

Exhibit No.:

Issue(s):

\_\_\_\_\_  
Laclede Energy Conservation  
Program Evaluation,  
Design and Cost Recovery

Witness:

Ryan Kind

Type of Exhibit:

Direct

Sponsoring Party:

Public Counsel

Case Number:

GR-2007-0208

Date Testimony Prepared:

May 4, 2007

## **DIRECT TESTIMONY**

**OF**

**RYAN KIND**

Submitted on Behalf of  
the Office of the Public Counsel

**LACLEDE GAS COMPANY**

**Case No. GR-2007-0208**

May 4, 2007

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

In the Matter of Laclede Gas Company's     )  
Tariff to Revise Natural Gas Rate         )  
Schedules.                                     )

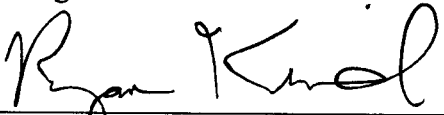
Case No. GR-2007-0208

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

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

Subscribed and sworn to me this 4<sup>th</sup> day of May 2007.



JERENE A. BUCKMAN  
My Commission Expires  
August 10, 2009  
Cole County  
Commission #05754036

  
\_\_\_\_\_  
Jerene A. Buckman  
Notary Public

My commission expires August 10, 2009.

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**DIRECT TESTIMONY**  
**OF**  
**RYAN KIND**  
**LACLEDE GAS COMPANY**  
**CASE NO. GR-2007-0208**

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

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

1       **Q.     HAVE YOU BEEN INVOLVED WITH ENERGY CONSERVATION PROGRAMS AND**  
2       **INITIATIVES RELATED TO MISSOURI REGULATED ENERGY UTILITIES AS PART OF YOUR**  
3       **WORK AT THE OFFICE OF THE PUBLIC COUNSEL?**

4       A.    Yes, I have been involved with most of the energy conservation programs and initiatives  
5       that have been undertaken at the Commission or by Missouri energy utilities since the  
6       early 1990s. The conservation programs and initiatives that I have participated in over the  
7       last 15 years include: the Commission's Integrated Resource Plan (IRP) rulemaking, IRP  
8       filings from electric utilities during the 1990s prior to suspension of the IRP rule, IRP  
9       filings from electric utilities starting in 2005 after the end of the suspension period for the  
10      IRP rule, low income weatherization programs for gas and electric utilities, and gas  
11      conservation programs of Union Electric Company (UE) and Laclede Gas Company  
12      (Laclede or the Company) that were agreed upon and developed pursuant to settlement  
13      agreements in gas rate cases. In addition to these activities, I have represented OPC on  
14      the KCPL Customer Program Advisory Group (CPAG) which advises KCPL on the  
15      implementation of demand-side resources agreed upon in the KCPL regulatory plan case  
16      (Case No. EO-2005-0329), the Empire Customer Program Collaborative (CPC) which  
17      makes decisions about the design and implementation of conservation and other customer  
18      programs pursuant to the settlement agreement approved by the Commission in Case No.  
19      EO-2005-0263, the UE participatory process for developing demand-side programs that  
20      resulted from the settlement agreement approved by the Commission in Case No. EO-  
21      2006-0240, and the UE Efficiency Collaborative which makes decisions about the design  
22      and implementation of conservation and other customer programs pursuant to the  
23      settlement agreement approved by the Commission in Case No. EC-2002-1.

24      **Q.     HAVE YOU BEEN A MEMBER OF, OR PARTICIPANT IN, ANY WORK GROUPS,**  
25      **COMMITTEES, OR OTHER GROUPS THAT HAVE ADRESSED ENERGY CONSERVATION**  
26      **ISSUES?**

1 A. Yes. I have been a member of the Missouri Department of Natural Resources  
2 Weatherization Policy Advisory Committee for about 10 years. During the mid-1990s, I  
3 served on the City of Columbia's Environment and Energy Commission. I also served as  
4 a Staff Liaison to the Energy and Transportation Task Force of the President's Council on  
5 Sustainable Development during the early 1990s.

