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MISSOURI PUBLIC SERVICE COMMISSION

AMERENUE

d/b/a UNION ELECTRIC COMPANY

CASE NO. GR-2010-0363

DIRECT TESTIMONY

OF

JOHN BUCHANAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF NATURAL RESOURCES

DIVISION OF ENERGY

Jefferson City, Missouri
November 8, 2010 (Revenue Requirement)

TABLE OF CONTENTS

I.	INTRODUCTION.....	2
II.	PURPOSE AND SUMMARY OF TESTIMONY.....	4
III.	ENERGY EFFICIENCY PROGRAM DEVELOPMENT AND IMPLEMENTATION	5
IV.	NATURAL GAS ENERGY EFFICIENCY INITIATIVES.....	12

1 **I. INTRODUCTION**

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

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

5 **Q. What is the Division of Energy?**

6 A. The Division of Energy (DE) is a division within the Missouri Department of Natural
7 Resources (DNR) and is the designated state energy office in Missouri responsible for the
8 administration of several federal programs and grants, including the federal Low Income
9 Weatherization Assistance Program (LIWAP) and the federal State Energy Program (SEP)
10 established by the United States Congress in 1978, which is managed nationally by the
11 United States Department of Energy (USDOE). The SEP consists of several statewide energy
12 efficiency programs administered by the DNR and funded by the USDOE. In 2009, the DNR
13 assumed oversight responsibility with regard to federal energy grants issued by the USDOE
14 as a result of the passage of the American Recovery and Reinvestment Act of 2009. The
15 DNR is vested with the powers and duties set forth in Section 640.150, RSMo.

16 **Q. What is your position with the Missouri Division of Energy?**

17 A. I am a Senior Planner in the DE's Energy Policy and Resources Program at the Missouri
18 Department of Natural Resources.

19 **Q. On whose behalf are you testifying?**

20 A. I am testifying on behalf of the Missouri Department of Natural Resources, an intervenor in
21 these proceedings.

22 **Q. Please describe your educational background and business experience.**

1 A. I joined the Missouri Department of Natural Resources, Division of Energy in July of 1980
2 as director of the Missouri Residential Conservation Service Program. In 1986, I was
3 promoted to serve as the Senior Energy Planner within the Director's Office at the Division
4 of Energy. In this capacity, I was involved in a variety of programs and projects addressing
5 energy, environmental, and natural resource issues. In October 1995, I was appointed as a
6 Senior Energy Planner within the Policy and Resources Program at the Division of Energy
7 where my responsibilities include preparation of testimony filed in general rate or other cases
8 by the DNR before the Missouri Public Service Commission (Commission), energy
9 efficiency program design and development, energy emergency planning, energy supply and
10 price monitoring and energy-related policy development. Prior to my employment with the
11 Department of Natural Resources, I served as Special Assistant to the Mayor, City of
12 Columbia, Missouri for two years. I have a Bachelor of Arts degree in Political Science from
13 Columbia College. I am a former Fellow of Missouri University, where I received a Master
14 of Science in Public Administration.

15 **Q. Are you currently working with Missouri gas utilities to implement energy efficiency**
16 **initiatives?**

17 A. Yes. Since 1980 I have worked directly with investor-owned regulated gas utilities on
18 several natural gas energy efficiency initiatives including the federal Residential
19 Conservation Service Program established by a US Congressional mandate. This was the
20 first nationwide utility-sponsored non-low income residential energy efficiency program
21 under the guidance of the USDOE. Currently, I serve as the designated DE representative on
22 three (3) efficiency collaboratives:

- 1 1) AmerenUE (UE) (natural gas) established by GR-2003-0517 and continued as a result
2 of the company's last rate case, GR-2007-0003;
- 3 2) Atmos Energy Corporation (Atmos) established by GR-2006-0387 and continued as a
4 result of the company's last rate case, GR-2010-0192; and,
- 5 3) MGE (MGE) established by GR-2006-0422 and GT-2008-0005 and continued as a
6 result of the company's last rate case, GR-2009-0355.

7 I also prepared testimony and participated in settlement discussions that led to the establishment
8 of the efficiency collaborative for Laclede Gas Company in GR-2007-0208.

