

Exhibit No.: _____
Issue: Natural Gas
Conservation
Initiatives
Witness: David Hendershot
Sponsoring Party: Missouri Gas Energy
Case No.: GR-2009-
Date Testimony Prepared: April 2, 2009

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2009-

DIRECT TESTIMONY OF

DAVID HENDERSHOT

Jefferson City, Missouri

April 2009

DIRECT TESTIMONY
OF DAVID HENDERSHOT

CASE NO. GR-2009-

April 2009

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. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am Manager, Business Support Services for Missouri Gas Energy (“MGE” or
7 “Company”), a division of Southern Union Company. In this position my
8 responsibilities include leading and directing projects related to improving operational
9 efficiencies throughout the company. This includes evaluation of current business
10 practices and development and implementation of new procedures and/or policies.

11

12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

13 A. I graduated from Cleveland State University with a B.A. in Economics and I hold an
14 M.S. in Management from Baker University.

15

16 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL BACKGROUND.**

17 A. I have been in my present position since 2003.

18

1 Prior to being named Manager, Business Support Services, I served as a Project
2 Manager beginning in 2002. I joined the Company in January of 2000 as Credit and
3 Collections Manager.

4
5 Prior to my employment with MGE, I worked for Trans Union (a national credit
6 reporting agency) for 17 years.

7

8 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

9 A. I will describe the energy efficiency initiative approved by the MPSC in our prior rate
10 case that MGE is prepared to expand under certain conditions.

11

12 **Q. WHAT CHANGES TO THE ENERGY EFFICIENCY INITIATIVES ARE**
13 **PROPOSED?**

14 A. The program would be expanded to include Small General Service customers.

15

16 **Q. PLEASE EXPLAIN THE CONDITIONS UNDER WHICH MGE WOULD BE**
17 **WILLING TO UNDERTAKE THE EXPANDED ENERGY EFFICIENCY**
18 **INITIATIVES YOU WILL DESCRIBE.**

19 A. MGE would be willing to expand these natural gas energy efficiency initiatives to
20 include SGS customers if the Commission 1) adopts a small general service rate
21 design that leaves MGE financially indifferent to volumes consumed by small general
22 service customers; and 2) includes the cost of these initiatives in the calculation of

1 rates. MGE witness Feingold explains why the first condition is reasonable and MGE
2 witness Noack addresses the reasonableness of the second condition.

3
4 **Q. WOULD THE PROPOSED EXPANSION OF THE ENERGY EFFICIENCY**
5 **INITIATIVES TO SGS CUSTOMERS REQUIRE INCREASING THE**
6 **EXISTING FUNDING LEVELS?**

7 A. No. The existing funding levels (\$750,000 per annum) would fund the entire
8 program.

9
10 **Q. PLEASE DESCRIBE THE NATURAL GAS ENERGY EFFICIENCY**
11 **INITIATIVES APPROVED IN THE PRIOR RATE CASE.**

12 A. The initiatives were based on information gathered from the National Action Plan for
13 Energy Efficiency. MGE's program initially included the following elements:

- 14 • Communication and education regarding energy efficiency; and
- 15 • Promotion of a water heater rebate program designed to encourage the
16 installation of energy efficient appliances and, therefore, improve natural gas
17 conservation efforts.

18 Together, these elements are intended to assist our customers in the wise and efficient
19 use of natural gas.

1 Q. PLEASE EXPLAIN YOUR PROGRAM RESULTS TO DATE.

2 A. The program results are broken out by various Educational related activities as well as
3 the Incentive Related measurements.

4 I. Energy Efficiency Education

5
6 (1) 4000 Energy Efficiency Kits have been purchased for distribution through
7 senior serving organizations in Missouri. 2000 of the kits contain CFL's in
8 partnership with KCPL. To date, 470 kits installed.

9
10 (2) Third party on line energy analyzer through APOGEE is installed and
11 includes two special use calculators.

12
13 (3) General public information and awareness has been accomplished through
14 print media, bill inserts, MGE website and radio advertising as well as support
15 of HUEE (Heartland Utilities for Energy Efficiency).

16
17

18 2007 website traffic: 4,637 page visits to Energy Efficiency pages.
19 3,710 page visits to Water Heater pages.

20

21 2008 website traffic: 8,837 page visits to Energy Efficiency pages.
22 27,264 page visits to Water Heater pages.

23 II. Water Heater Rebate Program

24 As of March 31, 2009, the water heater program had received a total number of 744
25 applications:

- 26
- 27 • 390 tankless applications approved for a total of \$78,000;
 - 28 • 170 40+ gallon tanked applications approved for a total of \$6,800; and
 - 29 • 6 complaints received.

30

Water heater ccf and CO2 savings for rebates thru December 2008:

- 31
- 32 • 16,154 ccf's per year saved/229,080 ccf's for expected life of appliances; and
 - 33 • 289,378 CO2 lbs per year saved/4,500,000 CO2 lbs for expected life of
34 appliances.

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III. Space Heat Rebate Program

36 As of March 31, 2009, the space heat program had received a total number of 14
37 applications:

- 38
- 39 • 13 furnace applications approved for a total of \$2,600

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Q. WHAT ARE THE CURRENT INCENTIVE LEVELS FOR QUALIFYING HIGH EFFICIENCY NATURAL GAS APPLIANCES?

- A. There are currently 6 incentives as follows:
- \$40 for a tank water heating system that meets current *Energy Star* criteria;
 - \$200 for a tankless water heating system that meets current *Energy Star* criteria;
 - \$200 for natural gas furnace that meets current *Energy Star* criteria;
 - \$450 for a combination furnace/water heater that meets current *Energy Star* criteria;
 - \$200 for a natural gas boiler system that meets current *Energy Star* criteria; and
 - \$25 for a programmable thermostat if purchased in conjunction with a space heating system that meets current *Energy Star* criteria.

Q. WHAT CHANGES HAVE BEEN MADE TO THE PROGRAM SINCE IT WAS ORIGINALLY APPROVED?

- A. In late 2008 the MGE Energy Efficiency Collaborative (EEC) developed and agreed upon the following changes:
- 1) Expansion of the program incentives to also include:
 - Space Heating (furnaces and programmable thermostats);
 - Natural Gas Boiler Systems; and
 - Combination furnace / water heating systems.
 - 2) Qualifying appliances must meet the current *Energy Star* criteria.

1 **Q. WHAT BENEFITS HAVE BEEN IDENTIFIED SINCE THE NATURAL GAS**
2 **CONSERVATION INITIATIVE HAS BEEN APPROVED?**

3 A. We have seen a number of benefits for both MGE customers and the overall societal
4 community

5 I. MGE Customers:

- 6 • Increased awareness and education related to energy conservation and
7 efficiency;
- 8 • Reduced consumption resulting in lower operating cost; and
- 9 • Reduced consumption resulting in lower CO2 emissions.

10 II. Societal:

- 11 • Support and coordination with larger energy efficiency and conservation
12 programs at both the state and federal levels;
- 13 • Reduced consumption and resulting demand on the natural gas commodity
14 (resulting in lower pressure on commodity cost); and
- 15 • Reduced consumption resulting in lower CO2 emissions.

16

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

18 A. Yes, at this time.