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Income Weatherization
Programs
Witness: Theodore B. Reinhart, P.E.
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LACLEDE GAS COMPANY
GR-2010-0171
SURREBUTTAL TESTIMONY
OF
THEODORE B. REINHART, P.E.

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SURREBUTTAL TESTIMONY OF THEODORE B. REINHART

- Q. Please state your name and address?
- A. My name is Theodore B. Reinhart and my business address is 720 Olive Street, St. Louis, Missouri 63101.
- Q. Are you the same Theodore B. Reinhart who previously filed direct and rebuttal testimony in this case on behalf of Laclede Gas Company (“Laclede” or “Company”)?
- A. Yes, I am.

PURPOSE OF TESTIMONY

- Q. What is the purpose of your surrebuttal testimony?
- A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Laura Wolfe appearing on behalf of the Missouri Department of Natural Resources, Division of Energy (“DNR”). The issue I will be addressing is Laclede's Low-Income Weatherization Assistance Program (“LIWAP”) and its energy efficiency programs.

LIWAP AND ENERGY EFFICIENCY PROGRAMS

- Q. In her rebuttal testimony, DNR witness Wolfe described a distinction between the expectations created by a funding ceiling versus a funding target. Do you agree with her analysis?
- A. I do not think there is a practical difference to this distinction. On pages 5-6 of her rebuttal, Ms. Wolfe effectively states that DNR’s approach to energy efficiency is to develop robust programs that are cost effective. This connotes a goal of aggressively creating programs, tempered by a requirement that such

1 programs make economic sense. Laclede shares DNR's approach of spending
2 wisely to promote energy efficiency. However, rather than "force" spending to a
3 particular target, Laclede believes in creating rational programs and allowing the
4 market to dictate the level of customer participation, and consequently the level of
5 spending. A spending ceiling simply recognizes that there is a limit to how much
6 Laclede's customers can and should be expected to pay through increased utility
7 bills.

8 Q. Do funding targets set unrealistic expectations?

9 A. They can. As I stated in my rebuttal testimony, setting targets can create an
10 unrealistic expectation that the utility can control customer participation in
11 conservation and energy efficiency programs. In reality, the market and other
12 outside forces exert more influence over the level of subscription to energy
13 efficiency programs. For example, as Ms. Wolfe stated in her rebuttal testimony,
14 the federal American Recovery and Reinvestment Act of 2009 ("ARRA") had a
15 significant impact on DNR's ability to distribute Laclede's LIWAP funding to
16 weatherization agencies providing services to its customers.

17 Q. Would a fixed funding ceiling over the next three years stymie growth in the
18 Company's conservation and energy efficiency programs, as suggested by DNR
19 witness Wolfe?

20 A. I do not believe the ceiling recommended by Staff would stymie growth in
21 Laclede's programs for several reasons. First, contrary to Ms. Wolfe's claim on
22 page 6 of her rebuttal that Staff's proposed limit represents a "very modest
23 increase," the Staff's ceiling allows for a healthy 45% increase compared to the

1 current limit.¹ Second, as I discuss later in my testimony, if one updates the gross
2 revenue figures used by DNR to derive its recommended funding levels, the
3 funding level proposed by Staff for the first two years is actually greater than
4 DNR's proposed level and, over a three year period, only about \$800,000 shy of
5 DNR's proposed level. That works out to an average annual difference of less
6 than \$270,000 or around 10% of the overall cost of the entire program. Third,
7 Laclede views the ceiling not as a hard limit, but as more of a checkpoint. Should
8 customer participation cause EEC spending to bump up against the ceiling, the
9 parties are free to seek greater authority from the Commission. As an example,
10 the Company's Residential High Efficiency Heating Equipment program
11 exceeded its expected spending for this program year. The EEC determined to
12 allow this program to use funds from other programs that are under-subscribed or
13 have not yet been implemented. Rather than pursue a hard and fast target for each
14 of these programs, the market informed the EEC which programs were popular
15 and which ones were not. Likewise, the Commission should not try to enforce a
16 target, but should encourage the EEC members to work together to develop
17 energy efficiency programs, subject to a "soft" ceiling that the Commission may
18 increase upon request by the parties.