6 **I. INTRODUCTION AND RECOMMENDATIONS**

7 **Q. PLEASE IDENTIFY THE ISSUES THAT YOU WILL BE ADDRESSING IN YOUR TESTIMONY.**

8 A. The major issues that are addressed in this testimony include:

- 9 • OPC's proposal for a reassessment of Laclede's energy conservation programs  
10 (except for the low income weatherization program) and the collaborative  
11 framework in which this re-assessment should take place;
- 12 • The deficiencies in the current approach to energy conservation programs at  
13 Laclede;
- 14 • OPC's proposal for Laclede to analyze the benefits of delivering conservation  
15 programs in cooperation with UE so that both utilities can take advantage of  
16 opportunities to provide conservation services to customers more efficiently and  
17 comprehensively than either could provide with separate program delivery  
18 mechanisms;
- 19 • OPC's proposal to remove the \$300,000 expense associated with the HVAC  
20 Rebate Program from Laclede's revenue requirement request in this case and  
21 replace it with a new deferral account cost recovery mechanism for Laclede's  
22 energy conservation programs; and

23 **Q. PLEASE SUMMARIZE THE PROCESS FOR REASSESSING LACLEDE'S ENERGY**  
24 **CONSERVATION PROGRAMS THAT PUBLIC COUNSEL IS RECOMMENDING IN THIS CASE.**

1 A. The conservation program reassessment process recommended by Public Counsel  
2 contains the following major elements:

- 3 • Create a collaborative that will engage, with support from a qualified energy  
4 efficiency consulting firm, in a participatory process for evaluating (both pre-  
5 implementation and post-implementation), designing, and implementing a  
6 comprehensive portfolio of energy conservation programs at Laclede;
- 7 • Direct Laclede to implement cost-effective energy efficiency programs on a scale  
8 that is appropriate for the largest Missouri gas utility;
- 9 • Direct Laclede to evaluate and pursue the cooperative delivery of energy  
10 conservation programs with UE;
- 11 • Put in place a deferral accounting mechanism for the recovery of prudently  
12 incurred energy conservation program costs similar to the mechanisms that have  
13 been approved by the Commission for KCPL and Empire and agreed upon in  
14 Stipulations that the Commission is currently considering in the pending rate  
15 cases for UE (Case No. ER-2007-0002) and Aquila (Case No. ER-2007-0004);

16 **II. PROPOSED CONSERVATION PROGRAM REASSESSMENT PROCESS**

17 **Q. BEFORE PROVIDING MORE DETAILS ABOUT THE CONSERVATION PROGRAM**  
18 **REASSESSMENT PROCESS THAT OPC IS PROPOSING, PLEASE SUMMARIZE THE**  
19 **DEFICIENCIES IN THE CURRENT CONSERVATIONS PROGRAMS AT LACLEDE AND THE**  
20 **PROCESS BY WHICH THOSE PROGRAMS WERE DEVELOPED.**

21 A. Laclede currently has three energy conservation programs (not including the low income  
22 weatherization program). These programs are the Insulation Financing Program (IFP), the  
23 EnergyWise Dealer Program (EDP), and the Appliance and HVAC Rebate Program  
24 (Rebate Program). The IFP was initiated over 10 years ago in response to the

1 encouragement of conservation programs by the Federal government. The EWP is at least  
2 10 years old and provided encouragement of both fuel efficient gas furnaces and load  
3 building through fuel switching to gas air conditioners. The Rebate Program was initiated  
4 in Laclede's last rate case in response to an energy conservation proposal from the  
5 Department of Natural Resources (DNR). Together these three programs represent an  
6 uncoordinated hodgepodge of programs that only address a very limited portion of the  
7 conservation opportunities for Laclede's customers. In addition to the limited coverage  
8 of conservation potential addressed by these programs, Laclede has failed to properly  
9 promote and implement the new Rebate program that was approved in the last case so  
10 much of the funds provided by ratepayers remain unspent. While the ISP has an  
11 authorized funding level of \$2 million, less than 10% of this amount is currently loaned  
12 out to residential customers for weatherizing homes.

13 **Q. PLEASE PROVIDE MORE DETAILS ABOUT THE PROCESS THAT PUBLIC COUNSEL IS**  
14 **PROPOSING FOR REASSESSING LACLEDE'S ENERGY CONSERVATION PROGRAMS.**

15 A. Earlier in this testimony, I identified the many energy conservation collaborative efforts  
16 in which I have been involved over the last few years. The collaborative approach to  
17 evaluating, designing, and overseeing the implementation of conservation programs has  
18 taken place in the United States since at least the early 1990s but this approach was never  
19 tried in Missouri prior to the establishment of an energy efficiency collaborative as part  
20 of the settlement of the UE electric complaint case in 2002. Since that time there have  
21 been a number of collaborative efforts involving energy conservation programs at many  
22 of the other regulated electric and gas utilities in Missouri.

