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Witness: Laura Wolfe
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REBUTTAL TESTIMONY
OF
LAURA WOLFE
ON
BEHALF OF
MISSOURI DEPARTMENT OF NATURAL RESOURCES
DIVISION OF ENERGY

June 24, 2010

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1 **I. INTRODUCTION**

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

3 A. My name is Laura Wolfe. My business address is Missouri Department of Natural
4 Resources, Division of Energy, 1101 Riverside Drive, P.O. Box 176, Jefferson City,
5 Missouri 65102-0176.

6 **Q. Are you the same Laura Wolfe who filed Direct Testimony on behalf of the Missouri**
7 **Department of Natural Resources in this case?**

8 A. I am.

9 **Q. On whose behalf are you providing rebuttal testimony?**

10 A. The Missouri Department of Natural Resources ("DNR").
11

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

13 **Q. What is the purpose of your rebuttal testimony in these proceedings?**

14 The purpose of my testimony is to address Staff's report with regard to energy efficiency
15 programs. In particular, I will address:

- 16 1. the Low Income Weatherization Assistance Program; and
17 2. Energy Efficiency Program Funding.
18

19 **III. LOW INCOME WEATHERIZATION**

20 **Q. Would you like to respond to Staff's concern regarding the number of homes**
21 **weatherized using Laclede Gas Company funds?**

22 A. Yes, I would. On page 83 of Staff's cost of Service Report, Staff Witness Ms. Lesa Jenkins
23 states that for Program Year 2008 (November 2008 through October 2009) the

1 weatherization agencies weatherized 443 homes, an average of 36.9 homes per month, and
2 for the first five months of Program Year 2009 (November 2009 through March 2010) the
3 agencies have weatherized only 52 homes, an average of 10.4 homes per month.¹ DNR
4 acknowledges that these figures are indeed correct. Much has happened in the Low Income
5 Weatherization Assistance Program (“LIWAP”) in the past 18 months. DNR, as the
6 statewide administrator of the federally-funded LIWAP, has received unprecedented federal
7 funding increases in the form of both “regular” funding and additional funding from the
8 American Recovery and Reinvestment Act of 2009 (“ARRA”). The regular funding –
9 funding that DNR receives as an on-going grant from the U.S. Department of Energy –
10 increased from approximately \$6 million dollars per program year to \$12 million per year.
11 The Missouri LIWAP received an additional \$128.2 million in short term funding from the
12 ARRA. DNR has placed the one-time ARRA funds in three “baskets”: 60 percent has been
13 sub-granted to weatherization agencies already in the program; 20 percent will be provided to
14 agencies that qualify for additional funding by meeting specified performance standards; and
15 20 percent has been set aside for special weatherization projects.

16 The huge influx of funding understandably created an extraordinary administrative
17 burden that DNR has worked diligently to manage. The bulk of the ARRA funding, the first
18 60 percent, was released in sub-grants to the weatherization agencies July 2009. Just as the
19 agencies received this monumental influx of funding, Laclede provided its Program Year 2
20 weatherization funding. The combined workload created by the increased regular funding,
21 the ARRA funding, and the Laclede weatherization funding resulted in monumental
22 administrative challenges. The sub-grants of the Laclede funds to the weatherization

¹ Missouri Public Service Commission Staff, Revenue Requirement – Cost of Service Report for Laclede Gas

1 agencies in Laclede's territory were delayed and not finalized until January 2010. Under
2 normal circumstances, this would have created a serious financial burden for the
3 weatherization agencies. However, with the influx of the ARRA funding, the weatherization
4 agencies were well funded in the period from November 2009 to January 2010.

