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SURREBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of
the Office of the Public Counsel

SUMMIT NATURAL GAS

Case No. GR-2014-0086

August 8, 2014

CPC Exhibit No. 205
Date 8-19-14 Reporter KF
File No. GR-2014-0086

SURREBUTTAL TESTIMONY

OF

GEOFF MARKE

SUMMIT NATURAL GAS OF MISSOURI, INC.

CASE NO. GR-2014-0086

1 **Q. Please state your name, title and business address.**

2 **A. Dr. Geoff Marke, Economist, Office of the Public Counsel (OPC or Public Counsel), P.O.**
3 **Box 2230, Jefferson City, Missouri 65102.**

4 **Q. Are you the same Geoff Marke that filed rebuttal testimony in GR-2014-0086?**

5 **A. I am.**

6 **Q. What is the purpose of your surrebuttal testimony?**

7 **A. The purpose of this testimony is to respond to comments regarding an energy efficiency**
8 **program in the rebuttal testimony of Summit Natural Gas (SNG) witness Martha Wankum,**
9 **the Missouri Division of Energy's (DE) witness John Buchanan and the Missouri Public**
10 **Service Commission's Staff (Staff) witness Kory Boustead. I also will be responding to the**
11 **rebuttal testimony of DE witness Joe Gassner and his proposed treatment of the low-income**
12 **weatherization funding and administration for SNG.**

13 **Q. Has Public Counsel's analysis of the present viability of ratepayer-funded energy**
14 **efficiency (EE) programs for SNG changed in light of the aforementioned rebuttal**
15 **testimony?**

1 A. It has not. Public Counsel recommends that the Commission not approve funding for an EE
2 portfolio for SNG at any of the proposed amounts including:

- 3 • \$15,000 annually (original SNG proposal)
- 4 • 0.5 percent of annual revenues (\$100,000+ annually in the original DE proposal) or
- 5 • A “ramp-up” of 0.5 percent of annual revenues to be reached within three years
6 (Staff’s rebuttal proposal), over time (DE’s rebuttal proposal), or over time with a
7 tracking mechanism (SNG’s rebuttal proposal).

8 As explained in my rebuttal testimony, increasing the budget does not address the inherent
9 problems in SNG’s program design including:

- 10 • Lower avoided costs of energy means it’s harder to gain participant interest;
11 subsequently a program would largely attract free riders (those who would have taken
12 the action separate the rebate anyway), thus raising the rates and costs for
13 nonparticipants.
- 14 • Proposed measures have either overstated savings (thermostat) or are subject to
15 changing energy standards (furnace).
- 16 • SNG’s service territory includes largely rural customers which makes targeting
17 substantially more difficult.

- 1 • Program administration, delivery and evaluation costs would consume the majority of
2 the new proposed budget if the program hopes to attract non-free rider participants.
- 3 • Additional costs for EE programs would be borne by ratepayers while at the same
4 time SNG seeks large rate increases.
- 5 • There are no EE program designs proposed for Commercial, Small General Service
6 and Industrial natural gas customers, where the greatest potential savings are likely to
7 occur.

8 Public Counsel does not believe the 0.5% standard is appropriate for all gas EE utilities.
9 Each utility operates under different conditions and restraints and needs to be evaluated
10 individually. One-half percent of annual revenues may be appropriate for one utility, but
11 may over or underestimate the proper level of EE investments in another.

12 A larger dialogue needs to take place with interested parties and possibly with other utilities
13 for an EE program to make sense for SNG's ratepayers under today's operating restraints.

14 To that end, Public Counsel would be in support of forming an Energy Efficiency Advisory
15 Group with the goal of proactively working towards the creation of a viable EE program that
16 would benefit ratepayers.

17 **Q. Does Public Counsel support DE's proposal for an annual funding level of \$30,000 for**
18 **low-income weatherization?**

1 A. Public Counsel recommends the Commission support this proposed amount as it is both
2 appropriate and consistent with the amount of funds relative to other Commission approved
3 low-income weatherization programs.

4 **Q. Does Public Counsel support the proposal that up to 5% of the \$30,000.00 funding level**
5 **be directed to DE to administer and monitor the low-income weatherization program?**

6 A. Public Counsel recommends that the Commission not approve this proposal. The annual
7 funding would be better utilized for its intended purposes—weatherizing low income homes;
8 and the amount of weatherization activity at issue in this case is very limited. Presently, DE
9 receives federal funds to administer and monitor weatherization activities, and those funds
10 are sufficient to ensure both accountability and training of the local Community Action
11 Partnership (CAP) agencies in this case. If DE needs more funds to administer and monitor
12 the limited weatherization activities at issue in this case, Public Counsel believes the
13 appropriate way to augment DE's budget is through the legislative process, and not through
14 ratemaking.

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

16 A. Yes, it does.

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