23 OPC's collaborative proposal in this case is based on a hybrid approach that uses some of  
24 the framework established for the Empire Customer Program Collaborative (CPC) in  
25 Case No. EO-2005-0263 and some of the framework established for the new  
26 participatory resource planning process that was approved for UE in its recent IRP case



(Case No. EO-2006-0240). The collaborative that Public Counsel is proposing for Laclede is referred to in this testimony as the Laclede Conservation Collaborative or LCC.

**Q. WHICH PROVISIONS FROM THE EMPIRE STIPULATION DO YOU PROPOSE USING AS PART OF THE FRAMEWORK FOR THE NEW LACLEDE COLLABORATIVE?**

A. I propose using, with modifications, the following provisions from pages 26 through 29 of the Empire Stipulation and Agreement:

Empire agrees to meet with and provide updates to the CPC at least once every six months regarding:

- 1) the status of program implementation including the amount of expenditures for each program and level of customer participation;
- 2) the status of program evaluations including evaluation consultants chosen, evaluation budgets, evaluation expenditures and copies of completed evaluations; and
- 3) the status of new program selection and design efforts, including copies of program screening results.

The CPC's oversight of Empire's Customer Programs will include the following areas/activities:

1) Customer Programs Objectives Development. Separate objectives may be developed for Affordability Programs, Energy Efficiency Programs, and Demand Response Programs. Consistent with Empire's current obligations in Case No. ER-2004-0570, the CPC will use its best efforts to identify and implement cost-effective programs that are consistent with the objective of providing the public with energy services that are safe, reliable and efficient, at just and reasonable rates, in a manner that serves the public interest. **Appendix G** identifies the initial targets suggested by DNR. The other Signatory Parties have no reason to believe these targets are or are not valid.

2) Consultant Selection. A consultant(s) will be selected to assist in the design, pre-implementation evaluation, and post-implementation evaluation of Customer Programs.

3) Capacity Balance and Supply-Side Resource Cost Review. A review of Empire's future capacity and energy needs and the supply-side resources that will be required to meet those future needs will take place within three months of the effective date of an Order approving this Agreement. Empire agrees to provide information needed by the CPC for its review of Empire's future capacity and energy needs and the supply-side resources that may/will be utilized to meet those future needs. Information from this review will be used in the pre-implementation cost-effectiveness screening of Customer Programs.

4) Design, Screening, and Pre-implementation Evaluation of Potential Customer Programs. This process will be consistent with the Commission's Chapter 22 Electric Utility Resource Planning Rules. This step will include: (a) the consideration of customer programs that have been shown to be successful and cost-effective by other utilities and (b) DSM screening that includes energy efficiency and demand response programs, including a comprehensive study of interruptible and curtailable opportunities throughout Empire's Missouri service territory.

5) Customer Program Portfolio Choice. A portfolio of Customer Programs to be implemented will be chosen and an implementation plan will be developed. The implementation plan will include a plan for post-implementation process and impact evaluations, where feasible, for each program in the chosen portfolio of Customer Programs. The CPC will seek to develop a full portfolio of Customer Programs, but may decide to move forward with individual programs as they are developed and approved through the CPC decision-making process.

6) Post-implementation Evaluation of Customer Programs. A detailed post-implementation review of the initial two (2) years of each program shall be completed within six (6) months of the end of each program's second year. This review will include both process evaluations and cost effectiveness evaluations. These evaluations will then be used in the selection and design of future programs.

To the extent possible, Empire will coordinate with Missouri Gas Energy (MGE) and other existing entities/organizations to administer its Affordability, Energy Efficiency and Demand Response programs.

For both the pre-implementation and post-implementation analysis described above, Empire shall use its best efforts to compute, at a minimum, the Total Resource Cost Test, the Utility Cost Test, the Participant Test, the Rate Impact Measure (RIM) Test.

References to the CPC in the above quoted portion of the Empire Stipulation and Agreement would be replaced with LCC, the name for the new Laclede Collaborative. Other changes would need to be made to the above quoted stipulation language to make it appropriate for a gas utility rather than an electric utility.

