

Exhibit No.:
Issues: Energy Efficiency
Witness: John Buchanan
Sponsoring Party: Missouri Department of Economic
Development - Division of Energy
Type of Exhibit: Rebuttal Testimony
Case No.: GR-2014-0086

MISSOURI PUBLIC SERVICE COMMISSION

SUMMIT NATURAL GAS OF MISSOURI, INC.

CASE NO. GR-2014-0086

REBUTTAL TESTIMONY

OF

JOHN BUCHANAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri
July 11, 2014

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I. INTRODUCTION

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Q. Please state your name and business address.

A. John Buchanan, Missouri Department of Economic Development, Division of Energy, 301 West High Street, Suite 720, Jefferson City, Missouri.

Q. Have you previously filed testimony in this case?

A. Yes. On May 30, 2014, I filed direct testimony on behalf of the Missouri Department of Economic Developments' Division of Energy (DE).

Q. On whose behalf are you presenting rebuttal testimony in this case?

A. Like my Direct Testimony, I am testifying on behalf of the DE.

II. PURPOSE AND SUMMARY OF REBUTTAL TESTIMONY

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

A. The purpose of my rebuttal testimony is to respond to the direct testimony filed by Summit Natural Gas of Missouri, Inc. (SNG) regarding energy efficiency and the Missouri Public Service Commission Staff (Staff) regarding energy efficiency and low income weatherization.

Q. Please identify the witnesses who provided testimony regarding energy efficiency and low income weatherization.

A. Energy efficiency was addressed by SNG witness Martha Wankum. Energy efficiency and low income weatherization were addressed by Staff witness Kory Boustead.

1 **III. ENERGY EFFICIENCY**

2

3 **Q. What is SNG’s position regarding energy efficiency?**

4 A. SNG is proposing to implement a simple residential energy efficiency program consisting of

5 direct rebates to promote the purchase and installation of energy efficient residential natural

6 gas furnaces and programmable thermostats. SNG proposes to cap energy efficiency

7 spending at \$15,000 annually.¹

8 **Q. Please describe SNG’s proposed energy efficiency rebates.**

9 A. SNG proposes two energy efficiency rebates under the “Residential Natural Gas Energy

10 Efficiency Incentive Program”.²

11 1) High efficiency natural gas furnaces – a \$300 rebate to encourage residential customers

12 to purchase and install natural gas natural gas furnaces with an Annual Fuel Utilization

13 Efficiency (AFUE) of 95%.

14 2) Programmable Thermostats – a \$25 rebate to encourage residential customers to purchase

15 and install programmable thermostats.

16 **Q. Did SNG prepare a budget or spending plan for the “Residential Natural Gas Energy**

17 **Efficiency Incentive Program?**

18 A. No. According to SNG, there is no budget or spending plan, except for the \$15,000 annual

19 cap, for at least the first three calendar years in which this program is to be administered.³

20 **Q. Did SNG calculate the potential number of participants for the “Residential Natural**

21 **Gas Energy Efficiency Incentive Program”?**

22 A. No.⁴

¹Direct Testimony, Martha Wankum, page 16, lines 1-10.

²*Ibid.*

³Response to Division of Energy Data Request, DED/DE 012, SNG, May 7, 2014.

1 **Q. Do SNG and Staff request accounting treatment for energy efficiency and**
2 **weatherization?**

3 A. SNG⁵ and Staff⁶ propose the deferral of energy efficiency program expenditures to a
4 regulatory asset account for recovery in SNG's next rate case with a six year amortization
5 period. Staff proposes the same rate treatment for weatherization funds.

6 **Q. Do you agree with SNG and Staff regarding the deferred accounting method?**

7 A. DE recommends the Commission authorize the use of a regulatory asset account to record
8 and subsequently recover SNG energy efficiency costs. DE's recommendation for
9 ratemaking treatment of low-income weatherization costs appears in Section IV below.