9

10 **II. PURPOSE AND SUMMARY OF TESTIMONY**

11 **Q. What is the purpose of your direct testimony in these proceedings?**

12 A. The purpose of my testimony is to address natural gas related energy efficiency issues with
13 respect to UE. I will specifically offer testimony regarding:

- 14 (1) Recommending additional investments by UE to design, implement and evaluate
15 successful energy efficiency programs for residential and commercial (small general
16 service or SGS) customers.
- 17 (2) Continuing, but modifying, the formal working collaborative group to assist and expand
18 UE's energy efficiency initiatives to help meet the goal of reducing natural gas
19 consumption that could lead to a reduction in natural gas costs; and,
- 20 (3) Addressing conservation and energy incentive programs that were approved by the
21 Commission in UE's last rate case, GR-2007-0003.

1 **III. ENERGY EFFICIENCY PROGRAM DEVELOPMENT AND IMPLEMENTATION**

2 **Q. What recommendations do you have regarding energy efficiency programs for UE?**

3 A. To assist UE in its efforts to fully facilitate the identification, design and implementation of
4 appropriate, cost-effective energy efficiency programs designed to reduce natural gas
5 consumption by its customers and potentially lead to reductions in natural gas wholesale
6 costs, the DNR recommends that the Commission:

7 (1) Require UE to commit to adequate funding to implement the energy efficiency programs
8 identified by UE as cost effective. Annual funding target levels should begin at 0.5
9 percent of UE's annual operating revenues (which would be a funding level of
10 approximately \$852,000) beginning in calendar year 2011 and increase to 1.0 percent of
11 its annual operating revenues (or a funding level of approximately \$1.7 million) by
12 calendar year 2013 (Response to Data Request, DNR 009, October 1, 2010).

13 (2) Approve the continuation of the Energy Efficiency Collaborative (EEC) authorized by
14 the Commission in the company's last rate case, GR-2007-0003, consisting of
15 representatives from UE, Staff, the Office of the Public Counsel (OPC), the DNR and
16 other interested parties that have intervened in this rate case to facilitate energy-efficiency
17 activities undertaken by UE. The collaborative should be changed from a consensus
18 body to an advisory body to help guide UE's energy efficiency planning and
19 implementation process. UE should determine and implement the most appropriate and
20 cost-effective slate of energy efficiency programs to meet the needs of its customers and
21 share-holders;

22 (3) Require UE to continue to report progress to the Commission and the EEC regarding
23 UE's energy efficiency program design and implementation on a regularly scheduled

1 basis, to be recommended by UE in consultation with the EEC, until such time as UE
2 formally recommends to the Commission a specific end date for such reports. UE should
3 continue to provide program details, data and updates on a regularly scheduled basis to
4 the EEC.

5 (4) Require UE to expend any outstanding balance of funds that support efficiency programs
6 as ordered by the Commission in GR-2007-0003 (potential carry-over from the 2010
7 program period; and, new funds dedicated in January, 2011) and continue the energy
8 efficiency initiatives with the assistance of and in coordination with the EEC until such
9 time as UE files new proposed tariff sheets intended to implement a general rate increase
10 for natural gas service.

11 **Q. Do you agree that reductions in natural gas consumption could result in downward**
12 **pressure on the wholesale market and help to lower natural gas prices?**

13 A. Yes. According to a study completed by the American Council for an Energy-Efficient
14 Economy (ACEEE), reductions in natural gas consumption could result in wholesale natural
15 gas price reductions. Because of the very tight and volatile U.S. natural gas market, the study
16 estimated that a reduction of about 1 percent per year in total U.S. gas demand could result in
17 wholesale natural gas price reductions of 10 to 20 percent.

