BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Increase Its Revenue for Gas Service	))	**File No. GR-2017-0215** Tariff No. YG-2017-0195
In the Matter of Laclede Gas Company d/a/a Missouri Gas Energy's Request to Increase Its Revenues for Gas Service	)))	**File No. GR-2017-0216** Tariff No. YG-2017-0196

MISSOURI DIVISION OF ENERGY'S
STATEMENT OF POSITIONS

COMES NOW the Missouri Department of Economic Development – Division of Energy[1] ("DE") before the Missouri Public Service Commission ("Commission") and, for its *Statement of Positions* in the above-captioned matters, states as follows:

IV. Rate Design/Class Cost of Service

a. Rate Design

i. Should a Revenue Stabilization Mechanism or other rate adjustment mechanism be implemented for the Residential and SGS classes for MGE and LAC? If so, how should it be designed and should an adjustment cap be applied to such a mechanism?

DE is not opposed to the implementation of the Revenue Stabilization Mechanism ("RSM") if DE's energy efficiency and residential rate design recommendations are accepted by the Commission (see below).[2] DE takes no position

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[1] On August 28, 2013, Executive Order 13-03 transferred "all authority, powers, duties, functions, records, personnel, property, contracts, budgets, matters pending, and other pertinent vestiges of the Division of Energy from the Missouri Department of Natural Resources to the Missouri Department of Economic Development . . . "

[2] Rebuttal Rate Design Testimony of Martin R. Hyman, page 1, lines 18-20.

at this time as to the exact design of the RSM or the inclusion of an adjustment cap, but may do so following the evidentiary hearing.

ii. Reflective of the answer to part i, what should the Residential customer charge be for LAC and MGE, and what should the transition rates be set at until October 1, 2018?

DE recommends setting customer charges at a low level in order to avoid adverse impacts on low-use and low-income customers; DE does not support Staff's recommended customer charge for LAC of $26. Depending on the revenue requirement ordered in this case, DE supports the inclining block rates offered by Staff. Based on Mr. Hyman's bill impact analyses, DE suggests that there may be a need to create a transitional winter tail block rate for LAC to mitigate bill impacts on residential customers with high use, depending on the revenue requirement ordered in this case.[3]

iii. Reflective of the answer to part i, should LAC's weather mitigated Residential Rate Design be modified to collect a customer charge and variable charge for all units of gas sold, or should it be continued in its current form?

Yes, LAC's current rate design should be modified if the Commission approves the RSM in some form. The RSM removes the need to continue LAC's weather mitigated rate design and allows the Purchased Gas Adjustment and Actual Cost Adjustment mechanisms to be set based on the methods used for other natural gas utilities in Missouri.[4] If the RSM is not approved in some form, then LAC's current residential rate design should continue.

[3] *Id*, page 2, lines 3-9.

[4] Direct Testimony of Martin R. Hyman, page 6, lines 9-12; Hyman Rebuttal (Rate Design), page 4, lines 5-12.

XIV. Tariff Issues

a. Economic Development Rider

i. Should MGE's current Economic Development Rider be modified and extended to LAC? If so, how should it be modified?

Yes. DE is generally supportive of Spire's proposal,[5] but has recommendations related to tariff conditions and additional enhancements.[6] DE supports the Companies' proposal for a flexible, consolidated Economic Development Rider ("EDR") for the Spire service area as a mechanism to attract new businesses or allow for the retention or growth of existing customer operations. DE recommends that Spire's proposal be modified to incorporate mechanisms to ensure the documentation of: the need for an EDR to attract new customers or allow for the retention or growth of existing customer operations; benefits to the utility system and local communities, including specification of additional expected investments by the customer and the number of permanent, full time jobs that will be created; and, the commitment of state and/or local economic development support. DE opposes a requirement that state and local incentives be received prior to any EDR discount application.[7]

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[5] Direct Testimony of C. Eric Lobster, pages 28-29.
[6] Rebuttal Testimony of Jane Epperson, pages 2-7.
[7] Rebuttal Testimony of Sarah Kliethermes, page 6, lines 16-18.

b. Special Contract Rider

i. Should a generic Special Contract Tariff be included in MGE's and LAC's tariff book? If so, how should it be designed?