10 **Q. Does the DE agree with SNG's residential energy efficiency proposal?**

11 A. DE commends SNG for their effort and willingness to implement a cost-effective energy
12 efficiency program for their Missouri residential natural gas customers. SNG's proposed
13 annual spending cap of \$15,000 to support the program, however, is inconsistent with DE's
14 historic position and the Commission's recent orders on energy efficiency target funding of
15 0.5 percent of total operating revenue (including gas cost). An annual target funding level of
16 0.5 percent would provide approximately \$113,380 to support energy efficiency programs
17 throughout SNG's Missouri service territory. (Calculation based on total annual operating
18 revenue and gas cost supplied by SNG)⁷

19 **Q. Is it realistic for SNG to target a 0.5 percent level of energy efficiency spending**
20 **immediately?**

⁴*Ibid.*

⁵Wankum, *op. cit.*, lines 6-14, page 18.

⁶ Missouri Public Service Commission, Staff Report, Revenue Requirement Cost of Service, lines 11 – 14, page 74, May 30, 2014.

⁷Response to Division of Energy Data Request, DED/DE 001 through 005, SNG, May 7, 2014.

1 A. No. SNG is a new company with new energy efficiency programs. To realistically achieve
2 the 0.5 percent spending target, SNG would need some period of time in which to “ramp up”
3 its energy efficiency portfolio and expertise. While SNG should not be expected to achieve
4 the full 0.5 percent spending level immediately, the Commission should expect, and order, a
5 more energetic start than SNG’s proposed \$15,000 cap would allow.

6

7 **IV. LOW INCOME WEATHERIZATION ASSISTANCE**

8 **Q. What is Staff’s position regarding administration of a SNG low-income weatherization**
9 **program?**

10 A. At line 19 on page 74 of the Staff Report, Staff witness Kory Boustead states that the Staff
11 recommends that “[t]he funds for the low income customer weatherization program [] be
12 administered by the Department of Economic Development, Division of Energy (DE) in
13 conjunction with the federal and state funds they administer for the weatherization of homes
14 of low income Missouri families.”⁸

15 **Q. Does DE agree with the Staff’s position regarding administration of a SNG low-income**
16 **program?**

17 A. DE agrees with Staff that SNG should support a low-income weatherization program. Joe
18 Gassner, Low Income Weatherization Assistance Program Director at the DE, will respond to
19 Staff’s proposal in his prepared rebuttal testimony.

20 **Q. Do you agree with Staff regarding a deferred accounting method for low-income**
21 **weatherization funds?**

⁸Staff Report, *Ibid.*, line 19 - 22, page 74.

1 A. No. DE recommends that costs for a SNG low-income weatherization program should be
2 included in rates, as authorized by the Commission in prior natural gas rate cases.

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

A. Yes. Thank you.

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

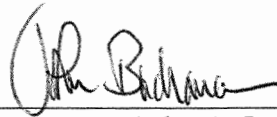
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4 In the Matter of Summit Natural Gas of Missouri's)
5 Filing of Revised Tariffs to Increase its Annual) **Case No. GR-2014-0086**
6 Revenues for Natural Gas Service.)
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9 **AFFIDAVIT OF JOHN A. BUCHANAN**

10
11 **STATE OF MISSOURI)**
12 **) ss**
13 **CITY OF JEFFERSON)**
14

15 John A. Buchanan, of lawful age, being duly sworn on his oath, deposes and states:

- 16 1. My name is John A. Buchanan. I work in the City of Jefferson, Missouri, and I am employed
17 by the Missouri Department of Economic Development as Senior Planner, Division of
18 Energy.
- 19 2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf
20 of the Missouri Department of Economic Development – Division of Energy.
- 21 3. I hereby swear and affirm that my answers contained in the attached testimony to the
22 questions therein propounded are true and correct to the best of my knowledge.

23
24 

25 _____
26 John A. Buchanan

27 Subscribed and sworn to before me this 11th day of July, 2014

28
29 
30 _____

31 Notary Public

32
33
34 My commission expires:

