

Exhibit No.: _____
Issue: Tariff Changes; Energy Efficiency Program
Witness: Martha R. Wankum
Exhibit Type: Direct
Sponsoring Party: Summit Natural Gas of Missouri, Inc.
Case No.: GR-2014-0086
Date: January 2, 2014

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2014-0086

DIRECT TESTIMONY

OF

MARTHA R. WANKUM

ON BEHALF OF

SUMMIT NATURAL GAS OF MISSOURI, INC.

**Jefferson City, Missouri
January 2, 2014**

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DIRECT TESTIMONY

MARTHA R. WANKUM

SUMMIT NATURAL GAS OF MISSOURI, INC.

I. EDUCATIONAL BACKGROUND & PROFESSIONAL QUALIFICATIONS

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Martha R. Wankum, 312 East Capitol Avenue, Jefferson City, MO 65101.

3 **Q. ON WHOSE BEHALF IS YOUR TESTIMONY PRESENTED?**

4 A. I am testifying on behalf of Summit Natural Gas of Missouri, Inc. (“SNG” or the
5 “Company”).

6 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

7 A. I am the Missouri Regulatory Affairs Manager for Summit Utilities, Inc., the parent
8 company of SNG.

9 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND RELEVANT**
10 **BUSINESS EXPERIENCE.**

11 A. Information responsive to this question is shown in the attached **Schedule MRW-**
12 **1.**

13 **Q. ARE YOU SPONSORING ANY SCHEDULES IN THIS PROCEEDING?**

14 A. Yes, a list of schedules is shown below:

- 15 • **Schedule MRW-1:** Statement of Qualifications
16 • **Schedule MRW-2:** Summary of Tariff Revisions

- 1 • **Schedule MRW-3:** Comparison of Miscellaneous Tariff Charges
- 2 • **Schedule MRW-4:** Residential Natural Gas Energy Efficiency Incentive
- 3 Program Marketing Plan
- 4 • **Schedule MRW-5:** Residential Natural Gas Energy Efficiency Incentive
- 5 Program EM&V Plan
- 6 • **Schedule MRW-6:** Residential Natural Gas Energy Efficiency Incentive
- 7 Program Avoided Costs and Benefit Cost Ratios
- 8 • **Schedule MRW-7:** Residential Natural Gas Energy Efficiency Incentive
- 9 Program Savings Calculation

10 **Q. WERE YOUR SCHEDULES PREPARED BY YOU OR UNDER YOUR**
11 **DIRECTION?**

12 A. Yes.

13

14 **II. TESTIMONY OVERVIEW**

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

16 A. In my testimony, I will describe the various tariff revisions requested by SNG,
17 including a request for approval of a new residential natural gas energy efficiency
18 incentive program.

19

20 **III. TARIFF CHANGES**

21 **Q. WOULD YOU PLEASE SUMMARIZE THE TARIFF CHANGES BEING**

1 **REQUESTED BY SNG?**

2 A. SNG is filing 116 proposed tariff sheets containing either a language or rate
3 change. The proposed tariff sheets include the following key changes:

- 4 1. Consolidation of Current Tariff Books
- 5 2. Rate Changes
- 6 3. Optional General Service Rate Schedule
- 7 4. Elimination of the Interruptible Sales Service Rate Schedule
- 8 5. Creation of a Transportation Service Rate Schedule for the Lake of the Ozarks
- 9 Division
- 10 6. Renaming of Divisions
- 11 7. Miscellaneous Charges
- 12 8. Rules and Regulations
- 13 9. Free Conversion Rules and Regulations
- 14 10. Transportation Service Tariffs and Missouri School Aggregation Program
- 15 11. Revisions to the Purchased Gas Adjustments Clause
- 16 12. Residential Natural Gas Energy Efficiency Incentive Program

17

18 1. Consolidation of Current Tariff Books

19 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE CURRENT SNG TARIFF**
20 **BOOKS.**

21 A. SNG currently has two tariff books. One applies to the territory formerly served

1 under the Missouri Gas Utility, Inc. name (P.S.C. MO No. 1). The second applies
2 to the territory formerly served by Southern Missouri Natural Gas Company, L.P.
3 (P.S.C. MO No. 2).

