of the 4 revenue of the utility, the bulk of the cost to customers, and produces significantly lower 5 funding levels. Q. Can you provide an example of funding levels for DSM based on a percentage 6 7 of total annual operating revenues, including gas costs, for natural gas utilities? 8 A. Yes, I can. The state of Wisconsin adopted statewide legislation that became 9 effective in July of 2007 that requires each electric and natural gas energy utility in

- 10 Wisconsin to spend no less than 1.2% of its annual operating revenues, which
- 11 includes adjusted operating revenues and natural gas commodity expenses, for
- 12 energy efficiency and renewable resource programs.¹
- 13 Q. Mr. Kind goes to great lengths in his rebuttal testimony to assert that your
- 14 comments did not accurately portray the ACEEE study you cited in your direct
- 15 testimony. Did you, as Mr. Kind asserts, "conclude... that the dollar savings
- 16 found by the study can be achieved solely by gas utility funded energy
- 17 efficiency programs"?

- "concluded that not only new energy policies are needed to achieve
 significant reductions to the wholesale price of natural gas and to generate
 direct cost savings to natural gas consumers, but also additional funding for
 energy efficiency programs is necessary." (Emphasis added.)
- I then made the following statements in my direct testimony (page 10, line 13

25 through page 11, line 2):

26

¹⁸ A. As I stated in my direct testimony, page 10 lines 7 through 11, the ACEEE study:

¹ Known as 2005 Act 141. http://www.legis.state.wi.us/2005/data/acts/05Act141.pdf

1 2 3 4 5 6 7 8 9 10	ACEEE included in investment for each allocation of total pr regional perspective downward pressure Missouri would be r for natural gas energ estimates that the do reductions from this million for Missouri	the study an estimated annu of the Midwest states based ojected regional natural gas , to reduce natural gas dema on wholesale prices, the stud equired to expend approxim cy efficiency programs throu llar savings impact of the as level of investment would b by 2015 and an additional \$	al energy efficiency on each state's proportional savings in 2010. From a nd sufficiently to place ly roughly estimated that ately \$12 million per year gh the year 2020. The study sociated natural gas price the approximately \$921 8847 million by the year			
11	2020.					
12 13	The use of the phrase "\$12 million per year for natural gas energy efficiency					
14	programs through 2020" is consistent with the language in the report. Please refer					
15	to page 35 of the ACEEE Report titled "Examining the Potential for Energy Efficiency to					
16	Help Address the Natural Gas Crisis in the Midwest" (Emphasis added):					
17						
18	Tables 23 and 24 below present what the estimated required energy					
19	efficiency program funding per state would be if that proportional					
20	allocation of the total program funding were applied.					
21						
22	Table 23. Amount o	of Annual Funding Needed to	Achieve Projected Savings			
23	Natural Gas					
24						
25		Percentage of Total	Required Funding			
26	State	Regional Savings [®]	(in millions)			
27	IIIInois	24%	\$75 \$25			
20	lowa	5% 5%	φου \$16			
$\frac{2}{30}$	Michigan	19%	\$59			
31	Minnesota	9%	\$27			
32	Missouri	4%	\$12			
33	Ohio	16%	\$51			
34	Wisconsin	11%	\$34			
35	Total Region	100%	\$310			
36	a Percentages I	based on 2010 savings for each s	tate as a proportion of 2010			
37	grand total regional natural gas savings in Table 13.					
38						
39	The study estimates that the dollar savings impact of the associated natural					
40	gas price reductions from this level of investment plus reductions from electric					
41	energy efficiency investmer	ts would be approximately	\$921 million for Missouri by			
42	2015 and an additional \$847	7 million by the year 2020.	The dollar savings that can			

1 be attributed to natural gas price reductions from a \$12 million annual investment in 2 energy efficiency (as defined in the report to include programs outside the scope of 3 utility companies) is \$60 million dollars by 2015 and \$97 million by 2020. The study also projects there would be additional savings attributable to decreased prices 4 5 for natural gas for both consumers and electric generators. Q. What was your purpose for citing the ACEEE study? 6 7 A. My purpose for citing the ACEEE study was to provide a sense of the scale of investment being recommended for the state of Missouri. It was to give a view of 8 9 the direction the state should be moving, and that should drive our investment 10 expectations on a utility basis. Q. Mr. Kind states in his final remarks that he believes "that energy efficiency is 11 12 best promoted by presenting facts and analysis that accurately represent the contributions that energy efficiency can make to addressing Missouri's energy 13 issues." Do you feel the same? 14 15 A. Yes, I do. Q. Does this conclude your testimony? 16

17 A. Yes, it does.