

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

In the Matter of Southern Union Company d/b/a	)	
Missouri Gas Energy's Tariff Sheets Designed to	)	Case No. GT-2012-0170
Implement an Experimental Pilot Program	)	Tariff File No. JG-2012-0211
	)	

**AFFIDAVIT OF RYAN KIND**

**STATE OF MISSOURI**    )  
  )   ss  
**COUNTY OF COLE**        )

Ryan Kind, 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 (Public Counsel or OPC). I have worked extensively in the areas of resource planning and utility-sponsored energy efficiency programs for the last 19 years. I have reviewed program designs, cost effectiveness evaluations, and post-implementation evaluation plans for most of the energy efficiency programs that have been proposed by Missouri gas and electric utilities over the past 19 years.
2. On November 9, 2011, Southern Union Company d/b/a Missouri Gas Energy (MGE) filed revised tariff sheets "to implement an Experimental Pilot program called the Rebuild Joplin Program." MGE's proposed tariff sheets were assigned Tariff File Number JG-2012-0211 and bear an effective date of December 9, 2011. The Rebuild Joplin Program actually includes two separate energy efficiency programs; one in which rebates for most natural gas appliances are increased to twice the amount available to MGE customers not in the Joplin area (Rebuild Joplin: Experimental Pilot Program for Residential and SGS Natural Gas Energy Efficiency Incentives) and another for newly constructed homes that meet Energy Star efficiency guidelines (Rebuild Joplin: Energy Star New Homes Experimental Pilot Program).
3. I am Public Counsel's representative to the MGE Energy Efficiency Collaborative (EEC). The MGE Energy Efficiency Collaborative (EEC) has engaged in ongoing discussions since July, 2011 about how MGE might help facilitate Joplin rebuilding efforts with energy efficiency programs and I participated in all of those discussions. One of the EEC's proposals was for MGE to have a more comprehensive set of tiered rebates that would be available throughout MGE's entire service territory and

the tariff filing was made with collaborative consensus support (see Tariff No. JG-2012-0212) is the result this proposal. The EEC was unable to achieve consensus on two other Joplin area programs and those programs, Rebuild Joplin: Experimental Pilot Program for Residential and SGS Natural Gas Energy Efficiency Incentives and Rebuild Joplin: Energy Star New Homes Experimental Pilot Program, were filed in the tariffs that are the subject of this case.

4. Public Counsel filed its Motion to Suspend Tariff in this case on November 30, 2011 and two additional pleadings wherein OPC presented three factual disputes for Commission resolution: 1) Should new homes where natural gas is not the primary heating source be eligible for MGE rebates even though this causes the proposed Energy Star Homes Program to not be cost effective?; 2) Should program participants be required to install natural gas water heaters in the new homes eligible for MGE rebates?; and 3) Should rebate levels on most energy efficient appliances be set at a level that is twice as high for MGE customers in the Joplin areas as they are for all other MGE customers?
5. The first factual dispute that OPC asked the Commission to address was should new homes where natural gas is not the primary heating source be eligible for MGE rebates even though this causes the proposed Energy Star Homes Program to not be cost effective? I have reviewed the Excel spreadsheet provided by MGE's consultant that evaluated the cost effectiveness of the proposed Energy Star Homes Program. This spreadsheet was also discussed with MGE's consultant; Dan Dent of Nexant who indicated that the spreadsheet showed projected natural gas usage reductions for homes where natural gas is the primary heating source. The spreadsheets showed that the Energy Star Homes Program would not be cost effective under the Total Resource Cost (TRC) test but that the program would be barely cost effective under the Utility Cost Test (UCT). The energy usage reductions calculated in the spreadsheet are all related to the natural gas furnace using less gas to heat a home that is better insulated and incorporates other construction techniques that will reduce heat loss during the heating season. Despite the fact that the use of natural gas as the primary source of space heat is needed to achieve the projected usage reductions necessary for this program to achieve cost effectiveness even under the more lenient UTC cost effectiveness test, MGE's proposed tariffs for this program do not require newly constructed homes that are eligible for this rebate to use natural gas as the primary source of space heat so the program as designed and proposed in MGE's tariffs, as opposed to the program evaluated in the spreadsheet analysis, is not cost effective and does not meet the requirements in the Commission's Promotional Practice rules for cost effective energy efficiency programs.
6. The second factual dispute that OPC asked the Commission to address was should program participants be required to install natural gas water heaters in the new homes eligible for MGE rebates? The program design for the Energy Star New Homes program is flawed because only new homes that install a natural gas water