4 **Q. DO THE TARIFF SHEETS FILED BY SNG IN THIS CASE REFLECT THE**
5 **CONTINUATION OF THESE TWO TARIFF BOOKS?**

6 A. No. SNG has filed a new consolidated tariff book (P.S.C. MO No. 3) which will
7 replace the two existing tariff books (P.S.C. MO No. 1 and P.S.C. MO No. 2) in
8 their entirety. Please see Schedule MRW-2 for a summary of the filed tariff
9 revisions. Overall, each rate area (“division”) currently in effect will remain
10 unchanged. In addition, each division’s respective customer classes; associated
11 throughputs; and, Purchased Gas Adjustment (“PGA”) rate schedules contained in
12 the current tariff books remain mostly unchanged. A few exceptions include
13 changes to some of the existing customer classes, which are discussed in
14 additional detail below.

15 **Q. WHY IS SNG PROPOSING TO CONSOLIDATE ITS CURRENT TARIFF**
16 **BOOKS?**

17 A. The two existing tariff books (P.S.C. MO No. 1 and P.S.C. MO No. 2) have been
18 adopted by SNG and represent the terms and conditions of the service previously
19 provided under the former Missouri Gas Utility, Inc. (“MGU”) name and by
20 Southern Missouri Natural Gas Company, L.P (“SMNG”), respectively. In many
21 cases, provisions within the two existing tariff books are either duplicative and/or
22 conflicting. In short, the terms and conditions of the service provided by SNG

1 currently vary between the different SNG divisions due to having two different tariff
2 books. Consolidation of these two existing tariff books will create uniformity and
3 operating efficiency across all SNG divisions and overall, will be easier for both
4 SNG employees and customers to understand.

5

6 2. Rate Changes

7 **Q. PLEASE DESCRIBE THE RATE CHANGES BEING REQUESTED BY SNG.**

8 A. Sheet Nos.8-29, P.S.C. MO No. 3 reflect the new rates being proposed for each of
9 the divisions and rate classes. The proposed rate changes are described in
10 greater detail in the direct testimony of Company witness Mr. Kent D. Taylor.

11

12 3. Optional General Service Rate Schedule

13 **Q. PLEASE DESCRIBE THE OPTIONAL GENERAL SERVICE RATE**
14 **SCHEDULE.**

15 A. Only one of the two existing SNG tariff books (Sheet No. 1.1, P.S.C. MO No. 2)
16 includes the availability of an Optional General Service (“OGS”) rate schedule.
17 This rate schedule is currently offered only in the former SMNG service territory
18 and is currently available to all General Service customers who take natural gas
19 as their sole source of heat. The OGS rate is offered in lieu of the General
20 Service Rate. It is designed for those General Service customers who do not
21 desire to pay a monthly customer charge.

1 **Q. PLEASE DESCRIBE THE CHANGES TO THE OPTIONAL GENERAL SERVICE**
2 **RATE SCHEDULE REQUESTED BY SNG.**

3 A. The consolidated tariff book (P.S.C. MO No. 3) filed by SNG closes the availability
4 of the OGS rate schedule to new customers. This requested change is discussed
5 in greater detail in the direct testimony of Company witness Ms. Michelle A.
6 Moorman.

7

8 4. Elimination of the Interruptible Sales Service Rate Schedule

9 **Q. PLEASE DESCRIBE THE INTERRUPTIBLE SALES SERVICE RATE**
10 **SCHEDULE.**

11 A. Only one of the two existing tariff books (Sheet No. 21, P.S.C. MO No. 1) includes
12 the availability of an Interruptible Sales Service (“ISS”) rate schedule. This rate
13 schedule is currently only available in the Northern Service Area of the service
14 territory formerly under the MGU name, which includes the incorporated
15 municipalities of Gallatin and Hamilton. This rate schedule is available to
16 customers when the Company has excess gas for resale. When the Company
17 has such gas available for resale, it can make short-term arrangements for the
18 sale.

19 **Q. PLEASE DESCRIBE THE CHANGES TO THE INTERRUPTIBLE SALES**
20 **SERVICE RATE SCHEDULE REQUESTED BY SNG.**

1 A. The consolidated tariff book (P.S.C. MO No. 3) filed by SNG eliminates the ISS
2 rate schedule. SNG has requested this change because this rate class is only
3 available in one of the SNG divisions and no customers are currently receiving
4 service under this rate schedule.

