

Exhibit No.: \_\_\_\_\_  
Issues: Natural Gas Efficiency  
Initiatives  
Witness: David Hendershot  
Sponsoring Party: Missouri Gas Energy  
Case No.: GR-2009-0355  
Date Testimony Prepared: September 28, 2009

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

**FILED<sup>2</sup>**

NOV 09 2009

**Missouri Public  
Service Commission**

REBUTTAL TESTIMONY OF

DAVID HENDERSHOT

Jefferson City, Missouri

September 2009

MGE Exhibit No. 17  
Case No(s). GR-2009-0355  
Date 10-26-09 Rptr XF

**REBUTTAL TESTIMONY OF**

**DAVID HENDERSHOT**

**CASE NO. GR-2009-0355**

**September 2009**

1   **Q.    WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

2   A.    My name is David Hendershot, and my business address is 3420 Broadway, Kansas  
3        City, Missouri 64111.

4

5   **Q.    DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING?**

6   A.    Yes, I did.

7

8   **Q.    WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9   A.    I will address the Direct Testimony of Public Counsel witness Ryan Kind, the Direct  
10        Testimony of MDNR witness John Buchanan and Staff Report - Cost of Service with  
11        regard to MGE's Energy Efficiency Program. I will also briefly address Public  
12        Counsel witness Barb Meisenheimer's Direct Testimony with regard to  
13        recommendations related to MGE's rate design.

14

15   **Q.    BEGINNING ON PAGES 3 AND 4 OF MS. MEISENHEIMER'S DIRECT**  
16        **TESTIMONY, SHE RECOMMENDS THAT THE COMMISSION MOVE**  
17        **AWAY FROM THE STRAIGHT FIXED VARIABLE ("SFV") RATE DESIGN**  
18        **IT APPROVED FOR MGE'S RESIDENTIAL CUSTOMERS IN CASE NO.**

1       **GR-2006-0422.     HOW DOES THIS AFFECT THE COMPANY'S**  
2       **RECOMMENDATION FOR ENERGY EFFICIENCY PROGRAMS IN THE**  
3       **PRESENT CASE?**

4    A.   As noted in Mr. Hack's rebuttal testimony, MGE's Commission-approved SFV rate  
5       design and its subsequent move away from volumetric rate designs for its residential  
6       customers has removed the disincentive for utilities like MGE from offering energy  
7       efficiency programs for its customers. (Hack Rebuttal Testimony, at pp. 6-7.)  
8       Because of this, MGE would not voluntarily pursue the residential energy efficiency  
9       programs that it has undertaken since 2007 if its current residential rate structure  
10      (SFV) is eliminated. As noted in my direct testimony, MGE only supports expansion  
11      of its energy efficiency initiatives if SFV is expanded into the SGS class.

12

13   **Q.   HOW DO YOU RESPOND TO MDNR'S AND PUBLIC COUNSEL'S**  
14   **FUNDING PROPOSALS?**

15   A.   Although MGE is committed to evaluating and possibly expanding on its energy  
16       efficiency programs in coming years, I believe that current funding levels (\$750,000  
17       per year) are appropriate, as discussed in my direct testimony. MGE would propose  
18       to fund the programs proportionally to customer numbers (with the new SGS class  
19       receiving 10% of the funding and Residential receiving 90% of the funding). MGE  
20       looks forward to the continuation of the Energy Efficiency Collaborative and the  
21       advisory recommendations of MDNR, Staff, and Public Counsel with regard to  
22       specific programs and funding. MGE witness Mike Noack will respond to MDNR's

1 and Public Counsel's recommendations regarding the regulatory accounting treatment  
2 for these funds.

