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DIRECT TESTIMONY
OF
LAURA WOLFE
ON
BEHALF OF
MISSOURI DEPARTMENT OF NATURAL RESOURCES
DIVISION OF ENERGY

May 10, 2010

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Laura Wolfe. My business address is Missouri Department of Natural Resources, Energy Center, 1101 Riverside Drive, P.O. Box 176, Jefferson City, Missouri 65102-0176.

Q. By whom and in what capacity are you employed?

A. I am employed as an Energy Specialist by the Missouri Department of Natural Resources in the Department's Division of Energy. The Missouri Department of Natural Resources is an agency of state government with its executive office located in Jefferson City, Missouri. The Division of Energy within the Missouri Department of Natural Resources (DNR) is the designated state energy office in Missouri responsible for the administration of the federal Low Income Weatherization Assistance Program (LIWAP) and the federal State Energy Program (SEP) established by the United States Congress in 1978, which is managed nationally by the United States Department of Energy (USDOE). The SEP consists of several statewide energy efficiency programs administered by the EC and funded by the USDOE. The DNR is vested with the powers and duties set forth in Section 640.150, RSMo.

Q. On whose behalf are you testifying?

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

Q. Please describe your educational background and business experience.

A. I received a Bachelor of Science in Business Administration in 1985 from Central Methodist College (n.k.a., Central Methodist University) in Fayette, Missouri, and a Master's in Public Administration in 1990 from the University of Missouri-Columbia. I have worked in a

1 variety of positions regarding utility regulation including as a Utility Regulatory Auditor III
2 for the Commission from 1996 to 1999, a Costing Administrator and later Docket Manager
3 for Sprint (f.k.a. Embarq, and n.k.a. CenturyLink) from 1999 to 2002, and as a Utility
4 Regulatory Specialist in the Federal Gas Group at the Commission from 2002 to 2007.
5 Details regarding these and other professional positions I have held appear in LW-1 attached
6 to and incorporated by reference to this testimony.

7 8 **II. PURPOSE AND SUMMARY OF TESTIMONY**

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

10 A. The purpose of my testimony is to address natural gas related energy efficiency issues with
11 respect to Laclede Gas Company ("Laclede"). I will specifically offer testimony regarding
12 the following items:

- 13 1. Overview of current energy efficiency programs and budgets for those programs;
- 14 2. Overview of proposed new energy efficiency programs;
- 15 3. Laclede's commitment to energy efficiency and conservation program; and
- 16 4. Recommended target for investment in energy efficiency programs for Laclede.

17 18 **III. LACLEDE'S CURRENT ENERGY EFFICIENCY PROGRAMS**

19 **Q. Describe the current energy efficiency programs offered by Laclede.**

20 A. Mr. Reinhart provides a good overview of Laclede's energy efficiency programs, so I will
21 only briefly summarize them here. Laclede and the Energy Efficiency Collaborative
22 ("EEC") agreed that Laclede should continue its Insulation Financing Program, EnergyWise
23 Dealer Program, and the Low Income Weatherization Assistance Program. Laclede and the

EEC also determined that one program that pre-dated the last rate case, the Appliance and HVAC Rebate program, should be discontinued and replaced with rebate programs that would target residential customers and commercial/industrial (“C/I”) customers. The resulting two programs are Laclede’s Residential High Efficiency Rebate Program that offers rebates on gas furnaces, gas boilers, and programmable setback thermostats and the C/I Rebate Program that offers rebates on a variety of commercial equipment such as gas furnaces, gas boilers, programmable setback thermostats, steam trap replacement, dampers, fryers, etc. Laclede and the EEC also determined that it would be effective for Laclede to introduce the Building Operator Certification (“BOC”) program, as well as an online heating and cooling load calculation tool for commercial builders.

IV. LACLEDE’S PROPOSED NEW ENERGY EFFICIENCY PROGRAMS

Q. Is Laclede planning to add any new programs to its energy efficiency portfolio?

A. Yes. Mr. Reinhart states in his Direct Testimony that Laclede intends to work jointly with AmerenUE to deliver two programs designed to install energy efficiency measures in rental property: the Multi-Family Program and the Multi-Family Income Qualified Program. Laclede also intends to implement the Home Performance with Energy Star Program to provide energy audits for residential customers. The energy audits will educate customers on the energy efficiency measures needed, and Laclede can then direct customers to the programs that can assist in installing those measures. The fourth program that Laclede intends to introduce is an online energy calculator designed to help residential customers better understand how they are using energy compared to homes similar in age and size to their own. And lastly, Laclede intends to develop and implement a Market Transformation

1 and Education program to incorporate the Energy Star for New Homes program and to
2 support educational opportunities such as the online heating and cooling load calculation tool
3 for commercial buildings.

4
5 **V. LACLEDE'S COMMITMENT TO ENERGY EFFICIENCY PROGRAMS**

6 **Q. What is your impression of Laclede's commitment to energy efficiency investments in**
7 **the future?**

8 A. Based on my experience working with Laclede and the EEC, I have the impression that
9 Laclede understands the importance of energy efficiency, and is serious about implementing
10 cost effective energy efficiency programs for its customers. This commitment is also
11 reflected in Mr. Reinhart's testimony where he states:

12 In just the past two years, we have seen great volatility in gas prices. Although these
13 prices are currently at comparatively modest levels for this decade, we cannot afford to
14 relax in the belief that this lull is permanent. Keeping our foot on the pedal of
15 conservation and energy efficiency will help our customers be better prepared for the
16 next storm, if and when it occurs.¹

17
18 Investments in energy efficiency can play a role in keeping the natural gas we use affordable.