5

6 5. Creation of a Transportation Service Rate Schedule for the Lake of the Ozarks

7 Division

8 **Q. DOES THE CURRENT TARIFF INCLUDE A TRANSPORTATION RATE FOR**
9 **THE LAKE OF THE OZARKS DIVISION?**

10 A. No. A transportation service rate was not established for the Lake of the Ozarks
11 Division following the approval of the Certificate of Convenience and Necessity
12 authorizing service in that area (Case No. GA-2012-0285).

13 **Q. IS THERE A NEED TO ESTABLISH A TRANSPORTATION SERVICE RATE**
14 **SCHEDULE IN THE LAKE OF THE OZARKS DIVISION?**

15 A. Yes. Several businesses within the Lake of the Ozarks Division have recently
16 expressed interest to SNG regarding transportation service.

17 **Q. PLEASE DESCRIBE THE NEW TRANSPORTATION SERVICE RATE**
18 **SCHEDULE FOR THE LAKE OF THE OZARKS DIVISION REQUESTED BY**
19 **SNG.**

20 A. Sheet No. 27, P.S.C. MO No. 3 establishes a Transportation Service (“TS”) rate
21 schedule for the Lake of the Ozarks Division. The proposed Lake of the Ozarks

1 Division TS rate schedule includes the same throughput requirements as other
 2 transportation service rate schedules in the current P.S.C. MO No. 1 tariff book.
 3 The proposed Lake of the Ozarks Division TS customer charge and commodity
 4 charges are proposed to be equal to the current Lake of the Ozarks Division Large
 5 Volume Service (“LVS”) rates.

6

7 6. Renaming of Divisions

8 **Q. DOES SNG INTEND TO MAINTAIN THE EXISTING RATE AREAS IN ITS**
 9 **TARIFFS?**

10 A. Yes. The existing five divisions in the P.S.C. MO No. 1 and P.S.C. MO No. 2 tariff
 11 books remain unchanged; however, the names of the divisions themselves have
 12 been updated in the proposed consolidated P.S.C. MO No. 3 tariff book to reflect
 13 the actual geographical location of the service area. The proposed name changes
 14 to the existing five divisions are summarized below:

15

16 Table 1: SNG Division Name Changes

P.S.C. MO No. 1 (formerly MGU)		P.S.C. MO No. 3 (SNG)	
Northern Service Area	→	Gallatin Division	
Southern Service Area	→	Warsaw Division	
Lake of the Ozarks Service Area	→	Lake of the Ozarks Division	
P.S.C. MO No. 2 (formerly SMNG)		P.S.C. MO No. 3 (SNG)	
SMNG Legacy System	→	Rogersville Division	
Branson Service Area	→	Branson Division	

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7. Miscellaneous Charges

Q. PLEASE PROVIDE AN OVERVIEW OF THE MISCELLANEOUS TARIFF CHARGES IN THE EXISTING SNG TARIFF BOOK.

A. Please see Schedule MRW-3 for a comparison of the miscellaneous tariff charges in the two current SNG tariff books (P.S.C. MO No. 1 and P.S.C. MO No. 2).

Q. DESCRIBE THE CHANGES TO ANY MISCELLANEOUS TARIFF CHARGES REQUESTED BY SNG.

A. The miscellaneous charges in the proposed consolidated tariff book (P.S.C. MO No. 3) reflect the miscellaneous charges currently authorized in the P.S.C. MO No. 1 tariff book. These charges were previously approved by this Commission and this change would create uniformity between the fees charged across the entire SNG service territory. The consolidation of miscellaneous charges would create uniformity and increase operating efficiency across all SNG divisions and overall, be easier for both SNG employees and customers to understand.

Q. HOW DO THE PROPOSED MISCELLANEOUS CHARGES DIFFER FROM THOSE INCLUDED IN THE TARIFF BOOK FOR THE FORMER SMNG SERVICE TERRITORY?

A. Many of the miscellaneous charges in the P.S.C. MO No. 2 tariff book have separate charges for services performed during and after normal business hours. In contrast, many of the miscellaneous charges in the P.S.C. MO No. 1 tariff book

1 simply include a fixed dollar amount and do not vary based on business hours. In
2 general, the fixed dollar amounts for miscellaneous charges authorized in the
3 P.S.C. MO No. 1 tariff book tend to fall between the dollar amounts authorized for
4 services performed during and after normal business hours in the P.S.C. MO No.
5 2 tariff book. For many of the other miscellaneous charges in the P.S.C. MO No.
6 2 tariff book that do not specify the business hours, the costs are relatively similar
7 to those authorized in the P.S.C. MO No. 1 tariff book. Therefore, SNG requests
8 that the proposed consolidated tariff book (P.S.C. MO No. 3) reflect the
9 miscellaneous charges currently included in the P.S.C. MO No. 1 book.