3 **Q. WHAT IS YOUR POSITION ON MODIFICATIONS TO THE ENERGY**  
4 **EFFICIENCY COLLABORATIVE PROPOSED BY MDNR AND STAFF?**

5 A. MGE supports the continuation of the Energy Efficiency Collaborative ("EEC" or  
6 "Collaborative") created by GT-2008-0005, with slight modifications. Consequently,  
7 the Staff's proposal to discontinue the Collaborative need not be adopted, although I  
8 have no dispute with Staff's analysis that the Commission's Order Approving  
9 Unanimous Stipulation and Agreement in Case No. GT-2008-0005 would allow for  
10 the discontinuation of the Collaborative once new rates go into effect as the result of  
11 this rate case proceeding.

12  
13 MGE believes that the Collaborative is useful in that it allows the Company to obtain  
14 input from other agencies and to gain insight into how energy efficiency programs are  
15 being implemented throughout Missouri and nationally. MGE has been excited to  
16 offer energy efficiency initiatives after the SFV rate design was approved for its  
17 residential class in 2007 and looks forward to implementing new programs for the  
18 SGS class assuming the SFV rate structure is approved for that class. MGE concurs,  
19 however, with MDNR's suggestion to modify the structure of the Collaborative so  
20 that it serves in an advisory capacity (rather than its present "consensus" capacity). I  
21 have been informed by counsel that an "advisory" structure would still allow parties  
22 to file actions for Commission review if there is a belief that MGE is not following its  
23 tariffs related to energy efficiency or if there is otherwise some dispute among the

1 Collaborative members needing Commission resolution. With that noted, however,  
2 MGE hopes to have the opportunity to continue working with Staff, Public Counsel,  
3 and MDNR on successful energy efficiency programs.  
4

5 **Q. WHAT PROGRAMS WOULD YOU OFFER TO THE NEW SGS CLASS?**  
6

7 A. We plan to work with the Collaborative to develop many of our programs, but the  
8 SGS Energy Efficient Natural Gas Equipment Incentive Program would be designed  
9 to encourage more effective utilization of natural gas by encouraging energy  
10 efficiency improvements through the replacement of less efficient natural gas  
11 equipment with high efficient Energy Star qualified natural gas equipment and other  
12 high efficiency equipment and measures.

13 The incentives would include but would not be limited to the following Energy Star  
14 qualified appliances:

- 15 • Natural gas forced air furnaces
- 16 • Natural gas water heater
- 17 • Natural gas boiler systems
- 18 • Natural gas combination systems
- 19 • Commercial natural gas utilization equipment such as;
  - 20 o Modulating burners
  - 21 o Venturi steam traps
  - 22 o Kitchen exhaust hoods
  - 23 o Waste heat recovery
  - 24 o Heat exchangers

25  
26 The program would be available to active SGS customers (those with no final bill or  
27 inactive accounts) who purchase or install the equipment listed above. The incentive  
28 levels would be determined at a later date.

29  
30 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

1 A. Yes, at this time.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's  
Tariff Sheets Designed to Increase Rates  
for Gas Service in the Company's Missouri  
Service Area.

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Case No. GR-2009-0355

AFFIDAVIT OF DAVID HENDERSHOT

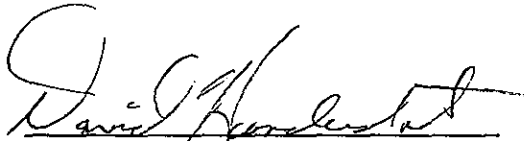
STATE OF MISSOURI )

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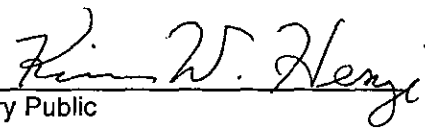
ss.

COUNTY OF JACKSON )

David Hendershot, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
DAVID HENDERSHOT

Subscribed and sworn to before me this 25<sup>th</sup> day of SEPTEMBER 2009.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 2-3-11

**KIM W. HENZI**  
Notary Public - Notary Seal  
STATE OF MISSOURI  
Jackson County  
Commission Number 07424654  
My commission expires February 3, 2011