Yes. DE supports the availability of a Special Contract Tariff that allows Spire to submit proposals for Special Contract arrangements to the Commission for approval. DE recommends that any Special Contract proposals document: the need for a Special Contract to attract new customers or allow for the retention or growth of existing customer operations; benefits to the utility system and local communities, including specification of additional expected investments by the customer and the number of permanent, full time jobs that will be created; and, the commitment of state and/or local economic development support. DE recommends that any Special Contract approved by the Commission should ensure that the discounted rate recovers the marginal cost of serving the customer and makes some contribution towards fixed cost recovery.[8]

XV. Customer Programs

a. Energy Efficiency

i. What is the goal of MGE's and LAC's energy efficiency programs? (OPC Issue Only)

DE's goal is to provide business and residential customers with a suite of cost-effective savings options in order to improve their control over their natural gas bills[9] and reduce the state's reliance on a fuel imported from outside of Missouri.[10] Natural

[8] Epperson Rebuttal, page 2.
[9] Hyman Direct, page 13, lines 17-19.
[10] Rebuttal Revenue Requirement Testimony of Martin R. Hyman, pages 8-9, lines 13-16 and 1-2.

gas efficiency programs may defer or avoid infrastructure investments, which could result in lower costs to all customers.[11] For low-income customers, DE's goal for programs is focused on improving bill affordability, reducing energy burdens through long-term energy savings, maintaining service to customers, and improving bill payment performance (to the benefit of all ratepayers).[12] Cost-effectiveness calculations should inform low-income program design and delivery, but should not dictate which low-income programs are offered. This approach to low-income program design is already recognized with electric energy efficiency programs.[13]

ii. Are the goals for LAC's and MGE's low income programs different from other utilities' energy efficiency programs? If so, what is the goal for LAC's and MGE's low income programs? (OPC Issue Only)

For low-income customers, DE's goal for programs is focused on improving bill affordability, reducing energy burdens through long-term energy savings, maintaining service to customers, and improving bill payment performance (to the benefit of all ratepayers).[14] Cost-effectiveness calculations should inform low-income program design and delivery, but should not dictate which low-income programs are offered. This approach for low-income program design is already recognized with electric energy efficiency programs.[15]

[11] *Id*, pages 5-6, lines 21 and 1.
[12] *Id*, page 5, lines 3-5; Surrebuttal Testimony of Martin R. Hyman, page 7, lines 13-14. See also Direct Testimony of Sharlet E. Kroll, page 7, lines 5-8 and 14-16, and pages 20-23, lines 1-18, 1-19, 1-8, and 1-3.
[13] Hyman Rebuttal (Revenue Requirement), page 5, line 5.
[14] *Id*, page 5, lines 3-5; Hyman Surrebuttal, page 7, lines 13-14. See also Direct Testimony of Sharlet E. Kroll, page 7, lines 5-8 and 14-16, and pages 20-23, lines 1-18, 1-19, 1-8, and 1-3.
[15] *Id*, page 5, line 5.

iii. Should LAC and MGE suspend funding of their energy efficiency programs pending the results of cost efficiency studies?

It is unnecessary to suspend the Companies' programs pending the results of new evaluation, measurement, and verification ("EM&V") studies. Similar programs were evaluated as recently as 2015,[16] and EM&V results of the current programs will be available towards the end of 2017.[17] DE opposes suspending programs because doing so is inconsistent with standard practice in Missouri, would create a break in continuity and restrict participants' access to cost-effective savings options, and would further jeopardize Missouri's progress in supporting energy efficiency jobs.[18] Rather than suspending the current programs until EM&V activities are complete, DE recommends continuing the programs until the members of the Energy Efficiency Collaborative ("EEC") can use the EM&V results to reach agreement on any program modifications, consistent with past practices. In cases where the EEC cannot resolve such issues, the specific details in question may be brought before the Commission.[19]

iv. Should LAC's and MGE's energy efficiency targets or program funding levels be modified? If so, how?

