

**FILED**<sup>3</sup>  
NOV 9 2009  
Missouri Public  
Service Commission

Exhibit No.:  
Issues: Weather Normalization  
Energy Efficiency Programs  
Witness: Henry E. Warren  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: GR-2009-0355  
Date Testimony Prepared: October 14, 2009

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**HENRY E. WARREN**

**MISSOURI GAS ENERGY**

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

*STAFF* Exhibit No. 67  
Case No(s) GR-2009-0355  
Date 10-26-09 Rptr XF

Jefferson City, Missouri  
October 2009

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

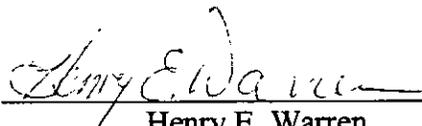
In the Matter of Missouri Gas Energy and )  
Its Tariff Filing to Implement a General )  
Rate Increase for Natural Gas Service )

Case No. GR-2009-0355

**AFFIDAVIT OF HENRY E. WARREN**

STATE OF MISSOURI     )  
  ) ss  
COUNTY OF COLE     )

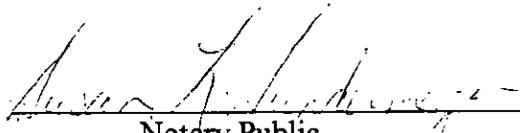
Henry E. Warren, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 7 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
\_\_\_\_\_  
Henry E. Warren

Subscribed and sworn to before me this 14<sup>th</sup> day of October, 2009.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Table of Contents

**SURREBUTTAL TESTIMONY**

**OF**

**HENRY E. WARREN**

**MISSOURI GAS ENERGY**

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

**1. EXECUTIVE SUMMARY ..... 1**

**2. REBUTTAL TESTIMONY OF LARRY W. LOOS, MISSOURI GAS ENERGY ..... 2**

**3.1 REBUTTAL TESTIMONY OF RYAN KIND, THE OFFICE OF THE PUBLIC COUNSEL, ENERGY EFFICIENCY ..... 3**

**3.2 REBUTTAL TESTIMONY OF DAVID HENDERSHOT AND MIKE NOACK, MISSOURI GAS ENERGY, ENERGY EFFICIENCY ..... 4**

**3.3 REBUTTAL TESTIMONY OF JOHN BUCHANAN, MISSOURI DEPARTMENT OF NATURAL RESOURCES, ENERGY CENTER, ENERGY EFFICIENCY ..... 4**

**4. STAFF RECOMMENDATION.....6**



Surrebuttal Testimony of  
Henry E. Warren

1 Missouri Department of Natural Resources – Energy Center (DNR Energy Center)  
2 witness John Buchanan.

3 **2. REBUTTAL TESTIMONY OF LARRY W. LOOS, MGE, ON VOLUMES**  
4 **ADJUSTED TO NORMAL WEATHER**

5 Q. What rebuttal testimony did MGE Witness Larry W. Loos; submit  
6 regarding MGE sales volumes adjusted to normal weather?

7 A. In his rebuttal testimony, Mr. Loos addresses the topic: *1) Staff's*  
8 *adjustment of sales to reflect the average heating degree days during the 30-year period*  
9 *ended 2000 (Staff's adjustment to sales).*

10 Q. Which questions and responses (Q&A) of the rebuttal testimony of Mr.  
11 Loos will you address in your surrebuttal testimony?

12 A. I will address the first two Q&A on page 3 of his rebuttal testimony.

13 Q. What deficiencies do you find in his response to his first question  
14 regarding general observations regarding Staff's proposed revenue adjustment?

15 A. Mr. Loos states:

16 With regard to its 365 day adjustment, Staff assumes that each  
17 of the 21 billing cycles is equal. In other words implicit in  
18 Staff's approach is the underlying assumption that the number  
19 of meters read in Billing Cycle 1 is equal to the number of  
20 meters read in Cycle 2; the number of meters read in Cycle 2 is  
21 equal to the number of meters read in Cycle 3; and so forth.

