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Witness: Laura Wolfe
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Resources, Division of Energy
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SURREBUTTAL TESTIMONY
OF
LAURA WOLFE
ON
BEHALF OF
MISSOURI DEPARTMENT OF NATURAL RESOURCES
DIVISION OF ENERGY

July 22, 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 and Rebuttal Testimony on behalf of the**
7 **Missouri Department of Natural Resources in this case?**

8 A. I am.

9 **Q. On whose behalf are you providing surrebuttal 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 surrebuttal testimony in these proceedings?**

14 A. The purpose of my testimony is to respond to the rebuttal testimony of Company witness
15 Theodore Reinhardt and Staff witness Lesa Jenkins regarding the appropriate level of energy
16 efficiency funding and to address the energy efficiency funding target proposed for Laclede
17 Gas Company ("Laclede") in comparison to other regulated natural gas utilities in Missouri.
18

19 **III. APPROPRIATE ENERGY EFFICIENCY FUNDING TARGETS**

20 **Q. The rebuttal testimony of both Mr. Reinhardt and Ms. Jenkins recommend leaving**
21 **Laclede's energy efficiency spending at current levels. What are your concerns with**
22 **that approach?**
23

1 A. Leaving Laclede's energy efficiency spending at current levels is inconsistent with recent
2 Commission Orders in two natural gas utility rate cases, Missouri Gas Energy in GR-2009-
3 0355 and Empire District Gas Company in GR-2009-0434. In both of these cases, as noted
4 in my earlier testimony, the Commission has established energy efficiency funding *targets* of
5 0.5% of gross revenues (including gas revenues). If the Company and Staff proposals to
6 freeze Laclede's energy efficiency spending are adopted, Laclede would remain well short of
7 this target.

8 **Q. Is your recommendation of an energy efficiency funding *target* of 0.5% of gross revenues**
9 **(including gas revenues) for Laclede consistent with the Commission's recent orders in**
10 **other natural gas rate cases?**

11 A. Yes, it is.

12 **Q. Do you believe it is important that an energy efficiency funding *target* be consistently**
13 **applied to all natural gas utilities in Missouri?**

14 A. Yes, I do. An effective approach to increasing energy efficiency throughout an entire state
15 requires a consistent policy regarding funding throughout the state. As I noted in my earlier
16 testimony, the recommendations from the American Council for an Energy-Efficient
17 Economy ("ACEEE")¹ and the National Action Plan for Energy Efficiency ("NAPEE")² are
18 addressed to entire states. The Commission can, and arguably has, established that policy in
19 the two recent natural gas rate cases. Establishing a different policy for the natural gas utility
20 with the most customers in Missouri sends a different message, a message that is detrimental.

¹ 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.

² National Action Plan for Energy Efficiency, July 2006.

1 The message is that Missouri expects smaller companies and their customers to strive for one
2 standard while the larger company is held to a lesser standard.

3 It is also important to clearly state what this standard is. The standard is *target funding*
4 *for energy efficiency of 0.5% of gross revenues (including gas revenues)*. It is neither a
5 ceiling nor a floor for expected expenditures on cost-effective energy efficiency measures. It
6 is a *target* that each natural gas utility should aim to meet. It is a *target* that clearly states
7 that the State of Missouri expects the natural gas utilities to aggressively design and
8 implement energy efficiency programs to reduce Missouri's natural gas usage. It does not,
9 however, encourage the design and implementation of programs that are not cost-effective.

11 IV. AVERAGE ENERGY EFFICIENCY FUNDING PER CUSTOMER

12 **Q. Would you like to respond to Staff's concern regarding the estimated average funding**
13 **per customer?**

14 A. Yes, I would. Staff witness Ms. Lesa Jenkins provided two tables in her rebuttal testimony
15 designed to demonstrate the varying levels of energy efficiency funding of the regulated
16 natural gas utilities in Missouri.³ However, Ms. Jenkins does not appear to have taken into
17 account the Commission's decisions in the two most recent natural gas company rate cases:
18 Missouri Gas Energy in GR-2009-0355 and Empire District Gas Company in GR-2009-0434.
19 In both of these cases, as noted in my earlier testimony, the Commission has established
20 energy efficiency funding *targets* of 0.5% of gross revenues (including gas revenues). This
21 is precisely what DNR is recommending be applied also to Laclede. Below is a comparison
22 that more appropriately reflects current conditions.

³ Jenkins, Rebuttal Testimony, page 2.

Utility	2008 Revenues	Annual Funding		Total Funding	% of 2008 Revenues	# of Customers	Average Funding per Customer
		Energy Efficiency	LIWAP				
AmerenUE	\$ 187,430,225	\$ 325,176	\$ 263,000	\$ 588,176	0.31%	126,101	\$ 4.66
Atmos	68,495,816	167,410	102,410	269,820	0.39%	56,590	4.77
Empire District Gas	62,566,154			312,831	0.50%	44,441	7.04
Missouri Gas Energy	721,194,371			3,605,972	0.50%	512,121	7.04
Laclede Gas Company	969,262,167			4,850,000	0.50%	629,029	7.71

This chart includes only the major regulated natural gas utilities in Missouri, i.e. natural gas utilities with more than 10,000 customers. It is important to note that the two companies that have the lowest per customer averages are currently involved in rate cases: Atmos Energy Corporation ("Atmos") in Case No. GR-2010-0192 and AmerenUE in GR-2010-0363. The per-customer averages for Atmos and AmerenUE are based on expenditures *required* by the Commission, as compared to *targeted* energy efficiency funding. DNR has presented the same recommendation of an energy efficiency *target* of 0.5% of gross revenues for Atmos⁴, and DNR anticipates presenting the same recommendation in the AmerenUE rate case, as well. If the same funding targets are approved by the Commission in these two rate cases, the comparison of the major regulated natural gas utilities would be as shown on the following chart:

⁴ Missouri Public Service Commission Case No. GR-2010-0192, *In the Matter of Atmos Energy Corporation's Tariff Revision Designed to Implement a General Rate Increase for Natural Gas Service in the Missouri Service Area of the Company*, Direct Testimony of John Buchanan, page 5.

1

Utility	2008 Revenues	% of 2008 Revenues	Total Funding	# of Customers	Average Funding per Customer
AmerenUE	\$187,430,225	0.50%	\$ 937,151	126,101	\$7.43
Atmos	68,495,816	0.50%	342,479	56,590	6.05
Empire District Gas	62,566,154	0.50%	312,831	44,441	7.04
Missouri Gas Energy	721,194,371	0.50%	3,605,972	512,121	7.04
Laclede Gas Company	969,262,167	0.50%	4,850,000	629,029	7.71

2

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

4 **A. Yes.**