Yes. Inclusive of the National Housing Trust's ("NHT") recommendations for low-income multifamily energy efficiency program funding,[20] DE recommends that, as a condition of implementing the RSM, the amount of annual spending on energy efficiency programs for LAC should be set at a minimum of 0.58 percent of the three-year average

[16] Hyman Surrebuttal, page 6, lines 8-9.
[17] Rebuttal Testimony of Shaylyn Dean, page 5, lines 6-8.
[18] Hyman Rebuttal (Revenue Requirement), pages 3-4, lines 14-18 and 1-11.
[19] *Id*, pages 10-11, lines 7-23 and 1-5.
[20] Direct Testimony of Annika Lynn Brink, page 9, lines 5-6.

of LAC's jurisdictional gas distribution operating revenues (inclusive of the cost of gas), and at 0.61 percent in the case of MGE. If the Commission is concerned about the impacts of DE's energy efficiency program spending proposal, DE would not oppose – including NHT's funding proposal – a spending cap of 1.14 percent of the LAC's three-year average jurisdictional gas distribution operating revenues (inclusive of the cost of gas), with a similar cap of 1.17 percent for MGE. LAC's current weatherization funding would be included in both its funding floor and cap. [21]

v. What, if any, Commission approval should be required to change targets or program funding levels. If any, when should such approval be required?

Commission approval for program budgets is appropriate prior to the start of the program year, as well as, for mid-year changes to program budgets due to new circumstances (e.g., a projection that a program budget may be exceeded by more than 20 percent, new program development and implementation).

iv. In addition to the amortization of the deferred balance, should a level of energy efficiency costs be included in base rates?

DE takes no position on this issue at this time, but may do so following the evidentiary hearing.

vi. Shall measures installed pursuant to the Low-Income Multifamily programs receive a bonus incentive? If so, at what levels?

DE supports NHT's recommendation to provide low-income multifamily housing owners with an additional incentive at a reasonable level in order to encourage additional energy efficiency measures in this hard-to-reach sector.

[21] Hyman Rebuttal (Revenue Requirement), page 11, lines 6-10, and pages 12-13, lines 13-21 and 1-11.

vii. Should LAC and MGE meet the Commission's promotional practices rules regarding tariff filings for energy efficiency programs?

Yes. The only supporting information required for demand-side programs under the Commission's rules on natural gas utility promotional practices at 4 CSR 240-3.255(2)(B)3 is, "… documentation of the criteria used and the analysis performed to determine that the demand-side resources are cost-effective." Such documentation could consist of cost-effectiveness testing conducted prior to and during program implementation, as appropriate.[22]

xi. Should the LAC and MGE EECs become advisory?

DE is not opposed to transitioning the EEC to an advisory role.

b. Low Income Energy Assistance Program

i. Should LAC's current Low Income Affordability Program continue, or should the Commission approve LAC's proposed Low Income Affordability Program?

DE supports continuation of this program with improved tracking and reporting mechanisms and fuller utilization of the designated funds. DE is opposed to the Office of the Public Counsel's ("OPC") recommendation that the Low-Income Energy Affordability Program be discontinued.[23] The program provides direct participant benefits, including service retention, making bills more affordable, and improved health and safety. The program can improve operational efficiencies by reducing costs associated with delinquent accounts, and can ensure that system cost recovery is spread across a greater number of customers.[24]

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[22] *Id*, page 10, lines 2-6.
[23] Rebuttal Testimony of Lena M. Mantle, page 8, lines 10-14
[24] Direct Testimony of Erin K. Kohl, page 8, lines 13-19

ii. Should LAC's Low Income Affordability Program be extended to MGE and be made available to MGE's customers?

Yes. Extending the Program to MGE could produce similar benefits as those described above and promote more uniformity in service offerings across Spire's Missouri territories.

iii. Should the Commission order a collaborative of interested parties be formed to work with the Company to develop and provide to the Commission a new low-income assistance program, covering both the LAC and MGE service areas and incorporating elements of successful low-income energy assistance programs in Missouri?