10

11 8. Rules and Regulations

12 **Q. DESCRIBE THE CHANGES TO THE RULES AND REGULATIONS SECTION**
13 **OF THE TARIFF REQUESTED BY SNG.**

14 A. Sheet Nos. 61-89 of the proposed consolidated tariff book (P.S.C. MO No. 3)
15 consist of a “Rules and Regulations” section. Both of the current tariff books
16 (P.S.C. MO No. 1 and P.S.C. MO No. 2) also include Rules and Regulations
17 sections. Because both current tariff books have a Rules and Regulations
18 section, the proposed consolidated tariff book has been drafted to more closely
19 resemble the P.S.C. MO No. 1 tariff book, so as to avoid duplication.

20

21 9. Free Conversion Rules and Regulations

1 **Q. IS SNG PROPOSING ANY CHANGES TO ITS FREE CONVERSION**
2 **PROGRAM?**

3 A. Yes. SNG also filed revisions (Sheet Nos. 82-85, P.S.C. MO No. 3) to the tariff
4 sheets that provide for a free conversion program (Sheet Nos. 78-83, P.S.C. MO
5 No. 1). SNG would like to offer this service to new customers, but for a charge.
6 SNG proposes to include the same labor charges as are currently contained in the
7 conversion program tariff (Sheet No. 82, P.S.C. MO No. 1) in the proposed
8 consolidated tariff book (Sheet No. 84, P.S.C. MO No. 3) and bill the actual cost of
9 pipe and fittings to customers. The labor charges currently included in the free
10 conversion program tariff are a technician-only hourly labor charge of \$30 and a
11 technician and truck hourly labor charge of \$40 (Sheet No. 82, P.S.C. MO No. 1).

12

13 10. Transportation Service Tariffs and Missouri School Aggregation Program

14 **Q. PLEASE DESCRIBE ANY TARIFF CHANGES TO THE RULES AND**
15 **REGULATIONS THAT GOVERN THE SNG TRANSPORTATION SERVICE**
16 **TARIFFS OR THE MISSOURI SCHOOL AGGREGATION PROGRAM.**

17 A. The tariff revisions related to these programs are contained in Sheets Nos. 30-
18 43C and 45-49, P.S.C. MO No. 3. The proposed changes are addressed in the
19 direct testimony of Company witness Ms. Michelle A. Moorman.

20

21 11. Revisions to the Purchased Gas Adjustment Clause

1 **Q. PLEASE DESCRIBE ANY TARIFF CHANGES TO THE PURCHASED GAS**
2 **ADJUSTMENT CLAUSE.**

3 A. The tariff revisions related to the Purchased Gas Adjustment clause are contained
4 in Sheets Nos. 50-55, P.S.C. MO No. 3. With these revisions, SNG proposes to
5 remove text which is no longer relevant.

6

7 IV. RESIDENTIAL NATURAL GAS ENERGY EFFICIENCY INCENTIVE PROGRAM

8 **Q. DOES SNG CURRENTLY OFFER AN ENERGY EFFICIENCY PROGRAM?**

9 A. No.

10 **Q. DO THE COMMISSION'S PROMOTIONAL PRACTICES RULES ALLOW**
11 **NATURAL GAS UTILITIES TO OFFER COST-EFFECTIVE ENERGY**
12 **EFFICIENCY PROGRAMS?**

13 A. Yes. The Commission's Promotional Practices Rules state the following:

14 (5) Nothing contained in this chapter shall be construed to
15 prohibit the provision of consideration that may be necessary
16 to acquire cost-effective demand-side resources.

17 (Rule 4 CSR 240-14.010(5), General Provisions)

18

19 **Q. IS SNG REQUESTING APPROVAL OF AN ENERGY EFFICIENCY PROGRAM**
20 **IN THIS CASE?**

21 A. Yes. SNG would like to offer its residential customers a cost-effective natural gas
22 energy efficiency incentive program as permitted by the Commission's
23 Promotional Practices Rules (4 CSR 240-14).