**Q. WHICH PROVISIONS FROM THE UE STIPULATION DO YOU PROPOSE USING AS PART OF THE FRAMEWORK FOR THE NEW LACLEDE COLLABORATIVE?**

A. I propose using the following provisions from page 12 of the UE Nonunanimous Stipulation and Agreement:

32. AmerenUE agrees to give substantial consideration to the input of stakeholders through the participatory planning process. If a stakeholder alleges that AmerenUE either did not seriously consider its

input or unreasonably rejected recommendations that were part of its input, the stakeholder can ask that the Commission to rule on the merits of the stakeholder's allegation and order AmerenUE to implement any lawful remedies within the Commission's power that address the allegation. AmerenUE agrees that, in the event the Commission has been requested to rule on any such stakeholder allegation, it will continue its Chapter 22 resource planning activities and fulfill its commitments pursuant to this Stipulation and Agreement to the extent reasonably possible while the dispute is pending before the Commission. Stakeholders that participate in the participatory planning process will retain their ability to litigate cost recovery issues, including decisional prudence, pertaining to AmerenUE's resource acquisition strategy.

Minor changes would need to be made to the above quoted stipulation language to make it appropriate for a gas utility rather than an electric utility.

**Q. HAVE YOU PREPARED A DOCUMENT THAT SHOWS HOW THE PROVISIONS OF THE TWO ABOVE-QUOTED AGREEMENTS COULD BE COMBINED AND MODIFIED SO THEY WOULD BE AN APPROPRIATE FRAMEWORK FOR THE PROPOSED LACLEDE CONSERVATION COLLABORATIVE (LLC)?**

A. Yes. Attachments A and B represent the specific LCC proposal being made by Public Counsel in this Case. Attachment A contains the two above-quoted excerpts from prior agreements in track changes (redline-strikeout) format that shows the changes that were made to modify the quoted language so it will be appropriate for Laclede. Attachment B is the same as the modified document shown in Attachment A where all of the changes have been accepted.

**Q. CAN YOU POINT OUT AND EXPLAIN THE MOST SIGNIFICANT CHANGES THAT YOU MADE TO THE EMPIRE AND UE LANGUAGE IN ORDER TO TAILOR THE PROPOSAL TO FIT THE PRESENT CIRCUMSTANCES OF LACLEDE?**

A. Yes. The first major change appears in the Customer Programs Objectives Development paragraph. In the Empire agreement, there was a reference to energy efficiency program expenditure level goals that were suggested by DNR. I have replaced this reference with the statement that "the initial targets for annual conservation program expenditures shall

be 1% of Laclede's annual gross revenues so long as this level of expenditure is expected to be cost-effective."

**Q. HOW DID YOU DETERMINE THE 1% GOAL?**

A. I relied on the goal that the Commission set for Atmos in its recent rate case where Atmos was directed to develop and implement a comprehensive set of efficiency programs in exchange for the fixed-variable rate design that the Commission was allowing Atmos to use to recover its revenue requirement. On page 21 of its February 22, 2007 Report and Order in Case No. GR-2006-0387, the Commission stated:

Atmos has proposed \$78,000 and unlimited energy audits creating a minimum of \$1.75 million worth of potential liability. Obviously, not every one of the 50,000 residential customers served by Atmos will request an audit. However, that commitment shows that Atmos is capable and willing to provide enough funding to implement a meaningful conservation program. Thus, the Commission finds that it would be just and reasonable and in the public interest to implement a fixed delivery charge rate design as proposed by Staff **on the condition that Atmos contribute annually, one percent (1%) of its annual gross revenues (currently, approximately \$165,000) to be used for an energy efficiency and conservation program.** (Emphasis added)

The Commission reiterated the need for Atmos to implement "significant" programs in order to use a rate design that decouples its revenues from its sales volumes on page 44 of its order where it stated:

If Atmos chooses to enter into a **significant** energy efficiency and conservation program as set out in this order to be approved by the Commission, it may file tariffs including a fixed delivery charge rate design. (Emphasis added)

**Q. WHY DO YOU BELIEVE THE POLICY OF REQUIRING A GAS LDC TO IMPLEMENT A SIGNIFICANT LEVEL OF ENERGY EFFICIENCY AND CONSERVATION PROGRAMS SHOULD BE APPLIED TO LACLEDE IN THIS CASE?**

A. Such a policy should be applied to Laclede because the Company already has a rate design in place that decouples nearly all of its margin revenues (and related earnings)

1 from variations in the amount of gas that it sells. For the most part, these variations are  
2 the result of increasing amounts of energy conservation (decreases in usage per customer)  
3 and changes in the weather. Even though Laclede's current rate design decouples nearly  
4 all of its margin revenues from impact of variations in sales (customer usage), it is  
5 proposing various mechanisms in this case that would result in the complete decoupling  
6 of margin revenues from sales levels. Therefore, Public Counsel believes that Laclede  
7 should also be required to engage in a significant level of energy conservation programs  
8 in order to be able to continue to benefit from the revenue decoupling that is already in  
9 place and in order to be permitted to have to total revenue decoupling that the Company  
10 is proposing in this case.

