

Exhibit No.:
Issues: Energy Efficiency Services
Witness: Laura Wolfe
Sponsoring Party: Missouri Department of Natural
Resources - Missouri Energy Center
Type of Exhibit: Surrebuttal Testimony-DSM
Case No.: GR-2009-0434

MISSOURI PUBLIC SERVICE COMMISSION

EMPIRE DISTRICT GAS COMPANY

CASE NO. GR-2009-0434

SURREBUTTAL TESTIMONY

OF

LAURA WOLFE

ON

BEHALF OF

MISSOURI DEPARTMENT OF NATURAL RESOURCES

ENERGY CENTER

Jefferson City, Missouri

December 29, 2009

DNR Exhibit No. 18
Case No(s). GR-2009-0434
Date 1-08-10 Rptr KF

1 **Q. Please state your name.**

2 A. My name is Laura Wolfe. .

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

4 A. I am employed by the Missouri Department of Natural Resources as an Energy Specialist in
5 the Energy Policy and Analysis Program in the Missouri Energy Center ("MDNR-EC").
6 The Missouri Energy Center is located within the Missouri Department of Natural
7 Resources, an agency of state government with its executive office located in Jefferson
8 City, Missouri.

9 **Q. Are you the same Laura Wolfe who filed Direct Testimony regarding revenue**
10 **requirement and rate design in the case?**

11 A. Yes, I am.

12 **Q. What is the purpose of your surrebuttal testimony in these proceedings?**

13 A. The purpose of my testimony is to address the rebuttal testimony of Mr. Ryan Kind,
14 witness for the Office of Public Counsel.

15 **Q. Mr. Kind refers in his rebuttal testimony to the following quote from page 6-5**
16 **of the NAPEE:**

17 Many energy efficiency programs are being delivered at a total program cost
18 of about \$0.02 to \$0.03 per lifetime kilowatt-hour (kWh) saved and \$0.30 to
19 \$2.00 per lifetime million British thermal units (MMBtu) saved. These costs
20 are less than the avoided costs seen in most regions of the country. **Funding**
21 **for the majority of programs reviewed ranges from about 1 to 3 percent**
22 **of electric utility revenue and 0.5 to 1 percent of gas utility revenue.**
23 **[Emphasis added by Mr. Kind.]**

24
25
26 **Mr. Kind then states that your "assertion that 'NAPEE states that the most**
27 **effective energy efficiency projects were funded at a level equal to a minimum**
28 **range of 0.5 percent to 1.5 percent of a natural gas utility's annual operating**

1 **revenue' is wrong for two reasons." Do you agree with Mr. Kind's asserted**
2 **reasons our statement is "wrong" because:**

3 1) "contrary to Ms. Wolfe's assertion, it is not correct to assert that page 6-5 of
4 NAPEE concludes that "the most effective energy efficiency projects" were funded
5 at any particular level. No such statement about "the most effective energy
6 efficiency projects" appears on page 6-5 of NAPEE," and

7
8 2) "it was also incorrect for her to cite funding level figures of '0.5 percent to 1.5
9 percent of a natural gas utility's annual operating revenue' when the corresponding
10 range cited on page 6-5 of NAPEE for 'the majority of programs reviewed' was
11 '0.5 to 1 percent of gas utility revenue.'"

12
13 A. No. I agree only that I referenced the wrong page. My reference actually came
14 from page 6-11 the NAPEE report:

15 **Energy efficiency programs are being successfully operated** across many
16 different contexts including electric and gas utilities; regulated and unregulated
17 markets; utility, state, and third-party administrators; and investor-owned,
18 public, and cooperatively owned utilities. **These programs are reducing**
19 **annual energy use by 0.15 to 1 percent at spending levels between 1 and 3**
20 **percent of electric, and 0.5 and 1.5 percent of gas revenues—and are poised to**
21 **deliver substantially greater reductions over time. (Emphasis added.)**
22

23 **Q. Mr. Kind goes to great lengths in his testimony to discuss the differences in**

24 **"operating revenue" versus "gross revenue" versus "gross non-gas revenues"**
25 **versus "gross annualized revenue", etc., and states that it is important to**
26 **distinguish between annual gas utility revenues with or without gas costs. Do**
27 **you agree that it is important to make that distinction?**

28 A. Yes, I do. The point of the statement in my direct testimony was to demonstrate only
29 that the Commission has used a percentage of revenues to establish the level of
30 DSM funding. It is imperative to be clear what revenue is used. In all instances, I
31 intended to refer to gross revenue, meaning all revenue including gas costs. The
32 only exception is when I reference the Atmos case, Case No. GR-2006-0387. The
33 Commission did, indeed, clarify that it "required... Atmos make a commitment to

1 contribute 1% of its annual gross non-gas revenues to be used for the program....” DNR
2 does not believe that this level of funding is sufficient to produce significant, cost effective
3 savings from DSM efforts. Funding based on non-gas revenues ignores the bulk of the
4 revenue of the utility, the bulk of the cost to customers, and produces significantly lower
5 funding levels.