18 The study identifies new energy policies and additional funding for energy efficiency
19 programs necessary to achieve savings significant enough to reduce the wholesale price of
20 natural gas as well as to generate direct cost savings to natural gas consumers. The study
21 estimated an annual energy efficiency investment by each of the 8 Midwest states, including
22 Missouri, based on each state's proportional allocation of total projected regional natural gas
23 savings in 2010. From a regional perspective, in order to reduce natural gas demand

1 sufficiently to pressure wholesale prices downward, the study roughly estimated that
2 Missouri would be required to expend approximately \$12 million¹ per year for natural gas
3 related energy efficiency programs through the year 2020. The study estimates that the
4 dollar savings impact of the associated natural gas price reductions from these levels of
5 investments along with other policy and program actions would be approximately \$60
6 million for Missouri by 2015² and an additional \$97 million by the year 2020.³

7 **Q. Will UE's current investment in energy efficiency programs send sufficient price signals**
8 **to pressure wholesale prices lower?**

9 A. No. UE should be commended for addressing and responding to the energy efficiency needs
10 of their residential and small commercial natural gas customers. However, I do not believe
11 that UE's current energy efficiency funding level of \$100,000 per year will result in
12 sufficient savings to contribute to lower wholesale natural gas prices. As I noted earlier in
13 my testimony, a more significant level of investment in energy efficiency is required to
14 potentially pressure natural gas wholesale prices lower. I am not suggesting that UE alone
15 can have a significant impact on wholesale prices through its energy efficiency programs, but
16 UE can and should contribute in a more meaningful way toward a regional reduction in
17 natural gas consumption.

18 **Q. Is there data to support the level of energy efficiency investments that would result in**
19 **direct benefits to natural gas customers, the utility, shareholders and potentially**
20 **pressure wholesale prices lower?**

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, Table 23. Amount of Annual Funding Needed to Achieve Projected Savings Natural Gas

² Supra, Table 20c, 2015 Total Dollar Savings to Midwest Customers Midwest Energy Efficiency Scenario

³ Supra, Table 20d. 2020 Total Dollar Savings to Midwest Customers Midwest Energy Efficiency Scenario

1 A. Yes. In addition to the American Council on an Energy-Efficient Economy study, the
2 National Action Plan for Energy Efficiency sponsored by the USDOE and the United States
3 Environmental Protection Agency and prepared by 50 leading organizations, including a
4 variety of natural gas companies, noted that “energy efficiency programs are being
5 successfully operated across many different contexts including electric and gas utilities.
6 These programs are reducing annual energy use by 0.15 percent to 1 percent at spending
7 levels between 1 and 3 percent of electric and 0.5 and 1.5 percent of gas revenues—and are
8 poised to deliver substantially greater reductions over time.”⁴ The target level of annual
9 energy efficiency program investments should be approximately \$852,000 (at 0.5 percent) to
10 \$2.6 million (at 1.5 percent) using UE’s 2009 annual gross operating revenue of
11 \$170,329,253 (AmerenUE Response to DNR Data Request DNR 009, October 1, 2010).
12 DNR is proposing a ramp up to 1.0 percent of annual operating revenue or approximately
13 \$1.7 million by 2013 based on the company’s gross annual operating revenue in calendar
14 year 2009.

15 **Q. Were recommendations presented by the National Action Plan for Energy Efficiency**
16 **used by UE in designing and implementing the current energy efficiency initiatives?**

17 A. No. The current UE energy efficiency initiatives were proposed by UE and initiated after the
18 consensus process by the EEC. Further, UE is not basing its proposal to continue or expand
19 the efficiency initiatives on the National Action Plan, a strategic business plan or formal
20 program evaluation performed by UE or a third party. (Response to Data Request, DNR 002,
21 October 4, 2010 and Data Request, DNR 013, November 4, 2010)

22 **Q. Can you cite to additional support for increased investment in energy efficiency?**

⁴ National Action Plan for Energy Efficiency, July 2006, page 6-11.

1 A. Yes. Recent Commission decisions in the AmerenUE electric rate case, Empire District
2 electric and gas cases, MGE gas rate case and Atmos gas rate case, all indicate a commitment
3 to and support for increased investment in energy efficiency. Examples of this additional
4 support for increased investment in energy efficiency appear on pages 10 and 11 of my
5 Direct Testimony.

6 **Q. What level of energy efficiency funding should the Commission consider for UE?**

7 A. The DNR recommends an annual target amount beginning in 2011 at 0.5 percent of UE's
8 2009 gross operating revenue (approximately \$852,000) and increasing to 1.0 percent
9 (approximately \$1.7 million) by 2013 to implement cost-effective energy efficiency
10 programs for UE's residential and SGS natural gas customers. These recommended funding
11 target levels are necessary to support energy efficiency initiatives.

