

Exhibit No.:	
Issues:	Energy Efficiency
Witness:	John Buchanan
Sponsoring Party:	Missouri Department of Natural Resources - Missouri Energy Center
Type of Exhibit:	Surrebuttal Testimony
Case No.:	GR-2009-0355

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

SURREBUTTAL TESTIMONY

OF

JOHN BUCHANAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF NATURAL RESOURCES

ENERGY CENTER

Jefferson City, Missouri
October 14, 2009

TABLE OF CONTENTS

I.	INTRODUCTION.....	2
II.	PURPOSE AND SUMMARY OF TESTIMONY.....	2
III.	ENERGY EFFICIENCY FUNDING LEVELS	2
IV.	ENERGY EFFICIENCY PROGRAM STANDARDS	3
V.	ENERGY EFFICIENCY COLLABORATIVE	5

1 **I. INTRODUCTION**

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

3 A. John Buchanan, Missouri Department of Natural Resources, Missouri Energy Center, 1101
4 Riverside Drive, Jefferson City, Missouri.

5 **Q. Have you previously filed testimony in this case?**

6 A. Yes. On August 21, 2009, I filed direct testimony and on September 25, 2009, I filed rebuttal
7 testimony on behalf of the Missouri Department of Natural Resources' Energy Center (EC).

8
9 **II. PURPOSE AND SUMMARY OF SURREBUTTAL TESTIMONY**

10 **Q. What is the purpose of your surrebuttal testimony in these proceedings?**

11 The purpose of my surrebuttal testimony is to address rebuttal testimony filed by Ryan Kind
12 on behalf of the Office of Public Counsel (OPC).

13
14 **III. ENERGY EFFICIENCY FUNDING LEVEL**

15 **Q. Please briefly summarize OPC witness Ryan Kind's position regarding EC funding**
16 **recommendations to support cost effective energy efficiency initiatives for MGE.**

17 A. Ryan Kind states, "Before Public Counsel could take such a proposal (by the EC) seriously,
18 we would need to see a detailed proposal for cost effective programs that would utilize this
19 level of spending. We also would not be supportive of this magnitude of spending without
20 (1) Commission approval of extending the current EEC process and (2) a commitment by
21 DNR to dedicate more resources to the EEC process so it can be more actively and
22 effectively involved in all aspects of the EEC." (Rebuttal Testimony, Ryan Kind, September
23 8, 2009, page 9, lines 12-18) As such, Mr. Kind proposes that certain conditions be met for

1 increased levels of funding. Section IV. of my surrebuttal testimony further addresses this
2 issue.

3 **Q. Does OPC witness Ryan Kind provide an example of MDNR's level of commitment to**
4 **other EEC efforts?**

5 A. Yes. OPC witness Ryan Kind states, "OPC has observed DNR committing a much greater
6 amount of resources (including the acquisition of assistance from outside consultants) to the
7 development of cost effective energy efficiency programs for Missouri's regulated electric
8 utilities." (Rebuttal Testimony, Ryan Kind, September 8, 2009, page 9, lines 18-21)

9 **Q. What is your response to funding levels to support cost effective energy efficiency**
10 **initiatives for MGE addressed by OPC witness Ryan Kind?**

11 A. OPC witness Ryan Kind does not specifically oppose the recommended target level of
12 funding proposed by the EC to support cost-effective energy efficiency initiatives by MGE.
13 The OPC, however, does not offer a specific level of funding that supports cost-effective
14 energy efficiency initiatives by MGE.

16 **IV. ENERGY EFFICIENCY PROGRAM STANDARDS**

17 **Q. Do you agree that energy efficiency funding should be based on certain standards or**
18 **conditions?**

19 A. Yes. We agree that funds should be used only to support cost effective energy efficiency
20 programs. In fact, in the absence of a specified standard or approach to identify cost-
21 effective energy efficiency programs and funding levels that are of sufficient size to result in
22 lower natural gas consumption and lower energy bills, investor-owned natural gas companies
23 including AmerenUE, Atmos Energy Corporation, Laclede Gas Company and Missouri Gas

1 Energy have significantly different funding (or accounting) methods and funding levels for
2 their energy efficiency programs.

3 **Q. What type of standards or conditions should be considered by the Commission?**

4 A. The Commission may wish to consider establishing specific standards or guidelines that
5 assist investor-owned natural gas local distribution companies (LDCs) in developing and
6 implementing energy efficiency programs. This could include the use of a specific formula
7 to support energy efficiency funding. The EC has proposed a target baseline of 0.5 percent
8 of gross annual operating revenue. This funding method provides a sufficient level of
9 funding to support cost benefit analysis of energy efficiency programs by LDCs' consultants
10 to identify cost-effective efficiency services and develop the details of such programs for
11 implementation. This funding level would also support the management and evaluation of
12 these programs.

13 **Q. Is there an established policy to guide the Commission in the area of energy efficiency**
14 **programs?**

15 A. Yes. The Revised Statutes of Missouri (RSMo), specifically Chapter 393.1124, the
16 "Missouri Energy Efficiency Investment Act", establishes "a goal of achieving all cost-
17 effective demand-side savings" by regulated electric utilities (Senate Bill 376). It also directs
18 the Commission to provide oversight to ensure that electric utilities can meet the goals of this
19 section, including the authority to adopt rules and procedures for the independent evaluation
20 of demand-side programs. Clearly, this policy envisions Commission oversight and setting
21 standards to guide electric utilities in the implementation of energy efficiency programs, and
22 provides the necessary tools to address the development, administration, funding, and
23 evaluation of energy efficiency programs for electric utilities.

1 **Q. How is this applicable to MGE and natural gas utilities?**

2 A. Although specifically applicable to regulated electric utilities, this policy could serve as an
3 example and guidance for similar Commission oversight of energy efficiency programs by
4 natural gas utilities. The Commission could establish a process and parameters for an LDC if
5 it implements energy efficiency programs. The process could include cost-effectiveness
6 analysis, program design and implementation using best practices, process and impact
7 evaluations and guidance on portfolio funding to achieve successful and meaningful natural
8 gas energy efficiency programs. Customers of investor-owned natural gas companies
9 regulated by the Commission should have the same opportunities to access programs that
10 result in lower natural gas usage. Without uniform guidance, investments to support and
11 guide energy efficiency programs by Missouri's natural gas LDCs will continue to be
12 addressed on a case-by-case basis, with varying levels of success.

13
14 **V. ENERGY EFFICIENCY COLLABORATIVE**

15 **Q. Please address OPC's position regarding the EEC and additional investments by the**
16 **DNR to support the EEC process.**

17 A. We agree with OPC's recommendation that the EEC continue. We recommend, however,
18 that the EEC serve in an advisory capacity. We do not agree with OPC's position regarding
19 the need for additional investments by the DNR to support the EEC process. DNR
20 determines what resources to dedicate on a case by case basis. For example, DNR generally
21 dedicates more resources to electric Integrated Resource Planning (IRP) cases to address
22 broader resource planning issues such as supply-side risk analysis integration in addition to
23 DSM. We recommend that the Commission adopt guidelines to facilitate the implementation

1 of natural gas LDC energy efficiency programs and continue the current role of the EEC, as a
2 more efficient, cost-effective approach.

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

4 A. Yes. Thank you.