

**Exhibit No.:**

**Issue(s):**

Energy Efficient Programs

**Witness/Type of Exhibit:**

Kind/Direct Testimony

**Sponsoring Party:**

Public Counsel

**Case No.:**

GR-2009-0355

# **DIRECT TESTIMONY**

## **OF**

## **RYAN KIND**

Submitted on Behalf of the Office of the Public Counsel

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

August 21, 2009

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Missouri Gas Energy's )  
Tariff Sheets Designed to Increase Rates )  
for Gas Service in the Company's )  
Missouri Service Area. )

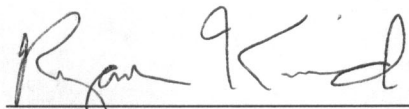
Case No. GR-2009-0355

**AFFIDAVIT OF RYAN KIND**

STATE OF MISSOURI )  
 ) ss  
COUNTY OF COLE )

Ryan Kind, of lawful age and being first duly sworn, deposes and states:

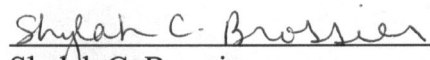
1. My name is Ryan Kind. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Ryan Kind

Subscribed and sworn to me this 21<sup>st</sup> day of August 2009.



SHYLAH C. BROSSIER  
My Commission Expires  
June 8, 2013  
Cole County  
Commission #09812742

  
\_\_\_\_\_  
Shylah C. Brossier  
Notary Public

My Commission expires June 8, 2013.

**DIRECT TESTIMONY**  
**OF**  
**RYAN KIND**  
**MISSOURI GAS ENERGY**  
**CASE NO. GR-2009-0355**

1       **Q.     PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2       A.     Ryan Kind, Chief Energy Economist, Office of the Public Counsel, P.O. Box 2230,  
3             Jefferson City, Missouri 65102.

4       **Q.     PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.**

5       A.     I have a B.S.B.A. in Economics and a M.A. in Economics from the University of  
6             Missouri-Columbia (UMC). While I was a graduate student at UMC, I was employed as  
7             a Teaching Assistant with the Department of Economics, and taught classes in  
8             Introductory Economics, and Money and Banking, in which I served as a Lab Instructor  
9             for Discussion Sections.

10            My previous work experience includes several years of employment with the Missouri  
11            Division of Transportation as a Financial Analyst. My responsibilities at the Division of  
12            Transportation included preparing transportation rate proposals and testimony for rate  
13            cases involving various segments of the trucking industry. I have been employed as an  
14            economist at the Office of the Public Counsel (Public Counsel or OPC) since 1991.

15

16

**Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?**

A. Yes, prior to this case I submitted written testimony in numerous gas and electric rate cases and rate design cases, as well as other miscellaneous gas, water, electric, and telephone cases.

**Q. HAVE YOU PROVIDED COMMENTS OR TESTIMONY TO OTHER REGULATORY OR LEGISLATIVE BODIES ON THE SUBJECT OF ELECTRIC UTILITY REGULATION AND RESTRUCTURING?**

A. Yes, I have provided comments and testimony to the Federal Energy Regulatory Commission (FERC), the Missouri House of Representatives Utility Regulation Committee, the Missouri Senate's Commerce & Environment Committee and the Missouri Legislature's Joint Interim Committee on Telecommunications and Energy.

**Q. HAVE YOU BEEN A MEMBER OF, OR PARTICIPANT IN, ANY WORK GROUPS, COMMITTEES, OR OTHER GROUPS THAT HAVE ADDRESSED UTILITY REGULATION AND RESTRUCTURING ISSUES FOR GAS AND ELECTRIC UTILITIES?**

A. Yes. I was a member of the Missouri Public Service Commission's (the Commission's) Stranded Cost Working Group and participated extensively in the Commission's Market Structure Work Group. I am currently a member of the Missouri Department of Natural Resources Weatherization Policy Advisory Committee and the National Association of State Consumer Advocates (NASUCA) Electric Committee. I have served as the small customer representative on both the North American Electric Reliability Council (NERC) Standards Authorization Committee and the NERC Operating Committee and as the public consumer group representative to the Midwest ISO's (MISO's) Advisory

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Committee. During the early 1990s, I served as a Staff Liaison to the Energy and Transportation Task Force of the President's Council on Sustainable Development.

**Q. WHAT ASPECT OF THE OPERATIONS OF MISSOURI GAS ENERGY (MGE) WILL YOU BE ADDRESSING IN THIS TESTIMONY?**

A. I will address MGE's energy efficiency programs and the appropriate funding mechanism to use for these programs in the future.

