

Exhibit No.:
Issues: Low-Income Weatherization
Witness: Sharlet E. Kroll
Sponsoring Party: Missouri Department of Economic
Development – Division of Energy
Type of Exhibit: Surrebuttal Testimony
Case Nos.: GR-2018-0013

MISSOURI PUBLIC SERVICE COMMISSION

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS CORP.)
d/b/a LIBERTY UTILITIES**

CASE NO. GR-2018-0013

SURREBUTTAL TESTIMONY

OF

SHARLET E. KROLL

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DVISION OF ENERGY

Jefferson City, Missouri
May 9, 2018

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Liberty Utilities (Midstates)
Natural Gas) Corp. d/b/a Liberty Utilities')
Tariff Revisions Designed to Implement a) **File No. GR-2018-0013**
General Rage Increase for Natural Gas)
Service in the Missouri Service Areas of the)
Company)

AFFIDAVIT OF SHARLET E. KROLL

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

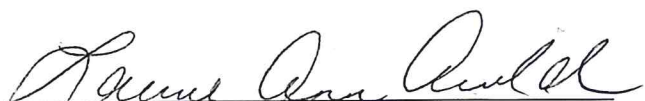
Sharlet E. Kroll, of lawful age, being duly sworn on her oath, deposes and states:

1. My name is Sharlet E. Kroll. I work in the City of Jefferson, Missouri, and I am employed by the Missouri Department of Economic Development, Division of Energy as an Energy Specialist IV.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of the Missouri Department of Economic Development – Division of Energy.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge.


Sharlet E. Kroll

Subscribed and sworn to before me this 9th day of May 2018.




Notary Public

My commission expires:

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Sharlet E. Kroll. My business address is 301 West High Street, Suite 720, PO
4 Box 1766, Jefferson City, Missouri 65102.

5 **Q. By whom and in what capacity are you employed?**

6 A. I am employed by the Missouri Department of Economic Development (“DED”) –
7 Division of Energy (“DE”) as an Energy Specialist IV, and my working title is the
8 Weatherization Assistance Program Administrative Manager.

9 **Q. Are you the same Sharlet E. Kroll that filed direct testimony in this case on March 2,**
10 **2018?**

11 A. Yes, I am.

12 **II. PURPOSE AND SUMMARY OF TESTIMONY**

13 **Q. What is the purpose of your surrebuttal testimony?**

14 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of the
15 Public Service Commission Staff (“Staff”) witness Natelle Dietrich, and her comments
16 regarding the Liberty Utilities (“Company” or “Liberty”) weatherization assistance
17 programs.

18 **Q. What was DE’s recommendation in direct testimony regarding the Company’s**
19 **weatherization programs?**

20 A. “DE requests that the Commission (1) continue the current level of
21 funding for the Company’s weatherization program at \$105,000 as
22 approved in Case Nos. GR-2010-0192 and GR-2014-0152 (2)
23 transition administration of the Company’s weatherization program
24 to the Company, and (3) request that the Energy Efficiency
25 Collaborative discuss adding as a check off box to customer bills
26 and the on-line payment systems to allow additional voluntarily

1 contributions to weatherization efforts – a long-term energy
2 solution.”¹

3 **Q. What were party positions regarding the Company’s weatherization program**
4 **funding levels?**

5 A. Staff recommended continuation of the Company’s weatherization program with no
6 changes.² The Company would like to increase the weatherization budget should the
7 Commission approve an increase in the total energy efficiency budget.³ Office of Public
8 Counsel (“OPC”) was silent in regards to weatherization.

9 **Q. With respect to administration of the weatherization program, has any other party**
10 **contested DE’s evidence that DE incurs costs in administering Liberty’s**
11 **weatherization program?**

12 A. No. Further, DE offered similar evidence in PSC Case No. GR-2017-0215 in regards to
13 DE’s administration of Spire Missouri, Inc.’s (“Spire”) – Missouri East weatherization
14 program, and no party contested the evidence. Additionally, Staff agrees, as shown in
15 Attachment 1⁴, that entities incur administration costs to implement weatherization
16 programs.