11 **Q. COULD LACLEDE'S CURRENT EFFICIENCY PROGRAMS BE CHARACTERIZED AS**  
12 **"SIGNIFICANT" PROGRAMS?**

13 A. Certainly not. First of all, even if Laclede was implementing these programs at the level  
14 that was authorized by the Commission in the last case, the level of expenditures would  
15 be very low in relation to the size of Laclede. Secondly, Laclede has not been effectively  
16 implementing the HVAC and Appliance Rebate program that was approved and funded  
17 in rates in Laclede's last rate case. OPC witness Barbara Meisenheimer provides  
18 information in her direct testimony in this case showing that the Company has collected  
19 hundreds of thousands of dollars from customers that it has not spent to implement the  
20 Rebate program.

21 **Q. PLEASE DESCRIBE THE CHANGES THAT YOU MADE TO THE PARAGRAPH ENTITLED**  
22 **"SUPPLY RESOURCE COST REVIEW."**

23 A. This paragraph was changed to reflect the different assessment of supply side costs that is  
24 required to make cost-benefit calculations of conservation programs for gas utilities.  
25 Unlike electric utilities where the relevant supply side costs include the capital and

operating costs associated with generating facilities, the supply costs that pertain to gas utilities include pipeline capacity charges, gas commodity costs, storage costs, and hedging costs.

**Q. WHAT OTHER SIGNIFICANT CHANGES DID YOU MAKE TO THE EMPIRE AND THE UE LANGUAGE?**

A. Most of the other changes are self-explanatory. I removed references to the Chapter 22 IPR rule and also removed references to demand response programs.

**Q. WOULD THE COLLABORATIVE PROCESS THAT OPC IS PROPOSING BE CHARGED WITH DETERMINING WHETHER LACLEDE'S THREE EXISTING ENERGY EFFICIENCY PROGRAMS SHOULD BE CONTINUED, MODIFIED OR TERMINATED, IN ADDITION TO DETERMINING WHICH NEW RESIDENTIAL AND COMMERCIAL PROGRAMS SHOULD BE INITIATED?**

A. Yes. It is very important that Laclede has a comprehensive portfolio of programs that work well together. Therefore, it will be very important to look at the three existing programs (the Insulation Financing Program, the EnergyWise Dealer Program, and the Appliance and HVAC Rebate Program) in conjunction with possible future programs.

### **III. LACLEDE CONSERVATION PROGRAM DEFICIENCIES**

**Q. WHAT ARE THE MAJOR DEFICIENCIES THAT YOU HAVE OBSERVED WITH THE HVAC AND APPLIANCE REBATE PROGRAM THAT WAS APPROVED BY THE COMMISSION IN LACLEDE'S LAST RATE CASE?**

A. This program was Laclede's major new initiative to assist its non-low income customers in the installation of energy conservation measures. The collaborative that put this program together got off to a very slow start. I was disappointed to see that Laclede did not extensively utilize its subject matter experts to help develop this program. Instead I

1 found myself trying to explain energy conservation program design principles to  
2 Laclede's legal personnel who appeared have very little background in this area. This is  
3 the only energy efficiency collaborative I have worked with where the utility did not  
4 bring energy conservation experts to the table as major participants in the collaborative  
5 process.

6 In addition to the poor start of this collaborative, I would have expected Laclede to get in  
7 touch with the collaborative to try and re-assess the program once Laclede saw that it was  
8 not obtaining enough program participants to spend the funds that it was collecting in  
9 rates for the program. This has happened with other collaboratives that I have worked  
10 with but it did not occur with the Laclede collaborative.

11 **Q. DOES LACLEDE'S WEBSITE PROMINANTLY PROMOTE THE PROGRAM?**

12 A. No. It does not. In fact, it is very difficult to find the path on the website that takes you to  
13 information about the rebate program. Then, once you do find the program, there is no  
14 list of approved contractors that can be contacted in order to participate in the program.  
15 From the Laclede home page, the customer would need to guess that the button entitled  
16 "customer assistance" is the place to start to get information on energy conservation  
17 programs. If Laclede really wanted to encourage participation in this program, I would  
18 expect them to use an enticement like "energy conservation rebates" on the Laclede home  
19 page.