19 According to a recent study by the American Council for an Energy-Efficient Economy
20 ("ACEEE"), reductions in natural gas consumption can result in wholesale natural gas price
21 reductions. The study estimated that a reduction of approximately 1 percent per year in total
22 U.S. natural gas demand could potentially result in wholesale natural gas price reductions of
23 10 to 20 percent.² However, the study concluded that not only new energy policies are
24 needed to achieve significant reductions to the wholesale price of natural gas and to generate

¹ Reinhart Direct Testimony, page 10.

² 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, page 5.

1 direct cost savings to natural gas consumers, but also additional funding for energy efficiency
2 programs is necessary. Energy efficiency measures can create downward pressure on the
3 wholesale natural gas prices, which will result in lower gas costs for consumers.

5 **IV. RECOMMENDED TARGET FOR INVESTMENT IN ENERGY EFFICIENCY**

6 **Q. Do you have an energy efficiency investment target to recommend for Laclede?**

7 A. Yes, I do. DNR advocates that all energy utilities, both electric and natural gas, aggressively
8 seek out and identify all cost effective energy efficiency measures and design programs to
9 make them available to customers. As an aid to determining an aggressive approach for
10 natural gas utilities, DNR recommends a review of two studies: the ACEEE study mentioned
11 above, and the National Action Plan for Energy Efficiency ("NAPEE").

12 ACEEE included in its study an estimated annual energy efficiency investment for each
13 of the Midwest states³ based on each state's proportional allocation of total projected regional
14 natural gas savings in 2010. From a regional perspective, to reduce natural gas demand
15 sufficiently to place downward pressure on wholesale prices, the study roughly estimated that
16 Missouri would need to expend approximately \$12 million per year for natural gas energy
17 efficiency programs through the year 2020.⁴ The study estimates that the dollar savings
18 impact of the associated natural gas price reductions from this level of investment would be
19 approximately \$60 million by 2015 and \$97 million by 2020.⁵

³ Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin.

⁴ 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, page 35.

⁵ 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, pages 28-32.

1 In order to equate the price reductions to investment levels by natural gas utilities, I
2 recommend a review of the NAPEE. The NAPEE is a study that was sponsored by the
3 United States Department of Energy and the United States Environmental Protection Agency.
4 Fifty leading organizations, including a variety of natural gas companies, came together to
5 create the NAPEE. The NAPEE provides an excellent benchmark for energy efficiency
6 investment for natural gas utilities, and states that the most effective energy efficiency
7 projects were funded at a level equal to a minimum range of 0.5 percent to 1.5 percent of a
8 natural gas utility's annual operating revenue.⁶

9 Currently, the investment level for Laclede, as dictated by the Stipulation and Agreement
10 approved by the Commission in Laclede's last rate case, is approximately 0.23 percent of
11 Laclede's 2008 total revenue. Per the Stipulation and Agreement, Laclede provides
12 \$950,000 per year for the Low Income Weatherization Assistance Program, and is budgeted
13 \$150,000 per year for design and implementation of conservation and energy efficiency
14 programs and \$3,500,000 for three years for the conservation and energy efficiency
15 programs. That equates to approximately \$2,266,667 per year.⁷ According to the
16 Commission's 2009 Annual Report, Laclede's operating revenue for 2008 was \$969,262,167.
17 The total energy efficiency portfolio budgeted at \$2,266,667 is 0.234 percent of Laclede's
18 2008 total revenue.

19 On a going-forward basis, DNR recommends that Laclede set a more aggressive target
20 for funding energy efficiency. Recognizing that Laclede is proposing several new programs
21 and that all programs need time to ramp up, DNR recommends that Laclede plan to invest
22 approximately \$2,900,000 for the first year following this rate case, approximately 0.3

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

1 percent of Laclede's operating revenues. As Laclede implements the additional programs
2 and they ramp up, the investment level should climb to \$3,880,000, approximately 0.4
3 percent of Laclede's revenues, for the second year following this rate case. And, by the third
4 year following this rate case, Laclede should aim for a target of investing \$4,850,000,
5 approximately 0.5 percent of operating revenues. This will position Laclede to continue to
6 build its investment in energy efficiency into the range recommended by the studies detailed
7 above.

8 **Q. Has the Commission supported energy efficiency program targets based on utility**
9 **operating revenue for other natural gas utilities?**

10 A. Yes, particularly in two recent natural gas rate cases. After being presented with the same
11 information as above in GR-2009-0355, Missouri Gas Energy's last rate case, the
12 Commission found:

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

18
19 MGE will initially fund an annual amount of a minimum of \$1.5 million per year for its
20 energy efficiency program. This amount shall be subject to increase toward the goal of
21 .5% of gross operating revenues at the time the EEC has a comprehensive plan for the
22 increased expenditure level. Increased expenditures shall be dependent upon programs'
23 continued growth and success.⁸

24
25 Likewise, in GR-2009-0434, Empire District Gas Company's last rate case, the

26 Commission ordered:

⁷ $\$950,000 + \$150,000 + (\$3,500,000 / 3) = \$2,266,667$

⁸ 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.

1 The Empire District Gas Company is directed to budget for energy efficiency programs
2 previously approved in the *Partial Stipulation and Agreement* at levels that will begin at
3 \$231,200 in 2010; and to take all reasonable actions toward the goal of increasing
4 expenditures for those programs to .5 percent of annual operating revenues, including gas
5 costs, for 2011 and 2012.⁹
6

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

8 **A. Yes. Thank you.**

⁹ 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.