12 **Q. Why is the DNR recommending an incremental increase in energy efficiency funding by
13 UE?**

14 A. To ensure that energy efficiency programs currently administered by UE are sustainable and
15 result in uninterrupted energy savings and other benefits to UE natural gas customers,
16 ongoing and increasing investments by UE in energy efficiency are necessary. DNR is
17 recommending incremental increases in energy efficiency funding to allow time for UE to
18 analyze and select additional cost-effective programs and provide time to ramp up new and
19 existing programs to full implementation.

20 **Q. Why is additional energy efficiency funding by UE needed with the federal energy
21 stimulus funding Missouri has recently received?**

22 A. In February 2009, President Obama signed into law the American Recovery and
23 Reinvestment Act of 2009 (ARRA) providing approximately \$200 million to Missouri to

1 initiate or expand existing energy efficiency programs. These federal stimulus funds,
2 although significant, must be expended no later than March 2012. The State of Missouri
3 continues to implement a broad scope of ARRA-funded energy efficiency and alternative
4 energy programs on a statewide basis that comply with the guidelines established by the
5 Secretary of Energy. Some program areas underway to date include appliance rebates, small
6 agriculture cost-share grants, industrial energy efficiency, bioenergy and renewable energy
7 studies grants, an expanded low-income weatherization assistance program and residential
8 (including multi-family) energy efficiency programs. The intended purpose of the ARRA
9 energy funding is to stimulate the economy in a short period of time by creating jobs,
10 reducing energy usage and costs, and encouraging the development of clean alternative
11 energy sources. To maximize these benefits and goals of the ARRA funding, the Secretary of
12 Energy has directed that the funds may not be used to supplant existing energy efficiency
13 programs currently administered by a state or by others, including utility sponsored energy
14 efficiency programs. The ARRA funding does not provide an ongoing, dedicated funding
15 source for energy efficiency programs in Missouri.

16 **Q. Are UE energy efficiency investments funded by shareholders or by utility rates?**

17 A. UE currently supports its energy efficiency investments through rates. The Commission in
18 UE's last rate case, GR-2007-0003, authorized UE to fund energy efficiency programs at
19 \$100,000 annually and to recover the expense through rates.

20 **Q. Has the Commission supported energy efficiency program funding based on utility
21 operating revenue for other natural gas utilities?**

22 A. Yes, particularly in three recent natural gas rate cases. In Case No. GR-2009-0355, MGE's
23 last rate case, the Commission found:

1 ... that .5% of MGE's annual gross operating revenues should be allocated for energy
2 efficiency funding and that it is an appropriate goal or benchmark in expenditures for
3 natural gas utilities. The Commission finds that the EEC should take all steps necessary
4 to work toward implementation of cost-effective energy efficiency programs to reach this
5 goal to maximize benefits....

6
7 MGE will initially fund an annual amount of a minimum of \$1.5 million per year for its
8 energy efficiency program. This amount shall be subject to increase toward the goal of
9 .5% of gross operating revenues at the time the EEC has a comprehensive plan for the
10 increased expenditure level. Increased expenditures shall be dependent upon programs'
11 continued growth and success.⁵

12
13 Likewise, in Case No. GR-2009-0434, Empire District Gas Company's last rate case, the
14 Commission ordered:

15 The Empire District Gas Company is directed to budget for energy efficiency programs
16 previously approved in the *Partial Stipulation and Agreement* at levels that will begin at
17 \$231,200 in 2010; and to take all reasonable actions toward the goal of increasing
18 expenditures for those programs to .5 percent of annual operating revenues, including gas
19 costs, for 2011 and 2012.⁶

20
21 Most recently, the Commission used utility operating revenue as the basis for setting the
22 funding level for energy efficiency initiatives in Atmos' rate case, GR-2006-0387; and,
23 expanded funding as a result of the company's last rate case, GR-2010-0192. Specifically,
24 the Commission (GR-2010-0192) approved the Unanimous Stipulation and Agreement
25 which stated in Section 12. (b):

26 "The initial funding level for the next year of the Program shall be \$210,000. Atmos will
27 take all reasonable actions toward the target of increasing annual expenditures for cost-
28 effective conservation and energy efficiency programs to one-half percent (0.5%) of annual
29 operating revenues, including gas costs, within three years."⁷

30

⁵ Missouri Public Service Commission Case No. GR-2009-0355, *In the Matter of Missouri Gas Energy and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service*; Report and Order, Effective: February 20, 2010, pages 62-63.