20 **Q. DOES LACLEDE KEEP AN UPDATED LIST OF THE PRODUCTS THAT QUALIFY FOR A**  
21 **REBATE ON ITS WEB PAGE?**

22 A. No. It currently has a list of Energy Star products that put out by the EPA in November of  
23 2006 even though the Energy Star website currently has a new list that was updated on  
24 April 1, 2007.

1       **Q.     ARE THERE ANY OTHER DEFICIENCIES WITH THE LACLEDE REBATE PROGRAM THAT**  
2       **YOU WOULD LIKE TO ADDRESS?**

3       A.     Yes. The tariff that the company filed to implement this program did not properly  
4       identify the program as a promotional practice. Since the program includes offering  
5       financial incentives to customers for the installation of high efficiency gas appliances and  
6       HVAC systems, it clearly qualifies as a promotional practice and Laclede should have  
7       made a tariff filing that meets the requirements of the promotional practices rule.

8       **IV.    BENEFITS    OF    COOPERATIVE    DELIVERY    OF    EFFICIENCY**  
9       **PROGRAMS**

10      **Q.     PLEASE DESCRIBE WHAT YOU MEAN BY THE TERM “COOPERATIVE DELIVERY OF**  
11      **EFFICIENCY PROGRAMS.”**

12      A.     This terms describes energy conservation programs that are developed by gas and electric  
13      utilities that partner together to deliver programs to their customers. An example of the  
14      type of program that would be an obvious candidate for this type of cooperation is a  
15      home audit program that includes incentives that cover a portion of the cost for the  
16      installation of energy conservation measures.

17      **Q.     CAN CUSOMTERS AND THE UTILITY BENEFIT FROM THE COOPERATIVE DELIVERY OF**  
18      **ENERGY EFFICIENCY PROGRAMS?**

19      A.     Yes. In the example given above about a cooperatively delivered home audit and  
20      incentive program, it might not be cost effective for either the gas utility or the electric  
21      utility to offer such a program on their own. However, if the utilities are sharing the cost  
22      of performing the audit and sharing the cost of providing incentives for building shell  
23      insulation and air infiltration measures it is much more likely that this type of program  
24      would be cost effective. Alternatively, even if it was cost effective for the gas and/or  
25      electric utility to offer this type of program on their own, it would be even more cost



1 effective and less expensive to offer a cooperative program. Whenever the costs per  
2 participant of a program can be decreased (while holding impact levels constant), the  
3 utility will be able to provide energy conservation program benefits to even more  
4 participants without increasing the budget for the program.

5 **Q. HAVE OTHER COMMISSIONS REQUIRED OR ENCOURAGED THEIR GAS AND ELECTRIC**  
6 **UTILITIES TO COOPERATE IN THE DELIVERY OF ENERGY CONSERVATION PROGRAMS?**

7 A. Yes. The Iowa Utilities Board (IUB) has a rule that require their electric and gas utilities  
8 to file:

9 A report which explains the results of attempts to coordinate energy  
10 efficiency programs with other gas or electric utilities sharing its service  
11 territory within the boundaries of incorporated municipalities having a  
12 population of 1000 or more individuals. [199 IAC Chapter 35.8(9)a.]

13 The Arkansas Commission promulgated rules earlier this year in Docket No. 06-004-R  
14 that addresses “uniformity of programs” offered by gas and electric utilities and requires:

15 Programs addressing both electric and gas customers shall be  
16 coordinated to the extent reasonable.

17 **Q. HAS THE MISSOURI COMMISSION ADDRESSED THE COORDINATION OF CONSERVATION**  
18 **PROGRAMS BY MISSOURI’S GAS AND ELECTRIC UTILITIES?**

19 A. Yes. I raised this issue in Case No. ET-95-209 in the mid-1990s where UE was seeking  
20 approval of an energy conservation program for residential new construction. In my  
21 rebuttal testimony in that case, I stated:

22 Loads are decreased for both gas and electric utilities when the efficiency  
23 levels of building shells and HVAC systems are enhanced by increasing  
24 insulation levels, decreasing air infiltration, and decreasing duct leakage  
25 in homes with electric air conditioning and gas heating. Since the loads  
26 of both utilities are lowered by such measures, it seems logical that both  
27 utilities would be willing to pay for a cost effective program that lowers  
28 costs for their customers by delivering such measures. Given that a gas  
29 utility’s customers could benefit from the delivery of building shell and  
30 HVAC measures, it would appear reasonable for utilities to explore the  
31 possibility of sharing in the cost of delivering these measures. (Page 8,  
32 lines 9-17)

...

