

EXHIBIT

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Energy Efficient Programs

Kind/Direct Testimony

Public Counsel

GR-2009-0355

DIRECT TESTIMONY

OF

RYAN KIND

Submitted on Behalf of the Office of the Public Counsel

MISSOURI GAS ENERGY

CASE NO. GR-2009-0355

August 21, 2009

FILED³

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Missouri Public
Service Commission

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MISSOURI GAS ENERGY
CASE NO. GR-2009-0355

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. Ryan Kind, Chief Energy Economist, Office of the Public Counsel, P.O. Box 2230,
3 Jefferson City, Missouri 65102.

4 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.**

5 A. I have a B.S.B.A. in Economics and a M.A. in Economics from the University of
6 Missouri-Columbia (UMC). While I was a graduate student at UMC, I was employed as
7 a Teaching Assistant with the Department of Economics, and taught classes in
8 Introductory Economics, and Money and Banking, in which I served as a Lab Instructor
9 for Discussion Sections.

10 My previous work experience includes several years of employment with the Missouri
11 Division of Transportation as a Financial Analyst. My responsibilities at the Division of
12 Transportation included preparing transportation rate proposals and testimony for rate
13 cases involving various segments of the trucking industry. I have been employed as an
14 economist at the Office of the Public Counsel (Public Counsel or OPC) since 1991.

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Direct Testimony of
Ryan Kind

1 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?**

2 A. Yes, prior to this case I submitted written testimony in numerous gas and electric rate
3 cases and rate design cases, as well as other miscellaneous gas, water, electric, and
4 telephone cases.

5 **Q. HAVE YOU PROVIDED COMMENTS OR TESTIMONY TO OTHER REGULATORY OR**
6 **LEGISLATIVE BODIES ON THE SUBJECT OF ELECTRIC UTILITY REGULATION AND**
7 **RESTRUCTURING?**

8 A. Yes, I have provided comments and testimony to the Federal Energy Regulatory
9 Commission (FERC), the Missouri House of Representatives Utility Regulation
10 Committee, the Missouri Senate's Commerce & Environment Committee and the
11 Missouri Legislature's Joint Interim Committee on Telecommunications and Energy.

12 **Q. HAVE YOU BEEN A MEMBER OF, OR PARTICIPANT IN, ANY WORK GROUPS,**
13 **COMMITTEES, OR OTHER GROUPS THAT HAVE ADDRESSED UTILITY REGULATION AND**
14 **RESTRUCTURING ISSUES FOR GAS AND ELECTRIC UTILITIES?**

15 A. Yes. I was a member of the Missouri Public Service Commission's (the Commission's)
16 Stranded Cost Working Group and participated extensively in the Commission's Market
17 Structure Work Group. I am currently a member of the Missouri Department of Natural
18 Resources Weatherization Policy Advisory Committee and the National Association of
19 State Consumer Advocates (NASUCA) Electric Committee. I have served as the small
20 customer representative on both the North American Electric Reliability Council (NERC)
21 Standards Authorization Committee and the NERC Operating Committee and as the
22 public consumer group representative to the Midwest ISO's (MISO's) Advisory

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1 Committee. During the early 1990s, I served as a Staff Liaison to the Energy and
2 Transportation Task Force of the President's Council on Sustainable Development.

3 **Q. WHAT ASPECT OF THE OPERATIONS OF MISSOURI GAS ENERGY (MGE) WILL YOU BE**
4 **ADDRESSING IN THIS TESTIMONY?**

5 A. I will address MGE's energy efficiency programs and the appropriate funding mechanism
6 to use for these programs in the future.

7 **Q. PLEASE SUMMARIZE THE RECOMMENDATIONS THAT YOU ARE MAKING IN THIS**
8 **TESTIMONY.**

9 A. I recommend (1) a \$750,000 adjustment be made to MGE's revenue requirement to
10 remove the annual funding amount for MGE's residential energy conservation programs,
11 (2) creating a regulatory asset account for MGE's residential energy conservation
12 programs that would initially have a negative balance of approximately \$1 million dollars
13 to \$1.2 million dollars to reflect the surplus of unspent residential energy efficiency
14 funding (plus accrued interest) that has been collected from ratepayers, (3) that
15 expenditures for energy efficiency programs for multiple customer classes be accounted
16 for separately and booked to separate regulatory asset accounts, and (4) continuation of
17 the MGE Energy Efficiency Collaborative (EEC) to oversee the design, implementation,
18 and evaluation of MGE's energy conservation programs.