**Q. PLEASE SUMMARIZE THE RECOMMENDATIONS THAT YOU ARE MAKING IN THIS TESTIMONY.**

A. I recommend (1) a \$750,000 adjustment be made to MGE's revenue requirement to remove the annual funding amount for MGE's residential energy conservation programs, (2) creating a regulatory asset account for MGE's residential energy conservation programs that would initially have a negative balance of approximately \$1 million dollars to \$1.2 million dollars to reflect the surplus of unspent residential energy efficiency funding (plus accrued interest) that has been collected from ratepayers, (3) that expenditures for energy efficiency programs for multiple customer classes be accounted for separately and booked to separate regulatory asset accounts, and (4) continuation of the MGE Energy Efficiency Collaborative (EEC) to oversee the design, implementation, and evaluation of MGE's energy conservation programs.

**Q. HAVE YOU PARTICIPATED IN THE DEVELOPMENT OF MGE'S ENERGY CONSERVATION PROGRAMS?**

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1 A. Yes. I have been Public Counsel's representative on the MGE Energy Efficiency  
2 Collaborative (EEC) that was formed as a result of the Commission's August 7, 2007  
3 Order Approving Unanimous Stipulation and Agreement in Case No. GT-2008-0005.

4 **Q. HOW ARE MGE'S CURRENT ENERGY EFFICIENCY PROGRAMS FUNDED?**

5 A. MGE's current programs are funded by an annual funding amount of \$750,000 that was  
6 reflected in the rates set by the Commission in MGE's last rate case, Case No. GR-2006-  
7 0422. This funding amount was initially to be used for customer education and a water  
8 heater rebate program but the range of programs was expanded to include a space heating  
9 (furnace and programmable thermostat) rebate program early in 2009.

10 **Q. HAVE THE FUNDS MGE COLLECTS IN ITS RATES BEEN SUFFICIENT TO FUND THE**  
11 **ENERGY EFFICIENCY PROGRAMS?**

12 A. Yes. Thus far, the revenues that MGE has received in rates have greatly exceeded the  
13 Company's expenditures for its energy efficiency programs.

14 **Q. HOW LARGE IS THE EXCESS OR SURPLUS OF UNSPENT ENERGY EFFICIENCY FUNDS AT**  
15 **THIS TIME?**

16 A. The most recent information I have reviewed indicates that as of June 30, 2009, the  
17 surplus of unspent funds is \$1,013,841. This figure comes from MGE's quarterly update  
18 report for the second quarter of 2009 (see Attachment 1 which contains the cover letter  
19 and summary page from the report). As indicated on the second page of this attachment,  
20 ratepayer funding of MGE's energy efficiency programs in the second quarter of 2009  
21 was \$187,500 but MGE only spent about 54% (\$105,697) of these funds on its energy  
22 efficiency programs. The unspent surplus is likely to continue growing over the next few

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1           quarters and may reach approximately \$1.2 million before the current rate case is  
2           concluded.

3           **Q.   HAS MGE BEEN ACCRUING INTEREST ON THE SURPLUS OF ENERGY EFFICIENCY**  
4           **FUNDS THAT HAVE BEEN ACCUMULATED SINCE THE TIME THAT THE ENERGY**  
5           **EFFICIENCY FUNDING BEGAN ON MARCH 30, 2007 WHEN NEW RATES BECAME**  
6           **EFFECTIVE PURSUANT TO THE COMMISSION'S REPORT AND ORDER IN CASE NO. GR-**  
7           **2006-0422?**

8           A.   No. MGE's response to OPC DR No. 48 states that "MGE does not record interest on the  
9           balance of the account." If the Commission permits MGE to not provide credit to  
10          ratepayers for the time value of the funds that they have provided in advance of  
11          expenditures for energy efficiency then ratepayers will have provided an interest free loan  
12          to the Company. Public Counsel recommends adding interest to the surplus that has been  
13          generated so that ratepayers will be treated fairly and so that MGE will not have an  
14          incentive to spend less on energy efficiency than the amount of funds that it receives  
15          every month from its customers.

16          **Q.   HOW DOES PUBLIC COUNSEL BELIEVE MGE'S ENERGY EFFICIENCY PROGRAMS**  
17          **SHOULD BE FUNDED IN THE FUTURE?**

18          A.   OPC proposes that MGE no longer collect \$750,000 per year as an expense that is  
19          reflected in its revenue requirement but instead utilize the same deferral accounting  
20          (creation of a regulatory asset account) energy efficiency cost recovery mechanism that is  
21          used by most other energy utilities regulated by the Commission.