OPC would of course prefer to see UE and Laclede propose a jointly implemented residential new construction pilot program and/or Laclede's and UE's active participation in the initiation of a Home Energy Rating System in Missouri. (Page 15, lines 20-23)

The Commission November 1, 1995 Report and Order in Case No. ET-95-209 addressed the joint (cooperative) delivery issue raised in my testimony by stating:

The Commission also finds substantial merit in the suggestion of the OPC that cooperative programs between the various utilities should be initiated for the benefit of all, including the ratepayer. (Page 8)

**V. OPC'S CONSERVATION PROGRAM COST RECOVERY PROPOSAL**

**Q. DOES PUBLIC COUNSEL BELIEVE THAT LACLEDE'S REVENUE REQUIREMENT IN THIS CASE SHOULD REFLECT \$300,000 IN EXPENSES FOR THE HVAC AND APPLIANCE REBATE PROGRAM?**

A. No. First of all, it should not be presumed that the collaborative conservation program reassessment process that OPC is proposing in this case will result in the continuation of this program in its current form. Second, Laclede has not been spending the money that has been collecting in rates for the rebate program so Public Counsel is opposed to including money for this program in Laclede's future rates, even if the Commission does not approve OPC's proposal for a collaborative conservation program reassessment process.

**Q. HOW DOES PUBLIC COUNSEL PROPOSE FUNDING LACLEDE'S FUTURE ENERGY CONSERVATION PROGRAMS?**

A. Public Counsel proposes that these expenditures be accumulated in a regulatory asset account and amortized over a ten-(10) year period. Under this proposal Laclede would be allowed to place its future demand-side costs in the regulatory account where they would be allowed to earn a return not greater than Laclede's Allowable Funds Used During Construction (AFUDC) rate.

Direct Testimony of  
Ryan Kind

As I stated earlier in this testimony, OPC witness Barbara Meisenheimer presents calculations in her direct testimony that show the amount of funds that Laclede has received for the rebate program but not spent (plus interest). I expect that Laclede will still not have spent all of the funds that were collected for the rebate program at the time new rates go into effect as a result of this case (in fact the deficit will probably be even larger at that time). Therefore, the calculations that Ms. Meisenheimer has performed should be updated at that time and the accumulated balance of unspent funds plus interest should be the negative starting balance for the new regulatory asset account. As additional expenditures or made on energy conservation programs, these expenditures should be tracked in the regulatory asset account.

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

**A.** Yes.

## OPC's Proposed Framework for the Laclede Conservation Collaborative (LCC)

(Track Changes Shown)

Laclede shall meet with and provide updates to the LCC at least once every six months regarding:

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- 1) the status of program implementation including the amount of expenditures for each program and level of customer participation;
- 2) the status of program evaluations including evaluation consultants chosen, evaluation budgets, evaluation expenditures and copies of completed evaluations; and
- 3) the status of new program selection and design efforts, including copies of program screening results.

The LCC's involvement with Laclede's Customer Programs development process will include the following areas/activities:

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- 1) **Customer Programs Objectives Development.** Separate objectives may be developed for Affordability Programs, and Energy Efficiency (Conservation) Programs, Laclede, with input from the LCC, shall use its best efforts to identify and implement cost-effective programs that are consistent with the objective of providing the public with energy services that are safe, reliable and efficient, at just and reasonable rates, in a manner that serves the public interest. The initial targets for annual conservation program expenditures shall be 1% of Laclede's annual gross revenues so long as this level of expenditure is expected to be cost-effective. If this level of expenditures is found to be cost effective, it will likely take several years to reach this expenditure level due to practical considerations (the need to perform analysis, obtain input from collaborative participants, acquire program implementation experience, put infrastructure in place to manage an expanded portfolio of programs, etc.) involved in starting from a very low level of conservation program implementation and expenditures to a much higher level.
- 2) **Consultant Selection.** A consultant(s) will be selected to assist in the design, pre-implementation evaluation, and post-implementation evaluation of Customer Programs.
- 3) **Supply-Side Resource Cost Review for Use in Avoided Costs Calculations.** A review of Laclede's projected future cost structure will take place within three months of the effective date of a Final Report and Order in this case. Laclede agrees to provide information needed by the LCC for its review of Laclede's projected future cost structure. Information from this review will be used to calculate avoided costs for the pre-implementation cost-effectiveness screening of Customer Programs.