1 **Q. PLEASE DESCRIBE THE PROPOSED RESIDENTIAL NATURAL GAS ENERGY**
2 **EFFICIENCY INCENTIVE PROGRAM.**

3 A. SNG requests approval to offer cost-effective energy efficiency rebates to new
4 and current residential customers who purchase high efficiency furnaces and/or
5 programmable thermostats. The associated tariff sheet filed by SNG is Sheet No.
6 89, P.S.C. MO No. 3. The program would have an annual budget cap of \$15,000.
7 The proposed program would offer customers the availability of two energy
8 efficiency rebates as summarized below.

9 Table 2: Residential Natural Gas Energy Efficiency Incentive Program

Measure	Rebate Amount
Furnace (AFUE 95%)	\$300
Programmable Thermostat	\$25

10

11 **Q. ARE THERE ANY FILING REQUIREMENTS ASSOCIATED WITH THE**
12 **PROMOTIONAL PRACTICES RULES?**

13 A. Yes. 4 CSR 240-3.255(2)(B), Filing Requirements for Gas Utility Promotional
14 Practices, includes the following filing requirements:

15 (B) The utility shall provide the following supporting information
16 for each promotional practice:

- 17 1. A description of the advertising or publicity to be employed
18 with respect to the promotional practice;
19 2. For promotional practices that are designed to evaluate the
20 cost-effectiveness of potential demand-side resources, a
21 description of the evaluation criteria, the evaluation plan and
22 the schedule for completing the evaluation; and

1 3. For promotional practices that are designed to acquire
2 demand-side resources, documentation of the criteria used
3 and the analysis performed to determine that the demand-side
4 resources are cost-effective.
5

6 **Q. PLEASE DESCRIBE THE MARKETING PLAN FOR THE RESIDENTIAL**
7 **NATURAL GAS ENERGY EFFICIENCY INCENTIVE PROGRAM AS REQUIRED**
8 **BY 4 CSR 240-3.225(2)(B)1.**

9 A. Please see Schedule MRW-4.

10 **Q. PLEASE DESCRIBE THE EVALUATION PLAN FOR THE RESIDENTIAL**
11 **NATURAL GAS ENERGY EFFICIENCY INCENTIVE PROGRAM AS REQUIRED**
12 **BY 4 CSR 240-3.225(2)(B)2.**

13 A. Please see Schedule MRW-5.

14 **Q. PLEASE DESCRIBE THE COST EFFECTIVENESS ANALYSIS PERFORMED**
15 **AS REQUIRED BY 4 CSR 240-3.225(2)(B)3.**

16 A. SNG contracted with Apex Analytics to perform a cost-effectiveness analysis of
17 the proposed energy efficiency measures. Please see Schedule MRW-6 and
18 Schedule MRW-7.

19 **Q. ARE THE PROPOSED ENERGY EFFICIENCY MEASURES COST-**
20 **EFFECTIVE?**

21 A. Yes, the proposed measures are cost-effective. Both proposed measures passed
22 benefit cost tests with a score greater than one (1), including both the Total
23 Resource Cost Test (“TRC”) and the Utility Cost Test (“UCT”) as shown below.
24 Additional detail is shown in Schedule MRW-6 and Schedule MRW-7.

1 Table 3: Benefit/Cost Tests (Low Growth)

2

3 <u>Measure</u>	<u>Measure Level TRC</u>	<u>TRC+ Admin</u>	<u>UCT</u>
4 Furnace	1.29	1.04	1.62
5 Thermostat	1.69	1.30	1.69

6 **Q. PLEASE DESCRIBE THE REQUESTED ACCOUNTING TREATMENT FOR THIS**
7 **PROGRAM.**

8 A. SNG requests approval for the deferral of program expenditures to a regulatory
9 asset account for recovery in the Company's next rate case with a six year
10 amortization period. Program expenditure amounts would then be included in rate
11 base in SNG's next general rate case and the amortization would begin with the
12 effective date of any rates resulting from the next general rate case. The
13 regulatory asset account would accrue interest at the rate of the Company's pre-
14 tax return on rate base through the Company's next rate case.

15

16 V. SUMMARY AND RECOMMENDATIONS

17 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

18 A. My recommendation is for the approval of the consolidated P.S.C. MO No. 3 tariff
19 book filed by SNG and the establishment of a new residential natural gas energy
20 efficiency incentive program.

21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 A. Yes.