22          **Q.   WHAT IMPACT WOULD THE PROPOSED REGULATORY ASSET ACCOUNTING**  
23          **TREATMENT HAVE ON THE MGE REVENUE REQUIREMENT IN THIS RATE CASE?**

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1 A. OPC proposes a \$750,000 adjustment be made so that the \$750,000 energy efficiency  
2 funding level would not be reflected in the rates that result from this rate case. Instead, a  
3 regulatory asset account (with a 10 year amortization period) would be created that  
4 contains the amount of the surplus of energy efficiency funds (plus accrued interest) at  
5 the time that new rates are set as a result of this rate case. Since this regulatory asset  
6 account would include the surplus of unspent energy efficiency funds collected from  
7 ratepayers, the account will initially have a negative balance somewhere in the range of  
8 \$1 million dollars to \$1.2 million dollars that will be an offset to MGE's rate base. As  
9 MGE continues to spend money on energy efficiency after this rate case, the negative  
10 balance will eventually turn positive. Assuming that this regulatory asset account  
11 initially has a negative balance of \$1.2 million and that MGE's expenditures on  
12 residential energy efficiency programs increase to a level of \$600,000 per year (from the  
13 current level of only about \$420,000 per year), then the negative balance will begin to  
14 turn positive at the beginning of the third year following the conclusion of the current  
15 pending rate case.

16 **Q. WOULD THIS SAME REGULATORY ASSET ACCOUNT ALSO BE USED BY MGE TO**  
17 **ACCUMULATE ANY EXPENDITURES MADE BY MGE FOR ENERGY EFFICIENCY**  
18 **PROGRAMS THAT SERVED OTHER CUSTOMER CLASSES SUCH AS THE SMALL**  
19 **COMMERCIAL CLASS?**

20 A. No. The energy efficiency program expenditures for other customer classes should be  
21 booked to separate accounts. It would not be appropriate to book energy efficiency  
22 expenditures to the regulatory asset account that includes the accumulated surplus of  
23 energy efficiency funds that were intended for residential customers pursuant to the  
24 Commission's Report and Order in Case No. GR-2006-0422, so any expenditures for  
25 programs directed towards other customer classes should be accounted for separately.



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1       **Q.     WHAT IMPACT WOULD OPC'S PROPOSED \$750,000 ADJUSTMENT HAVE ON THE**  
2           **FIGURES SHOWN ON SCHEDULE H-21 OF MGE WITNESS MIKE NOACK'S**  
3           **TESTIMONY?**

4       A.     The \$750,000 figure shown in line 2 of Schedule H-21 for "Natural Gas Conservation"  
5           would be replaced with \$0 and the \$0 figure shown on line 5 for "Adjustment" would  
6           become negative \$750,000.

7       **Q.     DO YOU HAVE ANY ADDITIONAL COMMENTS ABOUT MGE'S FUTURE ENERGY**  
8           **EFFICIENCY PROGRAMS?**

9       A.     Yes. I propose continuing the MGE Energy Efficiency Collaborative (EEC) that was  
10          created in Case No. GT-2008-0005 so that it continues to function in the same manner  
11          until new rates become effective in the next MGE general rate proceeding following the  
12          current general rate proceeding.

13      **Q.     DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14      A.     Yes.



**MISSOURI GAS ENERGY**

3420 Broadway • Kansas City, MO • 64111-2404 • (816) 756-5261

August 17, 2009

Ms. Anne Ross  
Missouri Public Service Commission  
PO Box 360  
Jefferson City, MO 65102-0360

**VIA EMAIL**

Mr. Ryan Kind  
Office of the Public Counsel  
PO Box 2230  
Jefferson City, MO 65102-2230

**RE: Missouri Gas Energy's Natural Gas Conservation Initiatives**

Dear Ryan and Anne:

In accordance with Missouri Gas Energy's tariff approved by the Missouri Public Service Commission, we are herewith submitting, for informational purposes, a report on the activity related to Missouri Gas Energy's Natural Gas Conservation Initiatives, Sheet Nos. 98-100, for the period of April 1, 2009, through June 30, 2009.

If you have any questions regarding the enclosed information, please feel free to give me a call at 816-360-5560.

Sincerely,

Michael R. Noack

Director, Pricing & Regulatory Affairs

Enclosures

C: John Buchanan, MDNR  
Brenda Wilbers, MDNR  
Laura Wolfe, MDNR  
Pam Levetzow, MGE  
David Hendershot, MGE  
Lesa Jenkins, MPSC  
Susan Nathan, AEG

## Energy Conservation Initiative

### Program Funding Summary

Program Allocation	Funding Levels (annual)	Balance as of 03-31-2009	Funding Levels (quarterly)	Quarterly Spending	Remaining Balances as of 06/30/2009
Water Heat	\$165,000	\$205,049	\$41,250	\$34,387	\$211,911.11
Space Heat	\$285,000	\$354,175	\$71,250	\$65,569	\$359,855.29
Energy Efficiency & Education	\$135,000	\$167,767	\$33,750	\$4,498	\$197,019.07
Home Performance with Energy Star	\$165,000	\$205,049	\$41,250	\$1,243	\$245,055.94
<b>Total Funding</b>	<b>\$750,000</b>	<b>\$932,039</b>	<b>\$187,500</b>	<b>\$105,697</b>	<b>\$1,013,841.41</b>