17 **Q. Has any party objected to DE’s recommendation to transition the Company’s**
18 **weatherization program back to the Company?**

19 A. No. Staff is amenable to allowing Liberty to manage their weatherization program.⁵
20 Liberty is amenable to transitioning the weatherization program back to the Company as

¹ Direct Testimony of Sharlet E. Kroll, Page 4 Lines 15-21.

² Staff Witness, Brad J. Fortson. (March 2, 2018). *Missouri Public Service Commission Staff Report: Cost of Service*. Page 77, Line 27 – Page 78, Line 7; and Rebuttal Testimony of Brad J. Fortson, Page 5 Line 10.

³ Rebuttal Testimony of Nathaniel W. Hackney, Page 9 Lines 16-20.

⁴ Staff Response to DED-DE Data Request Nos. 7 and 373, May 7, 2018.

⁵ Rebuttal Testimony of Natelle Dietrich, Page 4 Line 16.

1 long as the Commission grants sufficient time for the transition.⁶ DE is agreeable to
2 administer the Company's program in the short-term as it ensures continuity of program
3 services. However, it may be a number of years before Liberty's next general rate case
4 proceeding, therefore, DE requests the Commission to establish a reasonable timeline for
5 the transition to be completed.

6 **Q. Has any party objected to DE's recommendation for a check off box on customer bills**
7 **and on-line payment systems for voluntary contributions to the Company's**
8 **weatherization program?**

9 A. No. The Company is supportive of examining this policy in the context of the Energy
10 Efficiency Advisory Group ("EEAG")⁷. Staff supported this position with the caveat that
11 a check off box policy would be part of the next rate case should the Company wish to
12 pursue this policy⁸. DE has no objections to this position.

13 **III. DE RESPONSE TO STAFF**

14 **Q. Were any concerns raised regarding administrative costs of Investor Owned Utility**
15 **("IOU") weatherization programs?**

16 A. Yes. Staff witness, Ms. Natelle Dietrich, raised concerns in her rebuttal testimony in this
17 case and in PSC Case No. GR-2017-0215 regarding program administrative costs being
18 funded by ratepayers and regarding DE's statutory authority to be compensated for
19 providing administrative services.

⁶ Rebuttal Testimony of Nathaniel W. Hackney, Page 12 Lines 8-14.

⁷ Rebuttal Testimony of Nathaniel W. Hackney, Page 11 Lines 3-5.

⁸ Rebuttal Testimony of Brad J. Fortson, Page 5 Lines 17-20.

1 **Q. Does DE have a response to concerns mentioned in Ms. Dietrich’s testimony**
2 **regarding DE’s statutory authority?**

3 A. Yes, DE’s position on the legal interpretation of Section 640.676 RSMo – Public and
4 Private Partnership Agreements will be provided by DE’s legal counsel.

5 **Q. Please remind the Commission of Section 640.676 RSMo which Ms. Dietrich**
6 **references in her Rebuttal Testimony.**

7 A. “1. The [DE] director may secure other forms of financial assistance
8 permissible by law and establish public and private partnerships with,
9 but not limited to, financial institutions, performance contracting
10 vendors, energy utilities and other energy providers, when such other
11 financial assistance serves to further the implementation of energy
12 conservation projects.”⁹

13 **Q. What is Staff’s position regarding low-income weatherization program (“LIWAP”)**
14 **administrative costs being funded by ratepayers?**

15 A. In her Rebuttal Testimony, Ms. Dietrich states:

16 “In addition, Staff Counsel indicates Missouri Law forbids the
17 preferential subsidization of certain ratepayers at the expense of all
18 other ratepayers; therefore, except under certain circumstances it is
19 unduly discriminatory and preferential to require all ratepayers to
20 subsidize the administration and delivery of weatherization services
21 that are beneficial to only a few ratepayers.”¹⁰

22 This is also the same position Ms. Dietrich offered in PSC Case No. GR-2017-0215¹¹.

⁹ Rebuttal Testimony, Natelle Dietrich, Page 3 Line 22 – Page 4 Line3.