- 4) **Design, Screening, and Pre-implementation Evaluation of Potential Customer Programs.** This process will be consistent with standard industry practices for gas conservation (energy efficiency) programs. This step will include: (a) the consideration of customer programs that have been shown to be successful and cost-effective by other utilities and (b) cost-effectiveness screening of energy efficiency programs.
- 5) **Customer Program Portfolio Choice.** A portfolio of Customer Programs to be implemented will be chosen and an implementation plan will be developed. The implementation plan will include a plan for post-implementation process and impact evaluations, where feasible, for each program in the chosen portfolio of Customer Programs. Laclede will seek to develop a full portfolio of Customer Programs, but may decide to move forward with individual programs as they are developed and tariffs are approved by the Commission.
- 6) **Post-implementation Evaluation of Customer Programs.** A detailed post-implementation review of the initial two (2) years of each program shall be completed within six (6) months of the end of each program's second year. This review will include both process evaluations and cost effectiveness (impact) evaluations. These evaluations will then be used in the selection and design of future programs.

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To the extent possible, Laclede will coordinate with AmerenUE and other existing entities/organizations to administer its Affordability and Energy Efficiency programs.

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Laclede shall give substantial consideration to the input of stakeholders through the collaborative planning process. If a stakeholder alleges that Laclede either did not seriously consider its input or unreasonably rejected recommendations that were part of its input, the stakeholder can ask the Commission to rule on the merits of the stakeholder's allegation and order Laclede to implement any lawful remedies within the Commission's power that address the allegation. Laclede agrees that, in the event the Commission has been requested to rule on any such stakeholder allegation, it will continue its conservation program planning activities and fulfill its conservation program obligations to the extent reasonably possible while the dispute is pending before the Commission. Stakeholders that participate in the collaborative planning process will retain their ability to litigate cost recovery issues, including decisional prudence, pertaining to Laclede's conservation program.

## OPC's Proposed Framework for the Laclede Conservation Collaborative (LCC)

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- 1) the status of program implementation including the amount of expenditures for each program and level of customer participation;
- 2) the status of program evaluations including evaluation consultants chosen, evaluation budgets, evaluation expenditures and copies of completed evaluations; and
- 3) the status of new program selection and design efforts, including copies of program screening results.

The LCC's involvement with Laclede's Customer Programs development process will include the following areas/activities:

- 1) **Customer Programs Objectives Development.** Separate objectives may be developed for Affordability Programs and Energy Efficiency (Conservation) Programs. Laclede, with input from the LCC, shall use its best efforts to identify and implement cost-effective programs that are consistent with the objective of providing the public with energy services that are safe, reliable and efficient, at just and reasonable rates, in a manner that serves the public interest. The initial targets for annual conservation program expenditures shall be 1% of Laclede's annual gross revenues so long as this level of expenditure is expected to be cost-effective. If this level of expenditures is found to be cost effective, it will likely take several years to reach this expenditure level due to practical considerations (the need to perform analysis, obtain input from collaborative participants, acquire program implementation experience, put infrastructure in place to manage an expanded portfolio of programs, etc.) involved in starting from a very low level of conservation program implementation and expenditures to a much higher level.
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To the extent possible, Laclede will coordinate with AmerenUE and other existing entities/organizations to administer its Affordability and Energy Efficiency programs.

For both the pre-implementation and post-implementation cost-effectiveness analysis described above, Laclede shall use its best efforts to compute, at a minimum, the Total Resource Cost Test, the Utility Cost Test and the Participant Test.

Laclede shall give substantial consideration to the input of stakeholders through the collaborative planning process. If a stakeholder alleges that Laclede either did not seriously consider its input or unreasonably rejected recommendations that were part of its input, the stakeholder can ask the Commission to rule on the merits of the stakeholder's allegation and order Laclede to implement any lawful remedies within the Commission's power that address the allegation. Laclede agrees that, in the event the Commission has been requested to rule on any such stakeholder allegation, it will continue its conservation program planning activities and fulfill its conservation program obligations to the extent reasonably possible while the dispute is pending before the Commission. Stakeholders that participate in the collaborative planning process will retain their ability to litigate cost recovery issues, including decisional prudence, pertaining to Laclede's conservation program.