5 It is also important to note that the bulk of the current LIWAP funding for the State of
6 Missouri is short term. The ARRA funds must be spent prior to March 2012. This short time
7 line and increased funding has been a topic of discussion in a variety of forums since early
8 2009, including DNR-facilitated brainstorming sessions in February and March of 2009.
9 Representatives from nearly all weatherization agencies were able to participate, as were
10 program managers from the investor-owned utilities. Staff was able to participate in some of
11 the meetings, and the Office of Public Counsel was invited as well. This same issue has been
12 a topic of discussion in LIWAP Policy Advisory Council meetings, and discussions between
13 utility representatives, DNR representatives, and Staff that occurred when several utilities
14 opted to temporarily modify tariffs to allow the weatherization agencies to use utility-funds
15 to position themselves to be better prepared when the ARRA funds became available. This
16 allowed the weatherization agencies to 'ramp-up' operations by acquiring needed equipment
17 and training, etc.

18 Because of all that is happening at this particular time in the LIWAP, and all that is being
19 asked of the weatherization agencies, tremendous achievements are occurring. Please refer
20 to LAW Rebuttal Schedule 1 for an expanded view of the performance of the weatherization
21 agencies in Laclede's territory. This schedule shows that these agencies have accomplished
22 in the past 18 months. It is obvious that the agencies are focused on using the short-lived

1 ARRA funds that will expire on March 20, 2012. The weatherization agencies are fully
2 aware that they also have utility funds for low income weatherization, and DNR is certain
3 that the utility funds will be used as soon as practicably possible.
4

5 **IV. ENERGY EFFICIENCY PROGRAMS**

6 **Q. Staff has recommended a funding ceiling for Laclede of “up to \$1,700,000 per year to**
7 **fund conservation and energy efficiency programs...” Your direct testimony proposes**
8 **funding targets. What concern, if any, do you have regarding funding ceilings versus**
9 **funding targets?**

10 A. There is a difference between establishing a ceiling versus establishing a target. Staff
11 recommends a ceiling with the provision that Laclede, in consultation with the Energy
12 Efficiency Collaborative, could approach the Commission for authority to invest more than
13 that amount should the need arise. Establishing a funding ceiling sends a signal to the utility
14 that this is all the company is expected to spend. Furthermore, in Empire District Gas
15 Company’s recent rate case, Staff suggested that spending above an energy efficiency
16 program ceiling could be viewed as imprudent.²

17 DNR recommends, as stated in my direct testimony, targets for energy efficiency
18 funding. Targets establish a different expectation. Setting targets for spending establishes an
19 expectation of how aggressively the utilities in Missouri are expected to pursue energy
20 efficiency. Higher targets, i.e. higher expectations, encourage utilities to seek out,
21 implement, and administer all cost effective energy efficiency measures for their territory. At

² Missouri Public Service Commission Case No. GR-2009-0434, *In the Matter of The Empire District Gas Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Gas Service Provided to Customers in the Missouri Service Area of the Company*, Tr. Vol. 7, pp. 124-126, pp. 162-164

1 no time does DNR recommend the implementation of energy efficiency programs that are
2 not expected to be cost effective, but DNR does support the implementation of aggressive,
3 robust demand side management programs (“DSM”) and portfolios.

4 **Q. What concern, if any, do you have with Staff’s recommendation of the same energy**
5 **efficiency funding ceiling per year with no planned annual increases?**

6 A. Staff has recommended a flat investment ceiling per year with unused funds rolling over to
7 the following program year. As detailed in Laclede witness Mr. Theodore Reinhart’s direct
8 testimony³, and reiterated in my direct testimony⁴, Laclede plans to implement several
9 additional programs while growing the programs already implemented. As the current
10 programs mature and new programs are implemented, the opportunity for Laclede to increase
11 its energy efficiency offerings will grow. Rather than stymie that growth with a flat per year
12 funding ceiling, Laclede should be provided a set of targets that reflect the expectation of
13 growth. DNR has recommended such a set of targets.