¹⁰ Rebuttal Testimony, Natelle Dietrich, Page 4 Lines 6-10.

¹¹ Rebuttal Testimony, Natelle Dietrich, (October 13, 2017). P.S.C. Case No. GR-2017-0215. *In the Matter of Laclede Gas Company’s Request to Increase Its Revenues for Gas Service*. Page 3, Lines 8-12.

1 **Q. Would Staff’s concerns be absolved if the weatherization program was administered**
2 **by a third party?¹²**

3 A. This question was posed to Staff in DED-DE Data Request No. 403 to PSC Case No. GR-
4 2017-0215. Ms. Dietrich’s response:

5 “No. The relationship of the administrator does not affect whether
6 the administration and delivery of weatherization services is
7 unlawfully discriminatory and preferential.”

8 However, Staff clarified its position in DED-DE Data Request Nos. 7 and 373 dated May
9 7, 2018 to:

10 “...Staff generally does not consider the costs to administer LIWAP
11 unduly discriminatory; however, it is Staff’s position that utilization
12 of ratepayer funds by a state agency, absent specific statutory
13 authority do to so, is.”

14 Additionally, Staff stated it does not have a “standard” to determine when allowing
15 ratepayer funding of administration fees is “unduly discriminatory and preferential”¹³.

16 **Q. What is the policy impact of this position?**

17 A. It opens the door to different treatment being applied to different entities based on the
18 characteristics of the entity.

19 **Q. Is DE being compensated for administration of the Company’s weatherization**
20 **program an issue for consideration in this case?**

21 A. It only becomes an issue should the Company wish to continue to have DE administer
22 their weatherization program, or if the Company were to issue a Request for Proposal

¹² Staff witness, Natelle Dietrich, (November 17, 2017). Response to DED-DE Data Request No. 403. P.S.C. Case No. GR-2017-0215. *In the Matter of Laclede Gas Company’s Request to Increase Its Revenues for Gas Service.*

¹³ Staff response to DED-DE Data Request Nos. 7 and 373, May 7, 2018.

1 (“RFP”) to secure an implementer to administer their weatherization program and DE
2 were to bid on the RFP.

3 **Q. Are there other Missouri IOU’s who utilize third party implementers for program**
4 **delivery?**

5 A. Yes. The following IOUs have all contracted with third party implementers for residential
6 energy efficiency or low-income program delivery: Missouri American Water Company,
7 Union Electric d/b/a Ameren Missouri (“Ameren”), Ameren Missouri Natural Gas, Kansas
8 City Power & Light (“KCP&L”), KCP&L Greater Missouri Operations (“GMO”), Empire
9 District Electric Company (“Empire”), Empire District Natural Gas, Spire – Missouri East,
10 and Spire – Missouri West.

11 **Q. Do third party implementers provide their services free of charge for the IOU?**

12 A. No.

13 **Q. How are these programs managed and administrative costs provided?**

14 A. In regards to residential energy efficiency programs, IOUs issue RFPs to solicit third party
15 implementers who include their administrative fees as part of the RFP. IOUs routinely
16 contract with local service agencies to deliver weatherization and other low-income
17 programs such as low-income affordability programs. Administrative fees paid to the
18 social service agencies are included in the contracts the IOU has with the local service
19 agency. Some examples include Spire Missouri West’s, KCP&L’s and GMO’s
20 weatherization programs. Spire Missouri West’s current weatherization tariff, which
21 became effective April 19, 2018, is PSC MO. No. 8 Original Sheet No. 28, and its Term &
22 Conditions state that administrative costs include those “...incurred by the local
23 community action agencies that are directly related to qualifying and assisting customers

1 and identifying measure under this program.” Administrative costs may be recovered, and
2 are capped at 15 percent of the total expenditures for each participating household.

3 **Q. Has the Commission approved different funding approaches for low-income**
4 **programs including weatherization?**

5 A. Yes. Some IOU low-income programs are funded with a combination of ratepayer and
6 shareholder funds. These programs include: Ameren’s Keeping Current, and both
7 KCP&L’s and GMO’s Economic Relief Pilot Programs (“ERPP”). Other IOU low-income
8 programs are 100 percent funded by ratepayers. These programs include: both Spire
9 Missouri weatherization programs, both KCP&L and GMO’s weatherization programs,
10 and Empire District Electric Company’s Low-Income Pilot Program.