19 **Q. HAVE YOU PARTICIPATED IN THE DEVELOPMENT OF MGE'S ENERGY CONSERVATION**
20 **PROGRAMS?**

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1 A. Yes. I have been Public Counsel's representative on the MGE Energy Efficiency
2 Collaborative (EEC) that was formed as a result of the Commission's August 7, 2007
3 Order Approving Unanimous Stipulation and Agreement in Case No. GT-2008-0005.

4 **Q. HOW ARE MGE'S CURRENT ENERGY EFFICIENCY PROGRAMS FUNDED?**

5 A. MGE's current programs are funded by an annual funding amount of \$750,000 that was
6 reflected in the rates set by the Commission in MGE's last rate case, Case No. GR-2006-
7 0422. This funding amount was initially to be used for customer education and a water
8 heater rebate program but the range of programs was expanded to include a space heating
9 (furnace and programmable thermostat) rebate program early in 2009.

10 **Q. HAVE THE FUNDS MGE COLLECTS IN ITS RATES BEEN SUFFICIENT TO FUND THE**
11 **ENERGY EFFICIENCY PROGRAMS?**

12 A. Yes. Thus far, the revenues that MGE has received in rates have greatly exceeded the
13 Company's expenditures for its energy efficiency programs.

14 **Q. HOW LARGE IS THE EXCESS OR SURPLUS OF UNSPENT ENERGY EFFICIENCY FUNDS AT**
15 **THIS TIME?**

16 A. The most recent information I have reviewed indicates that as of June 30, 2009, the
17 surplus of unspent funds is \$1,013,841. This figure comes from MGE's quarterly update
18 report for the second quarter of 2009 (see Attachment I which contains the cover letter
19 and summary page from the report). As indicated on the second page of this attachment,
20 ratepayer funding of MGE's energy efficiency programs in the second quarter of 2009
21 was \$187,500 but MGE only spent about 54% (\$105,697) of these funds on its energy
22 efficiency programs. The unspent surplus is likely to continue growing over the next few

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1 quarters and may reach approximately \$1.2 million before the current rate case is
2 concluded.

3 **Q. HAS MGE BEEN ACCRUING INTEREST ON THE SURPLUS OF ENERGY EFFICIENCY**
4 **FUNDS THAT HAVE BEEN ACCUMULATED SINCE THE TIME THAT THE ENERGY**
5 **EFFICIENCY FUNDING BEGAN ON MARCH 30, 2007 WHEN NEW RATES BECAME**
6 **EFFECTIVE PURSUANT TO THE COMMISSION'S REPORT AND ORDER IN CASE NO. GR-**
7 **2006-0422?**

8 A. No. MGE's response to OPC DR No. 48 states that "MGE does not record interest on the
9 balance of the account." If the Commission permits MGE to not provide credit to
10 ratepayers for the time value of the funds that they have provided in advance of
11 expenditures for energy efficiency then ratepayers will have provided an interest free loan
12 to the Company. Public Counsel recommends adding interest to the surplus that has been
13 generated so that ratepayers will be treated fairly and so that MGE will not have an
14 incentive to spend less on energy efficiency than the amount of funds that it receives
15 every month from its customers.

16 **Q. HOW DOES PUBLIC COUNSEL BELIEVE MGE'S ENERGY EFFICIENCY PROGRAMS**
17 **SHOULD BE FUNDED IN THE FUTURE?**

18 A. OPC proposes that MGE no longer collect \$750,000 per year as an expense that is
19 reflected in its revenue requirement but instead utilize the same deferral accounting
20 (creation of a regulatory asset account) energy efficiency cost recovery mechanism that is
21 used by most other energy utilities regulated by the Commission.

22 **Q. WHAT IMPACT WOULD THE PROPOSED REGULATORY ASSET ACCOUNTING**
23 **TREATMENT HAVE ON THE MGE REVENUE REQUIREMENT IN THIS RATE CASE?**

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1 A. OPC proposes a \$750,000 adjustment be made so that the \$750,000 energy efficiency
2 funding level would not be reflected in the rates that result from this rate case. Instead, a
3 regulatory asset account (with a 10 year amortization period) would be created that
4 contains the amount of the surplus of energy efficiency funds (plus accrued interest) at
5 the time that new rates are set as a result of this rate case. Since this regulatory asset
6 account would include the surplus of unspent energy efficiency funds collected from
7 ratepayers, the account will initially have a negative balance somewhere in the range of
8 \$1 million dollars to \$1.2 million dollars that will be an offset to MGE's rate base. As
9 MGE continues to spend money on energy efficiency after this rate case, the negative
10 balance will eventually turn positive. Assuming that this regulatory asset account
11 initially has a negative balance of \$1.2 million and that MGE's expenditures on
12 residential energy efficiency programs increase to a level of \$600,000 per year (from the
13 current level of only about \$420,000 per year), then the negative balance will begin to
14 turn positive at the beginning of the third year following the conclusion of the current
15 pending rate case.