⁶ Missouri Public Service Commission Case No. GR-2009-0434, *In the Matter of The Empire District Gas Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Gas Service Provided to Customers in the Missouri Service Area of the Company*, Report and Order on DSM Funding, Effective March 1, 2010, pages 15-16.

⁷ Missouri Public Service Commission Case No. GR-2010-0192, *In the Matter of Atmos Energy Corporations and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service*, Unanimous Stipulation and Agreement, Effective: August 23, 2010, pages 4-6.

1 **Q. How should the Commission treat these energy investment funds?**

2 A. The DNR's position is that energy efficiency funds expended by regulated utilities should be
3 treated as a cost of providing service with recovery of such costs by expensing them in rates.
4

5 **IV. NATURAL GAS ENERGY EFFICIENCY INITIATIVES**

6 **Q. Please briefly summarize UE's current energy efficiency initiatives.**

7 A. In UE's last rate case, GR-2007-0003, the Commission approved the Unanimous Stipulation
8 and Agreement that stated:

9 17. AmerenUE agrees to fund programs to promote customer use of energy-efficient
10 equipment in the amount of \$100,000 annually. The Collaborative will determine the details
11 of these programs, giving due consideration to the administrative costs that will be incurred
12 by AmerenUE. If an issue arises where consensus cannot be reached, the issue will be
13 brought before the Commission for resolution.⁸
14

15 AmerenUE currently provides a variety of cash rebates for natural gas energy efficiency
16 measures that are purchased and installed by an AmerenUE Missouri natural gas residential
17 and SGS customer. Energy efficient measures eligible for rebates include Energy Star®
18 products such as furnaces, boilers, water heaters as well as thermostats, home audit
19 improvements, commercial steam traps, burner upgrades, steamers, fryers and spray rinse
20 nozzles, to name a few.

21 **Q. Is the current level of funding sufficient to fully support cost-effective energy efficiency**
22 **programs offered by UE?**

23 A. No. UE's current annual funding commitment of \$363,000 (\$263,000 for LIWAP and
24 \$100,000 for Energy Efficiency programs) represents approximately two-tenths of one

1 percent of UE's 2009 gross annual operating revenue. Additional funds are necessary to
2 fully support development of an aggressive, comprehensive portfolio of energy efficiency
3 programs to maximize benefits for UE's ratepayers. Funds are needed to evaluate and
4 determine which programs are cost effective and appropriate for implementation. Funds are
5 necessary to design and implement efficiency programs to assure that they meet the needs of
6 utility customers and result in identifiable energy savings and other benefits as a result of the
7 program. Finally, funds are necessary to evaluate the success of program implementation, to
8 make necessary changes to improve delivery of these programs.

9 **Q. Please summarize UE's proposed changes to the current energy efficiency programs.**

10 A. UE is proposing to continue energy efficiency programs implemented after Commission
11 approval of the Unanimous Stipulation and Agreement in Case No. GR-2007-0003. UE has
12 proposed to expand current residential and small commercial energy efficiency program
13 measures beginning in 2011. However, UE is proposing such expansion without an increase
14 in funding level (currently at \$100,000 per year) to support the additional program measures
15 presented by UE. Further, according to UE in a series of Energy Efficiency Collaborative
16 teleconferences held in October, 2010, energy efficiency funds may be exhausted prior to
17 December 31, 2010 and has directed their rebate processing contractor to discontinue
18 processing any further rebate applications before the end of the 2010 program year that
19 concludes December 31, 2010. This issue and action was not discussed by nor approved by
20 the EEC.

⁸ Missouri Public Service Commission Case No. GR-2007-0003, *In the Matter of AmerenUE and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service*, Unanimous Stipulation and Agreement, Effective: March 25, 2007, page 8.