11 **Q. Are there some ratepayers who have barriers to participating in non-low-income**
12 **residential energy efficiency programs?**

13 A. Yes. Some residential customers may pay into, through rates, and want to participate in
14 energy efficiency programs but lack the ability to do so. For instance, renters may require
15 owner approval to install energy efficiency measures or be unwilling to make energy
16 efficiency upgrades to property they do not own, even if the upgrade would pay for itself
17 in savings on their energy bill. As I have testified previously in this case and other
18 Commission cases, low-income residential customers are less likely to have the financial
19 resources to participate in traditional energy efficiency programs to meaningfully reduce
20 their energy burden. These customers have higher energy burdens per square foot than
21 non-low-income households. Thus, they make short-term trade-offs regarding paying the

1 utility bill or purchasing other needed items like food and medicine.¹⁴ Because these
2 barriers were recognized in the past, parties advocated for development of programs which
3 would promote access to energy efficiency measures by low-income ratepayers.

4 **Q. Does DE have further recommendations regarding transition of the weatherization**
5 **program back to the Company?**

6 A. Yes. DE respectfully recommends the Commission direct the Company to (1) grant the
7 EEAG members full access to review weatherization documents, data, and contracts; and
8 (2) establish a minimum set of criteria for program management.

9 **Q. What program management criteria would DE recommend for Company or third**
10 **party administration of the Company's weatherization program?**

11 A. Program management criteria includes (1) local agency contracts which minimally
12 delineate: the annual budget amount, any carry amounts, reporting, invoicing, and process
13 for reallocation of funds; (2) administrative monitoring of contracts: monthly agency
14 invoices, monthly agency reports, and annual agency site visit by the Company or
15 implementer.

16 **Q. If the Company wished to select a third party implementer through a competitive**
17 **bid process, has DE determined if it would submit a bid?**

18 A. DE is still exploring the role it would take in this scenario. However, as I testified in Direct
19 Testimony and in testimony in past cases, DE believes its administration of IOU
20 weatherization programs has value and transparency for the utility companies and

¹⁴ Direct Testimony of Sharlet E. Kroll, Page 5 starting at line 21.

1 ratepayers. Most importantly, DE is interested in the ensuring the continuity and success
2 of the Company's weatherization program.

3 **Q. What value has DE administration of the Company's weatherization program given**
4 **to ratepayers?**

5 A. DE administers weatherization programs as a cost-effective energy efficiency program
6 with a goal to reduce household energy burdens. When energy burdens are reduced,
7 customers are more likely to be able to afford their monthly energy bills. Thus, reducing
8 missed payments, additional fees, arrearages, and uncollectible balances has value to the
9 Company and ratepayers. In addition, a weatherized home uses less energy which reduces
10 the energy demand needed upon the utility and may benefit all ratepayers. DE
11 administration of the Company's weatherization program helps to ensure full utilization of
12 budgeted funds as intended by the Commission. During the 2015-2016 program year, DE
13 fully expended the Company's weatherization budget, and DE expended 90 percent during
14 the 2016-2017 program year. The current program year (2017-2018) is at the mid-way
15 point (50 percent) of the contract term and on target to fully expend the weatherization
16 budget as DE's subgrantees have expended 58 percent¹⁵ of the Company's total
17 weatherization budget. DE provides quarterly progress reports to the Company and the
18 EEAG members for transparency. Further, when DE awards weatherization contracts to
19 subgrantees, DE does so in a manner to ensure that Missourians in all counties have equal
20 opportunity to access weatherization services. DE is aware of instances where ratepayers

¹⁵ Based on subgrantee reimbursements paid as of April 18, 2018.

1 are not able to access their utility administered weatherization program because the utility
2 does not contract with an agency that serves that ratepayer's community.

3 **Q. Does this conclude your testimony?**

4 **A. Yes.**