19 Q. Should utilities be encouraged to seek out, implement, and administer all cost
20 effective energy efficiency measures for their territory, as suggested by DNR
21 witness Wolfe at page 5, lines 20-21 of her rebuttal testimony?

¹ Laclede would note that based on market demand, EEC spending has not yet reached the current \$1.2 million limit.

1 A. A utility, and by extension its customers, cannot be expected to subsidize all cost
2 effective energy efficiency measures in its service area. This would be an
3 enormous burden. In some cases, the wiser approach to allocating funds is not to
4 pay for individual efficiency measures (e.g. rebates), but to pay for dissemination
5 of information to a broader audience in order to educate customers regarding cost-
6 effective measures they can do for themselves.

7 Q. Why shouldn't conservation and energy efficiency program expenditures be tied
8 to gross utility revenues, including gas costs?

9 A. As stated above, program spending should be tied to rational, cost-effective
10 program development, with a reasonable limit on the amount customers should be
11 asked to contribute. Targeting program expenditures based on a percentage of
12 gross utility revenues that includes fluctuating gas costs sends an inconsistent
13 message to our customers. It results in less spending on energy efficiency simply
14 because energy costs happen to be temporarily lower, and more spending when
15 energy costs happen to be temporarily higher. Laclede believes that it is
16 especially important to invest in energy efficiency at a time when funds are
17 available due to lower energy costs and utility bills, so that customers are better
18 prepared for the inevitable rise in gas commodity costs. In sum, Laclede
19 disagrees that energy efficiency spending should be untethered from rational
20 program development and tied instead to a fixed percentage of a moving target.

21 Q. Notwithstanding your opposition to the percentage of revenue approach, do you
22 agree with DNR witness Wolfe on her calculations?

1 A. Ms. Wolfe used Laclede's sales to gas customers in fiscal 2008 to derive a figure
2 for gross revenues of \$969 million. In fiscal 2009, that figure dropped about
3 2.5% to about \$946 million. Updating for the first six months of 2010 using
4 Laclede's 10Q reports filed with the SEC, reveals a decrease in revenues of nearly
5 21% from 2008, due primarily to falling gas prices. Applying a 21% decrease to
6 DNR's recommended funding levels actually results in a lower budget for EEC
7 programs in the next two years (\$3.2 million) vs. Staff's two-year
8 recommendation of \$3.4 million. Further, the \$2.8 million level suggested by
9 Staff and recited by Ms. Wolfe on page 8 of her rebuttal testimony constitutes
10 .37% of projected 2010 revenues, which again is above DNR's targets for the next
11 two years. Laclede's position is that a reasonable, fixed ceiling on expenditures
12 for conservation and energy efficiency is preferable to a moving target that
13 depends on the unregulated natural gas commodity market.

14 Q. Does Laclede favor DNR witness Wolfe's suggestion, on page 10 of her rebuttal
15 testimony, that any party should have a unilateral option between rate cases to
16 petition the Commission to break a stalemate on an issue within the EEC?

17 A. No. The Stipulation and Agreement that formed the EEC provided that two
18 members are required to seek Commission intervention. That way, no one
19 member, in a 1-3 vote, can drag the other three members before the Commission.
20 If anything, this provision probably tends to restrict Laclede more than the other
21 charter members. Regardless, Laclede's approach to the Energy Efficiency
22 Collaborative has been, and will continue to be, to build consensus. Over the
23 nearly three years the EEC has existed, not one member has expressed a desire to

1 petition the Commission to resolve a dispute. Laclede believes that productive
2 and cooperative collaboration with the EEC will continue to be in the best
3 interests of the Company and its customers.

4 Q. Are there any other comments you wish to make regarding this issue?

5 A. Yes. I just want to reemphasize that the Company's agreement to move forward
6 with this kind of aggressive energy efficiency program is conditioned on reaching
7 an acceptable outcome on a rate design that does not penalize the Company for
8 helping its customers reduce their usage. Laclede witness Michael T. Cline
9 addresses in detail the kind of rate design necessary to achieve that prerequisite.

10 Q. Does this conclude your testimony?

11 A. Yes, it does.