1 **Q. Did the Commission authorize a method to identify and recover energy efficiency**
2 **investments by UE beyond the \$100,000 annual funding level?**

3 A. Yes. In GR-2007-0003, the Commission approved Stipulation and Agreement stated:

4 18. ...The Collaborative will consider cost effectiveness and the optimal design of implementing
5 energy efficiency programs. The programs the Collaborative may consider include, but are not limited
6 to, the following:

7 (A) Home energy evaluations offered to moderate and middle income households at
8 discounted cost; and

9 (B) Funding for moderate and middle income households for installation of energy-
10 efficient natural-gas- space-heating equipment, including furnaces and boilers, with the
11 funding being repaid over time by the customer through an adder to the monthly bill. Such
12 funding may consider income levels.

13
14 19. If AmerenUE elects to fund demand-side management programs in addition to those
15 described above, the Parties agree the costs of those additional programs may be placed in a
16 regulatory asset account and amortized over a ten-year period. These costs shall include the
17 costs of development, implementation and evaluation of these programs, as well as the
18 program cost itself. The amounts accumulated in this regulatory asset account will earn a
19 return not greater than AmerenUE's Allowance for Funds Used During Construction
20 (AFUDC) rate. At the time of AmerenUE's next natural gas rate case, the Commission will
21 review the amount in this regulatory asset for a determination of the prudence of the planning
22 and implementation of the programs prior to allowing recovery in rates.⁹

23
24 Despite the proposed expansions in energy efficiency program measures for program year
25 2011, UE has advised the Energy Efficiency Collaborative (EEC) that it does not intend to
26 provide additional funding beyond the \$100,000 annual level or to use a regulatory asset
27 account authorized by the Commission in GR-2007-0003.

28 **Q. Do you agree with the proposed program changes presented by UE?**

29 A. DNR's position is that it is appropriate to expand the current slate of energy efficiency
30 program measures for UE's residential and small commercial customers. This expansion
31 should be based on a thorough evaluation of cost-effective programs suitable for participation

1 by UE Missouri natural gas customers that result in identifiable energy savings and utility bill
2 reductions. Sufficient funds are necessary to conduct this analysis, identify cost-effective
3 programs and to evaluate the impact of implemented programs.

4 It is appropriate for energy efficiency funding to be recovered in rates authorized by the
5 Commission, preferably by expensing investments in energy efficiency programs. The DNR
6 proposes greater investments in energy efficiency: annual target amounts beginning in 2011
7 at 0.5 percent of UE's 2009 gross operating revenue (approximately \$852,000) and increasing
8 to 1.0 percent (approximately \$1.7 million) by 2013 to implement cost-effective energy
9 efficiency programs for its residential and SGS customers. These recommended funding
10 target levels are necessary to support energy efficiency initiatives.

11 **Q. Did UE evaluate current energy efficiency programs to support their proposed**
12 **expansion for the 2011 program period?**

13 A. No. UE has not evaluated any of its natural gas energy efficiency programs since inception.
14 (Response to Data Request, DNR 002, October 4, 2010)

15 **Q. Should the Commission require UE to evaluate energy efficiency programs currently in**
16 **effect?**

17 A. Yes. It is DNR's recommendation that the Commission require UE to fully evaluate energy
18 efficiency programs and to report the findings of that evaluation to the Commission and the
19 EEC. Additional funding is necessary, however, to perform such an evaluation. The energy
20 efficiency funds for 2010 may be exhausted by the end of the calendar year and UE does not
21 intend to commit additional funds using the Commission authorized regulatory asset account

⁹ Missouri Public Service Commission Case No. GR-2007-0003, *In the Matter of AmerenUE and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service*, Unanimous Stipulation and Agreement, Effective: March 25, 2007, pages 8-9.

1 in GR-2007-0003. DNR's target funding level would support the completion of an
 2 evaluation of UE's energy efficiency programs in 2011.