Yes, DE would support a collaborative to develop proposed Program changes. In addition to changes considered by the collaborative, the Companies should take action to improve utilization of Program funds and better track and report expenditures. If improved tracking, reporting and accountability for the fuller use of available funds cannot be reasonability assured, then the collaborative should consider third-party implementation of the Program.[25]

iv. What is the appropriate funding level for each division?

The level of funding for LAC's Program should not be reduced, and could reasonably be increased with additional protections to ensure greater accountability. MGE's Program should be funded at a level consistent with funding for LAC's Program.

v. How should credits be applied to customer bills?

DE opposes changing the credits to only cover the Companies' fixed charges regardless of customer income.

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[25] *Id*, page 9, lines 3-10

c. Red Tag Program

i. Should the company modify the budget of its red tag program?

DE supports continuation of the Red-Tag Repair Program with adjustments to ensure fuller utilization of the designated funds, as well as, improved tracking and reporting. DE is opposed to OPC's recommendation that the Red-Tag Repair Program be discontinued.[26] The Program provides restoration to broken or malfunctioning equipment that could otherwise pose safety and health dangers, and enables income-eligible households to possibly qualify for weatherization service.

ii. Should the company be required to file effectiveness reports on its red tag program?

To ensure accountability and the completeness of available records, the Companies should be required to begin tracking and reporting all costs.[27]

iii. Should the company modify its red tag program to replace appliances with high-efficiency appliances where applicable?

DE supports requiring replacement with at least 90 percent energy-efficient furnace models will assist with long term energy affordability, improving customers' ability to stay connected to the system not just in the short-term, but over the useful life of the appliance.[28] DE also supports retaining the current limitations under which a non-space heating appliance may only be replaced if the appliance has no shut-off valve.[29]

[26] Mantle Rebuttal, page 8, lines 17-22
[27] Kohl Direct, page 9, lines 5-10
[28] Surrebuttal Testimony of Erin K. Kohl, page 2, lines 10-17
[29] Rebuttal Testimony of Erin K. Kohl, page 5, lines 3-5

iv. Should the unamortized balance be included in rate base?

DE takes no position on this issue at this time, but may do so following the evidentiary hearing.

d. CHP

i. Should LAC and MGE implement a CHP pilot program as proposed by Division of Energy?

The Commission should approve funding of a pilot program at $5.1 million, with specific projects to be submitted to the Commission for review and approval. Increased CHP deployment through a limited pilot program that would benefit communities and the state of Missouri by increasing community resiliency within Spire's service area, allowing critical infrastructure to remain operational during and after disasters. The proposed CHP pilot program is a first step that will provide real data and experience to inform the Commission and stakeholders of the costs and benefits of CHP systems.[30]

e. Weatherization Administration

i. How should future administration of the Companies' low income weatherization program be conducted?

DE is willing to continue to administer LAC's weatherization program if DE is compensated for the fully allocated cost of administering the program, not to exceed five percent of LAC's weatherization funding level.[31] If DE cannot be compensated for the administration of LAC's weatherization program, then DE recommends the Commission appoint a workgroup to explore future administration of the program,

[30] Epperson Direct, pages 4-18.
[31] Kroll Direct, page 23, lines 13-16.

with the establishment of a reasonable timeline for submission of a report to the Commission.[32] DE is not opposed to having a third party implement the program as long as certain conditions for program management are addressed.[33]

f. Check-off box on bill for L-I Weatherization

i. Should customers be provided, on the customer bill, an option to opt-in to a program to contribute $1 dollar to Low-Income Weatherization?

DE recommends adding a check-off box to the Companies' customer bills and online billing system to allow customers the option of providing voluntary contributions to weatherization, supporting a longer-term solution to bill affordability.[34]

WHEREFORE, the Missouri Department of Economic Development – Division of Energy respectfully submits its *Statement of Positions*.

[32] Surrebuttal Testimony of Sharlet E. Kroll, pages 7-8, lines 15-4.
[33] *Id*, page 7, lines 3-7.
[34] Kroll Direct, page 23, lines 7-9.

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 30th day of November, 2017.

/s/ Brian Bear
Brian Bear