14 **Q. Does Staff’s recommended energy efficiency funding ceiling provide an adequate level of**
15 **funding for Laclede to aggressively identify, design, and implement energy efficiency**
16 **programs?**

17 A. No. At the time that Laclede filed its last rate case, GR-2007-0208, Laclede was spending
18 very little for DSM programs. In the Stipulation and Agreement in that case, Laclede agreed
19 to invest up to \$3.5 million for conservation and energy efficiency programs over a 3-year
20 period. Staff has recommended a \$1.7 million investment cap per year (a very modest
21 increase over the mathematical “average” of \$1.17 million under the stipulation) and states
22 that this “is consistent with the funding level of Missouri Gas Energy and Atmos Energy”,

³ Reinhart Direct, pages 6-9.

1 also noting that the “Commission has approved a greater funding level for Empire District
2 Gas.” Staff further notes that “there is no indication, based on the level of Laclede Gas
3 customer participation to-date, that a higher funding level is needed at this time.”⁵ On the
4 contrary, Staff’s recommendation is not consistent in either function or amount with recent
5 Commission Orders for two of the natural gas utilities cited by Staff: Missouri Gas Energy
6 (“MGE”) and Empire District Gas Company (“Empire”). In recent rate cases for both of
7 these companies, the Commission ordered energy efficiency program funding targets, not
8 ceilings, and established the funding targets based on a percentage of total operating
9 revenues, including gas revenues. In neither case was an assessment of customer
10 participation used to temper the amount of the funding targets.

11 As noted in my direct testimony, the Commission recently found in the Missouri Gas
12 Energy rate case, Case No. GR-2009-0355:

13 ... that .5% of MGE’s annual gross operating revenues should be allocated for energy
14 efficiency funding and that it is an appropriate goal or benchmark in expenditures for
15 natural gas utilities. The Commission finds that the EEC should take all steps necessary
16 to work toward implementation of cost-effective energy efficiency programs to reach this
17 goal to maximize benefits....

18
19 and, ordered:

20
21 MGE will initially fund an annual amount of a minimum of \$1.5 million per year for its
22 energy efficiency program. This amount shall be subject to increase toward the goal of
23 .5% of gross operating revenues at the time the EEC has a comprehensive plan for the
24 increased expenditure level. Increased expenditures shall be dependent upon programs’
25 continued growth and success.⁶
26

⁴ Wolfe Direct, pages 4-5.

⁵ Missouri Public Service Commission Staff, Revenue Requirement – Cost of Service Report for Laclede Gas Company – GR-2010-0171, page 88.

⁶ Missouri Public Service Commission 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*; Report and Order, Effective: February 20, 2010, pages 62-63.

1 The Commission established funding targets based on a percentage of gross operating
2 revenue for MGE.

3 Furthermore, in the Empire District Gas Company rate case, GR-2009-0434, the
4 Commission directed Empire “to take all reasonable actions toward the goal of increasing
5 expenditures for those programs to 0.5 percent of annual operating revenues, including gas
6 costs, for 2011 and 2012.”⁷ Again, the Commission established a funding target based on a
7 percentage of total revenues, including gas revenue.

8 Atmos Energy currently has its own rate case pending before the Commission. DNR is
9 making the same recommendations in that case as it has in the MGE, Empire, and Laclede
10 rate cases.

11 The energy efficiency investment funding recommended by Staff for Laclede is \$150,000
12 for program development, implementation, and administration plus \$950,000 for LIWAP and
13 \$1.7 million energy efficiency programs for a total of \$2.8 million. Using Laclede’s 2008
14 revenues as reported in the Commission’s 2009 Annual Report of \$969,262,167, that equates
15 to just 0.29 percent of Laclede’s revenues. This is far short of the funding targets of 0.5
16 percent of gross revenues that the Commission has recently ordered for both MGE and
17 Empire. There is no justification for applying a lesser standard to Laclede than to other
18 major natural gas utilities in Missouri. On the contrary, as the largest of Missouri’s natural
19 gas utilities with the most customers, applying the same expectation of energy efficiency
20 funding is critical for Missouri to achieve significant energy efficiency savings that can result
21 in price impacts for customers as discussed in the American Council for an Energy-Efficient

⁷ Missouri Public Service Commission Case No. GR-2009-0434, *In the Matter of The Empire District Gas Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Gas Service Provided to Customers in the Missouri Service Area of the Company*, Report and Order on DSM Funding, Effective March 1, 2010, pages 15-16.