6 **Q. Can you provide an example of funding levels for DSM based on a percentage**
7 **of total annual operating revenues, including gas costs, for natural gas utilities?**

8 A. Yes, I can. The state of Wisconsin adopted statewide legislation that became
9 effective in July of 2007 that requires each electric and natural gas energy utility in
10 Wisconsin to spend no less than 1.2% of its annual operating revenues, which
11 includes adjusted operating revenues and natural gas commodity expenses, for
12 energy efficiency and renewable resource programs.¹

13 **Q. Mr. Kind goes to great lengths in his rebuttal testimony to assert that your**
14 **comments did not accurately portray the ACEEE study you cited in your direct**
15 **testimony. Did you, as Mr. Kind asserts, “conclude... that the dollar savings**
16 **found by the study can be achieved solely by gas utility funded energy**
17 **efficiency programs”?**

18 A. As I stated in my direct testimony, page 10 lines 7 through 11, the ACEEE study:

19 “concluded that **not only new energy policies are needed to achieve**
20 **significant reductions** to the wholesale price of natural gas and to generate
21 direct cost savings to natural gas consumers, **but also additional funding for**
22 **energy efficiency programs** is necessary.” (Emphasis added.)
23

24 I then made the following statements in my direct testimony (page 10, line 13
25 through page 11, line 2):
26

¹ Known as 2005 Act 141. <http://www.legis.state.wi.us/2005/data/acts/05Act141.pdf>

ACEEE included in the study an estimated annual energy efficiency investment for each of the Midwest states based on each state's proportional allocation of total projected regional natural gas savings in 2010. From a regional perspective, to reduce natural gas demand sufficiently to place downward pressure on wholesale prices, the study roughly estimated that Missouri would be required to expend approximately \$12 million per year for natural gas energy efficiency programs through the year 2020. The study estimates that the dollar savings impact of the associated natural gas price reductions from this level of investment would be approximately \$921 million for Missouri by 2015 and an additional \$847 million by the year 2020.

The use of the phrase "\$12 million per year for natural gas energy efficiency programs through 2020" is consistent with the language in the report. Please refer to page 35 of the ACEEE Report titled "Examining the Potential for Energy Efficiency to Help Address the Natural Gas Crisis in the Midwest" (Emphasis added):

Tables 23 and 24 below present what the estimated required energy efficiency program funding per state would be if that proportional allocation of the total program funding were applied.

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

State	Percentage of Total Regional Savings ^a	Required Funding (in millions)
Illinois	24%	\$75
Indiana	11%	\$35
Iowa	5%	\$16
Michigan	19%	\$59
Minnesota	9%	\$27
Missouri	4%	\$12
Ohio	16%	\$51
Wisconsin	11%	\$34
Total Region	100%	\$310

^a Percentages based on 2010 savings for each state as a proportion of 2010 grand total regional natural gas savings in Table 13.

The study estimates that the dollar savings impact of the associated natural gas price reductions from this level of investment plus reductions from electric energy efficiency investments would be approximately \$921 million for Missouri by 2015 and an additional \$847 million by the year 2020. The dollar savings that can

1 be attributed to natural gas price reductions from a \$12 million annual investment in
2 energy efficiency (as defined in the report to include programs outside the scope of
3 utility companies) is \$60 million dollars by 2015 and \$97 million by 2020. The
4 study also projects there would be additional savings attributable to decreased prices
5 for natural gas for both consumers and electric generators.

6 **Q. What was your purpose for citing the ACEEE study?**

7 A. My purpose for citing the ACEEE study was to provide a sense of the scale of
8 investment being recommended for the state of Missouri. It was to give a view of
9 the direction the state should be moving, and that should drive our investment
10 expectations on a utility basis.

11 **Q. Mr. Kind states in his final remarks that he believes "that energy efficiency is
12 best promoted by presenting facts and analysis that accurately represent the
13 contributions that energy efficiency can make to addressing Missouri's energy
14 issues." Do you feel the same?**

15 A. Yes, I do.

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

17 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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.)

Case No. GR-2009-0434

AFFIDAVIT OF LAURA WOLFE

STATE OF MISSOURI)

) SS

CITY OF JEFFERSON)


Laura Wolfe, of lawful age, being duly sworn on her oath, deposes and states:

1. My name is Laura Wolfe. I work in the City of Jefferson, Missouri, and I am employed by the Missouri Department of Natural Resources as Energy Specialist, Missouri Energy Center, Office of the Director.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of the Missouri Department of Natural Resources – Missouri Energy Center consisting of 6 pages all of which have been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge.

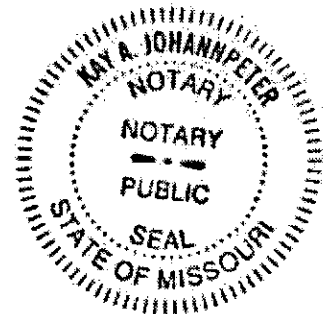


Laura Wolfe

Subscribed and sworn to before me this 29th day of December, 2009.



Notary Public



My commission expires:

KAY A. JOHANNPETER
Notary Public - Notary Seal
STATE OF MISSOURI
Moniteau County
My Commission Expires: Aug. 4, 2011
Commission # 07551967