22  
23 With regard to its weather normalization adjustment, Staff  
24 again implicitly assumes that the number of meters read in each  
25 of the 21 billing cycles are the same. Staff also implicitly  
26 assumes that sales reported in each billing cycle are the same.

Surrebuttal Testimony of  
Henry E. Warren

1 Q. Are these statements factual and accurate?

2 A. No. In the spreadsheets in the workbook for each of the customer classes  
3 (Residential, SGS, and Large General Service - LGS) there are columns labeled  
4 *Customer Weighting*. In this section of the spreadsheet the volumes per day are  
5 calculated for each cycle and then aggregated into monthly volumes or *Use per Customer*  
6 *per Day (U/C/D)*. Similarly, the read cycle Heating Degree Days (HDD) per day (D) are  
7 calculated and aggregated for each month (HDD/D). This procedure effectively weights  
8 the cycles by the customers in each cycle for the dependent variable in the regression  
9 U/C/D, so contrary to the statement by Mr. Loos, Staff's method does not assume the  
10 same number of customers in each cycle.

11 As a result of using a more accurate dependent variable i.e. *use per customer per*  
12 *day U/C/D* and a more accurate independent variable and that reflects the customers in  
13 each cycle, subsequently *HDD/D*, the coefficient of *HDD/D* computed in the regression  
14 analysis, i.e. *use per customer per HDD*, is calculated on cycles weighted by the  
15 appropriate number of customers.

16 **3.1 REBUTTAL TESTIMONY OF RYAN KIND, THE OFFICE OF THE**  
17 **PUBLIC COUNSEL, ENERGY EFFICIENCY PROGRAMS,**

18 Q. What rebuttal testimony did OPC Witness Ryan Kind; submit regarding  
19 MGE revenue collections and expenditures on EE Programs and the MGE EEC?

20 A. In his rebuttal testimony, Mr. Kind addresses several issues involving the  
21 EEC and EE programs for SGS including: 1) that MGE EEC facilitated the development  
22 and implementation of EE programs and should be continued; 2) that there is a need for  
23 specific set of MGE SGS EE programs for EE funding to include these programs; 3) that

Surrebuttal Testimony of  
Henry E. Warren

1 the link between an SGS straight fixed variable (SFV) rate design for the SGS class and  
2 SGS EE programs; and 4) that overall funding for MGE EE programs should be  
3 examined.

4 **3.2 REBUTTAL TESTIMONY OF DAVID HENDERSHOT AND MIKE**  
5 **NOACK, MISSOURI GAS ENERGY – ENERGY EFFICIENCY PROGRAMS;**

6 Q. What rebuttal testimony did MGE Witness David Hendershot submit  
7 regarding MGE revenue collections and expenditures on EE Programs and the MGE  
8 EEC?

9 A. In his rebuttal testimony, Mr. Hendershot addresses: 1) the link between  
10 the SFV rate design and MGE EE programs; 2) funding of MGE Residential and SGS  
11 EE programs; 3) continuation of the EEC; and 4) specific SGS EE programs. Mr. Noack  
12 in his rebuttal testimony proposes that MGE would continue the funding of the EE  
13 program through rates as proposed, and would agree to segregate the funds received in  
14 rates, but not spent to date and any new funds received and accrue interest on a going  
15 forward basis at the short-term debt rate included in the approved capital structure.

16 **3.3 REBUTTAL TESTIMONY OF JOHN BUCHANAN, MISSOURI**  
17 **DEPARTMENT OF NATURAL RESOURCES, ENERGY CENTER –**  
18 **ENERGY EFFICIENCY PROGRAMS**

19 Q. What rebuttal testimony did DNR Energy Center Witness John Buchanan  
20 submit regarding MGE revenue collections and expenditures on EE Programs and the  
21 MGE EEC?