16 **Q. WOULD THIS SAME REGULATORY ASSET ACCOUNT ALSO BE USED BY MGE TO**
17 **ACCUMULATE ANY EXPENDITURES MADE BY MGE FOR ENERGY EFFICIENCY**
18 **PROGRAMS THAT SERVED OTHER CUSTOMER CLASSES SUCH AS THE SMALL**
19 **COMMERCIAL CLASS?**

20 A. No. The energy efficiency program expenditures for other customer classes should be
21 booked to separate accounts. It would not be appropriate to book energy efficiency
22 expenditures to the regulatory asset account that includes the accumulated surplus of
23 energy efficiency funds that were intended for residential customers pursuant to the
24 Commission's Report and Order in Case No. GR-2006-0422, so any expenditures for
25 programs directed towards other customer classes should be accounted for separately.

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1 **Q. WHAT IMPACT WOULD OPC'S PROPOSED \$750,000 ADJUSTMENT HAVE ON THE**
2 **FIGURES SHOWN ON SCHEDULE H-21 OF MGE WITNESS MIKE NOACK'S**
3 **TESTIMONY?**

4 A. The \$750,000 figure shown in line 2 of Schedule H-21 for "Natural Gas Conservation"
5 would be replaced with \$0 and the \$0 figure shown on line 5 for "Adjustment" would
6 become negative \$750,000.

7 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS ABOUT MGE'S FUTURE ENERGY**
8 **EFFICIENCY PROGRAMS?**

9 A. Yes. I propose continuing the MGE Energy Efficiency Collaborative (EEC) that was
10 created in Case No. GT-2008-0005 so that it continues to function in the same manner
11 until new rates become effective in the next MGE general rate proceeding following the
12 current general rate proceeding.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes.



MISSOURI GAS ENERGY

3420 Broadway • Kansas City, MO • 64111-2404 • (816) 756-5261

August 17, 2009

Ms. Anne Ross
Missouri Public Service Commission
PO Box 360
Jefferson City, MO 65102-0360

VIA EMAIL

Mr. Ryan Kind
Office of the Public Counsel
PO Box 2230
Jefferson City, MO 65102-2230

RE: Missouri Gas Energy's Natural Gas Conservation Initiatives

Dear Ryan and Anne:

In accordance with Missouri Gas Energy's tariff approved by the Missouri Public Service Commission, we are herewith submitting, for informational purposes, a report on the activity related to Missouri Gas Energy's Natural Gas Conservation Initiatives, Sheet Nos. 98-100, for the period of April 1, 2009, through June 30, 2009.

If you have any questions regarding the enclosed information, please feel free to give me a call at 816-360-5560.

Sincerely,

Michael R. Noack
Director, Pricing & Regulatory Affairs

Enclosures

C: John Buchanan, MDNR
Brenda Wilbers, MDNR
Laura Wolfe, MDNR
Pam Levetzow, MGE
David Hendershot, MGE
Lesa Jenkins, MPSC
Susan Nathan, AEG

Energy Conservation Initiative

Program Funding Summary

Program Allocation	Funding Levels (annual)	Balance as of 03-31-2009	Funding Levels (quarterly)	Quarterly Spending	Remaining Balances as of 06/30/2009
Water Heat	\$165,000	\$205,049	\$41,250	\$34,387	\$211,911.11
Space Heat	\$285,000	\$354,175	\$71,250	\$65,569	\$359,855.29
Energy Efficiency & Education	\$135,000	\$167,767	\$33,750	\$4,498	\$197,019.07
Home Performance with Energy Star	\$165,000	\$205,049	\$41,250	\$1,243	\$245,055.94
Total Funding	<u>\$750,000</u>	<u>\$932,039</u>	<u>\$187,500</u>	<u>\$105,697</u>	<u>\$1,013,841.41</u>