heater are eligible for the \$800 rebates paid for homes that are built to meet the Energy Star New Homes guidelines. The Energy Star New Homes guidelines permit homes to qualify with either a gas or electric water heater and the cost effectiveness analysis performed by MGE's consultant does not show any natural gas savings related to water heating usage since the calculated savings are all related to the natural gas furnace using less gas to heat a home that is better insulated and incorporates other construction techniques that will reduce heat loss during the heating season. Requiring new homes to use natural gas water heaters creates an arbitrary barrier to participation that is unrelated to the energy savings that are generated from the more energy efficient home construction practices that this program seeks to promote.

7. The third factual dispute that OPC asked the Commission to address was should rebate levels on most energy efficient appliances be set at a level that is twice as high for MGE customers in the Joplin areas as they are for all other MGE customers? Current natural gas prices are low, and projections are for relatively low price levels for natural gas in the future<sup>1</sup>, which raises concerns that some of the existing natural gas energy efficiency programs in Missouri are not cost effective. The Commission has found that "the EEC should take all steps necessary to work toward the implementation of cost-effective energy efficiency programs..."<sup>2</sup>[Emphasis Added.] The Henry Hub spot market price on December 8, 2011 was just \$3.41/MMBtu. If cost effectiveness is questionable at the existing rebate levels, doubling the rebate levels for natural gas appliances is not a reasonable response. A more reasonable response is to complete the evaluation of the existing MGE appliance rebate programs for residential customers before doubling the level of Joplin area rebates for most natural gas appliances.
8. Doubling the level of rebates per appliance available in the Joplin area is also counter-productive, given the more comprehensive tiered rebates made available in the tariff filing made in Tariff No. JG-2012-0212. These new tiered rebates will encourage customers to purchase the most efficient level of energy efficient appliances like furnaces and water heaters, but the new higher rebates available for these appliances in the Joplin area mean that customers there can get larger rebates than other MGE customers would receive by selecting the highest level of efficient appliances without purchasing the same high efficiency levels required of other MGE customers.

FURTHER AFFIANT SAYETH NOT.

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<sup>1</sup> See natural gas price long-term forecast in the 2011 Annual Energy Outlook issued by the Energy Information Administration in April 2011 at [http://www.eia.gov/forecasts/aeo/source\\_natural\\_gas.cfm](http://www.eia.gov/forecasts/aeo/source_natural_gas.cfm)

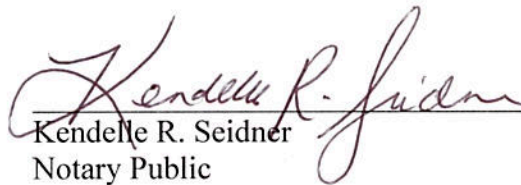
<sup>2</sup> *Report and Order*, Case No. GR-2009-0355, In the Matter of Missouri Gas Energy and its Tariff Filing to Implement a General Rate Increase for Natural Gas Service, February 10, 2010, p. 62.

  
Ryan Kind

Subscribed and sworn to me this 8<sup>th</sup> day of December 2011.



KENDELLE R. SEIDNER  
My Commission Expires  
February 4, 2015  
Cole County  
Commission #11004782

  
Kendelle R. Seidner  
Notary Public

My commission expires February 4, 2015.