22 A. In his rebuttal testimony, Mr. Buchanan addresses: 1) the appropriate  
23 levels of funding for MGE EE programs and methods of funding; and 2) the MGE EEC.

Surrebuttal Testimony of  
Henry E. Warren

1 | Mr. Buchanan recommends that the funding for EE programs increase to \$4 million per  
2 | year in 2010 and further increase to \$7 million by 2012 -- including the addition of EE  
3 | programs for SGS customers in that funding. Mr. Buchanan recommends continuing the  
4 | EEC as non-voting, non-binding advisory group in his testimony.

5 |       Q.     What is your response to the rebuttal testimony of OPC Witness, Mr.  
6 | Kind; the rebuttal testimony of MGE Witnesses, Mr. David Hendershot, and Mr. Mike  
7 | Noack; and the rebuttal testimony of EC Witness Mr. Buchanan regarding MGE EE  
8 | Programs?

9 |       A.     In their rebuttal testimony, these witnesses addressed MGE's revenue  
10 | collections and expenditures on EE Programs, MGE's EEC, and proposed provisions for  
11 | MGE EE programs going forward. I will address these in the aggregate.

12 |       While Staff supports EE programs, at this time I recommend that MGE's EE  
13 | Programs continue to be funded from revenues at \$750,000 per year, with any surplus  
14 | funds earning interest as proposed. Any EE programs for SGS should be included in this  
15 | funding if those customers' rates include this part of the revenue requirement. Most of  
16 | the current MGE EE programs need further evaluation before any additional funding of  
17 | additional programs is implemented. Several of the SGS programs proposed by Mr.  
18 | Hendershot have shown a measure of success as implemented by other Missouri natural  
19 | gas local distribution companies and the EEC should consider these programs for MGE.  
20 | The EEC should be reconstituted as a non-binding advisory group, so that Staff will be  
21 | able to provide independent evaluations of MGE EE program results.

**4. STAFF RECOMMENDATION**

1  
2 Q. What is your recommendation regarding the rebuttal testimony of MGE  
3 witness Mr. Loos regarding customer characteristics and the adjustment to volumes for  
4 normal weather?

5 A. Mr. Loos does not properly characterize Staff's calculation of the U/C/D  
6 for the customer classes and subsequently does not properly characterize Staff's use per  
7 customer per HDD. It is important that usage per customer per HDD be accurate because  
8 this determines the adjustment to volumes based on the difference between test year and  
9 normal HDD.

10 Since Mr. Loos' rebuttal criticism is incorrect, I recommend that, if the  
11 Commission does not adopt the SFV rate design, the Commission adopt Staff's  
12 adjustments to volumes for normal HDD for the Residential, SGS and LGS classes.

13 Q. What is your recommendation regarding the rebuttal testimony of  
14 witnesses Mr. Kind, OPC, Mr. Hendershot, MGE, Mr. Mike Noack, MGE, and Mr.  
15 Buchanan, DNR Energy Center regarding EE programs, the collection and distribution of  
16 funds for EE Programs and the EEC?

17 A. My recommendation is MGE should continue to collect \$750,000 per year  
18 for EE Programs with some funding coming from and going to the SGS customers and  
19 interest being collected going forward on any unspent balances. The EEC should be  
20 reconstituted as a non-binding advisory group.

21 Q. Why do you recommend a non-binding advisory group?

22 A. Decisions about the EE programs ultimately need to be Company  
23 decisions. Staff and other stakeholders may be effective advisors while not directly

Surrebuttal Testimony of  
Henry E. Warren

1 | determining the expenditure of funds by the Company. Staff and other stakeholders do  
2 | need to be able to do an independent analysis of the effectiveness of EE programs;  
3 | consequently Staff agrees with Mr. Buchanan that the EEC be reconstituted as an  
4 | advisory group.

5 | Q. Does this conclude your surrebuttal testimony?

6 | A. Yes, it does.