1 Economy study cited in my direct testimony, Examining the Potential for Energy Efficiency
2 To Help Address the Natural Gas Crisis in the Midwest.⁸

3 **Q. How would you address the following point made by Staff?**

4 **Reports such as the February 2007 American Council for an Energy Efficient**
5 **Economy (ACEEE)⁹ and the National Action Plan for Energy Efficiency consider**
6 **policies and measures including rating and labeling, efficiency standards for**
7 **appliances and other equipment, building energy codes, incentive programs, and**
8 **technical assistance and consumer information”**

9
10 **and that**

11
12 **Efficiency standards for appliances and other equipment would require national or**
13 **regional coordination. Changes to state and local energy efficiency building codes**
14 **would require more than the involvement of Laclede Gas, the Staff, OPC, and DNR.**
15

16 **A. The same is true for the programs examined in the course of the production of the two studies.**

17 The conclusions are still gas utility specific. The investment levels are for the utility sector
18 to make its contribution to achieve the overall energy reduction potential. Therefore, the
19 Staff's point does not affect the recommended investment levels for natural gas utilities.

20 **Q. Staff provided an overview of the structure and function of the Energy Efficiency**
21 **Collaborative in its Cost of Service Report. What suggestions, if any, do you have**
22 **regarding the EEC?**

⁸ Examining the Potential for Energy Efficiency To Help Address the Natural Gas Crisis in the Midwest, January 2005, Report Number U051, American Council for an Energy-Efficient Economy, page 5.

⁹ “Quantifying the Effects of Market Failures in the End-Use of Energy,” *American Council for an Energy-Efficient Economy (ACEEE)*, Prepared for International Energy Agency, February 2007, pp. vii.

1 A. I have only one suggested change. The Stipulation and Agreement approved in Laclede's last
2 rate case, GR-2007-0208, states that:

3 If consensus of the charter members cannot be reached, two or more of the charter
4 members may petition the Commission to resolve in accordance with its normal
5 procedural rules any differences over the selection of specific programs for
6 implementation or other aspects of the energy efficiency program development
7 process.

8
9 The Commission has recently expressed a desire to be engaged by energy efficiency
10 collaboratives. For example, in Empire's recent rate case the Commission stated:

11 The Commission expects the EEC to inform the Commission of the steps taken to
12 reach this goal or to bring before the Commission disputes among the parties in the
13 EEC. The recommended increase or decrease to the annual amount of funding may be
14 contested by any member of the EEC. In addition, if the EEC is unable to reach
15 consensus for any reason related to the energy efficiency programs (e.g. increased
16 expenditures, rebate amounts, types of programs to be implemented) any party may
17 petition the Commission for further direction.¹⁰
18

19 DNR is concerned that the Stipulation and Agreement from Laclede's prior rate case could
20 create an impasse if only one party is at odds with the remaining EEC members. I
21 recommend this be modified to allow any one member of the EEC to petition the
22 Commission to resolve any issue related to the EEC as ordered in Empire's recent rate case.
23 The Laclede EEC has been a very productive and cooperative collaborative and no such
24 impasse has occurred to date. However, the possibility does exist, and this is an opportunity
25 to prevent a possible irresolvable situation, while accommodating the Commission's stated
26 interest and preference to be engaged in case of disputes.

¹⁰ Missouri Public Service Commission Case No. GR-2009-0434, *In the Matter of The Empire District Gas Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Gas Service Provided to Customers in the Missouri Service Area of the Company*, Report and Order on DSM Funding, Effective March 1, 2010, page 15.

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

2 A. Yes. Thank you.