3 **Q. Please briefly summarize the status of the UE's energy efficiency initiatives.**

4 A. According to UE, the table below shows the energy efficiency budgets and expenditures for
 5 current programs:

Program						
Low-Income Weatherization						
Program Year	Total Amount Budgeted	Budget in Tariff	Expended	Unspent	Balance	% Spent
2008	\$263,000	\$263,000	\$263,000	\$0	\$0	100%
2009	\$263,000	\$263,000	\$263,000	\$0	\$0	100%
2010	\$263,000	\$263,000	\$263,000	\$0	\$0	100%
Energy Efficiency						
Program Year	Total Amount Funded	Budgeted in Tariff*	Expended	Unspent	Balance	% Spent
2008	\$100,000	\$113,000	\$67,000	\$46,000	\$46,000	59.29%
2009	\$100,000	\$187,000	\$153,000	\$34,000	\$34,000	81.81%
2010	\$100,000	\$325,176	\$173,172	\$152,004	\$152,004**	53.26%

6 *Includes unspent Scott-Stoddard funds from GR-2003-0517.

7 **As of August 19, 2010.

8 Source: Total Amount Budgeted, Total Amount Funded, Budgeted in Tariff, expended and unspent figures provided by UE October
 9 8, 2010, Responses to Data Requests, DNR 003 and DNR 004. Balance and percentages spent calculated by DNR.

11 **Q. Please describe the performance of UE's natural gas energy efficiency initiatives.**

12 A. UE has consistently expended the majority of energy efficiency funds available to each
 13 program and in each year. For the portfolio as a whole, UE's expenditures have neared 90
 14 percent of available funds. In 2010, UE anticipates expenditures of 100 percent of available
 15 funds. (Response to Data Request, DNR 003 and DNR 004, October 8, 2010)

16 **Q. What conclusions do you draw from these expenditures?**

17 A. Considering expenditures, but in the absence of a formal program evaluation, UE's energy
 18 efficiency initiatives appear to be successful. Without further formal evaluation that would
 19 examine and analyze the efficiency programs, in relation to program budget, the number of

1 customers purchasing and installing efficiency measures and the resulting energy savings due
2 to these investments, it is difficult to assess performance. It is clear, however, that the
3 expenditures reported by UE are consistent, yet limited, to the authorized annual funding
4 level by the Commission. UE is requesting that the costs of its energy efficiency programs
5 be borne by ratepayers. In exchange for costs to ratepayers, DNR maintains that ratepayers
6 should see the benefits from the energy efficiency programs. Sufficient funding for
7 efficiency programs is necessary to realize such benefits.

8 If the Commission decides that energy efficiency program costs should be borne by
9 ratepayers, it is imperative that UE make the necessary investments to support aggressive
10 levels of energy efficiency.

11 **Q. Do you have recommendations regarding the UE Low-Income Weatherization**
12 **Assistance Program (LIWAP)?**

13 A. Yes. It is the recommendation of DNR that the Commission authorize UE to continue to
14 commit to LIWAP funding at the current annual level of \$263,000.

15 **Q. Do you have recommendations regarding the UE Energy Efficiency Collaborative?**

16 A. Yes. DNR recommends that the current consensus-based collaborative should be modified to
17 be advisory in nature. The Commission agreed to this recommendation in Atmos GR-2010-
18 0192. The Commission authorized Stipulation and Agreement states:

19 12. (c) The Energy Efficiency Collaborative will be renamed the EE Advisory Group.
20 The EE Advisory Group will operate as an advisory, rather than consensus, group and will
21 continue to provide input to Atmos on the design, implementation and evaluation (including
22 choice of consultants and scope of work) of the Program. The EE Advisory Group shall have
23 meetings or conference calls at least two (2) times per year...¹⁰
24

1 **Q. Please summarize your testimony.**

2 A. Greater investments in natural gas energy efficiency initiatives based on a funding target
3 provides greater assets to fully evaluate and implement cost-effective energy efficiency
4 programs. Through effective planning, well designed and cost-effective energy efficiency
5 programs may be implemented that achieve identifiable reductions in natural gas
6 consumption resulting in lower utility bills that, when coupled with other utility funding and
7 energy efficiency initiatives, may lead to lower natural gas wholesale prices. An advisory
8 energy efficiency collaborative is an effective approach to help guide UE in addressing
9 energy efficiency opportunities; however, UE must commit to fully examine, identify,
10 implement and evaluate the most cost-effective programs for its customers.

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

12 A. Yes. Thank you.

¹⁰ Missouri Public Service Commission Case No. GR-2010-0192, *In the Matter of Atmos Energy Corporation and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service*, Unanimous Stipulation and Agreement, Effective: August 23, 2010, page 6.