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MISSOURI PUBLIC SERVICE COMMISSION

FILE NOS. GR-2017-0215 and GR-2017-0216

REBUTTAL TESTIMONY

OF

ANNIKA BRINK

ON

BEHALF OF

NATIONAL HOUSING TRUST

October 17, 2017

Q. Please state your name and business address.

A. Annika Brink, National Housing Trust, 1101 30th Street NW, Suite 100A, Washington, DC 20007.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the National Housing Trust (NHT).

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

A. I am employed by the National Housing Trust (NHT) as their Energy Efficiency Advisor. In this capacity I work with state and local partners across the country to make multifamily housing healthy and affordable through energy efficiency. I have primary responsibility for NHT's energy efficiency policy work in the Midwest, including Missouri.

Q. Are you the same Annika Brink that filed Direct Testimony on Revenue Requirement on September 7 and Direct Testimony on Rate Design on September 22 in this case?

A. Yes I am.

Q. Please summarize your testimony.

A. In my Rebuttal Testimony I counter Office of Public Counsel witness Lena Mantle's recommendation that Laclede and Missouri Gas Energy suspend funding for all energy efficiency programs outside Low Income Weatherization Assistance. First, I point out how Ms. Mantle has applied this recommendation too broadly, on cost-effectiveness grounds, even to low-income energy efficiency programs that traditionally need not be cost-effective. Second, I present evidence that this recommendation, if carried out, would disproportionately harm low-income multifamily households in favor of low-income single-family households. Third, I rebut

Ms. Mantle's assertion that the Ratepayer Impact Measure test should be applied to determine the cost-effectiveness of the Companies' energy efficiency programs.

Q. Please explain your assertion that Ms. Mantle applied cost-effectiveness arguments too broadly.

A. In her direct testimony, Ms. Mantle states that: "an energy efficiency program should only be funded by ratepayers if the program is cost-effective for both participating customers and non-participating customers."[1] Setting aside for a moment that this is the incorrect standard for whether an energy efficiency program should be funded by ratepayers, I would like to point out that Ms. Mantle's recommendation would discontinue the Companies' low-income multifamily programs. These programs are described in tariff sheets 48-c and 48-d for MGE (Income Eligible Multi-Family Direct Install Program) and in tariff sheets 48-g and 48-h for Laclede (Residential Direct-Install Low Income Program). Traditionally, low-income programs need not meet cost-effectiveness tests. Therefore, regardless of the appropriate cost-effectiveness standard applied to *non-low-income* programs, any blanket suspension of energy efficiency programs on cost-effectiveness grounds should not include low-income programs.

Missouri already has a practice of not requiring low-income energy efficiency programs to meet cost-effectiveness tests. While I am not an attorney, I have read the plain language of the Missouri Energy Efficiency Investment Act (MEEIA) statute for electric utilities, which states: "[p]rograms targeted to low-income customers… do not need to meet a cost-effectiveness test, so long as the commission determines that the program or campaign is in the public interest." I believe the MEEIA example should be followed in the case of natural gas utility efficiency programs, as it serves a clear public interest and maintains a consistent approach across utility sectors.

[1] *Direct Testimony of Lena M. Mantle (Revenue Requirement)*, File Nos. GR-2017-0215, GR-2017-0216, September 8, 2017, pg. 3, lines 3-4.
[2] *Guidelines for Low-Income Energy Efficiency Programs*, ACEEE State and Local Policy Database,

Furthermore, reducing or eliminating cost-effectiveness testing for low-income energy efficiency programs is the national trend: 33 states have eased cost-effectiveness testing for low-income programs.[2] Of these, 29 states have made official accommodations, such as exempting low-income programs from cost-effectiveness testing, requiring the inclusion of low-income non-energy benefits, or providing some other type of flexibility. In the remaining four states regulators have, in practice, approved low-income programs that do not meet cost-effectiveness testing.

Q. How would the suspension of funding for the Companies' energy efficiency programs except for Low Income Weatherization Assistance affect low-income multifamily households?

A. If, as Ms. Mantle recommends, the Companies were to maintain their funding for Low Income Weatherization Assistance while suspending funding for all other energy efficiency programs, the result would be disproportionate harm to low-income multifamily households, which would likely see a drastic reduction in their access to energy efficiency services.

Laclede and Missouri Gas Energy fund two types of low-income energy efficiency programs. First, they fund weatherization, which is delivered by local weatherization providers. Second, they run energy efficiency programs for their low-income customers. Local weatherization providers typically do very well at serving single-family homes and mobile homes. However, for various reasons, they do *not* typically serve many multifamily homes. According to Missouri State Division of Energy (DE) data, multifamily homes comprised only 3.4% of units weatherized by local weatherization providers in Missouri in Grant Year 2016.[3] —

[2] *Guidelines for Low-Income Energy Efficiency Programs*, ACEEE State and Local Policy Database, Accessed October 10, 2017. http://database.aceee.org/state/guidelines-low-income-programs.
[3] *Weatherization Assistance Monthly Report, Grant Year 2016, Grant EE0006164-4, Report Month: June 2017*, Missouri Department of Economic Development: Division of Energy.

despite comprising 19.9% of housing units statewide.[4] These data are for units funded, at least partially, by U.S. Department of Energy Weatherization Assistance Program funds. This percentage is not expected to vary significantly for units funded/partially funded via other sources. To give a sense of scale, in Grant Year 2016, only 55 out of 1,596 units weatherized in Missouri using DOE funds were in multifamily buildings.[5] And, *all* of these were in buildings of 2-4 units, leaving buildings of 5+ units completely unserved. The Division of Energy Weatherization Assistance Monthly Report cited above is included as Appendix 1. Highlights and comparison with statewide housing stock are shown in Table 1 below.

Table 1: Use of Federal WAP Funds in Grant Year 2016 by Missouri's Local Weatherization Providers Versus Percentage Share of Different Housing Types

Type of Housing Unit	Number of Each Type of Housing Unit Weatherized (DE data)	Percent of Each Type of Housing Unit Weatherized (DE data)	Share of Housing Unit Type Among All Housing Units (2015 Census data)
Single Family	1239	77.6%	73.7%
Multifamily (2+ units)	55	3.4%	19.9%
Mobile Home	296	18.5%	6.3%%
Shelters	0	0.0%	N/A
Previously Weatherized Units	6	0.4%	N/A
Boat, RV, Van, Etc.	N/A	N/A	0.1%

As shown here, low-income multifamily households are not typically served by Low Income Weatherization Assistance and would be disproportionately harmed vs. low-income single-family households by the elimination of the Companies' energy efficiency programs.

Q. Why do you assert that the Ratepayer Impact Measure test should not be applied to determine the cost-effectiveness of the Companies' energy efficiency programs?

[4] U.S. Census American Community Survey data, 2015 5-Year Estimates, Table B25024. In Missouri, the weatherization programs define multifamily as buildings of two or more units.
[5] *Weatherization Assistance Monthly Report, Grant Year 2016*, Grant EE0006164-4, Report Month: June 2017.

A. First, no specific cost-effectiveness test is prescribed for gas utilities in Missouri, so to present the Ratepayer Impact Measure (RIM), as Ms. Mantle has done, as the preferred test is not grounded in precedent. Ms. Mantle recommends the commission demonstrate that an energy efficiency program be cost effective to non-participating customers, in addition to participating customers. This is essentially the RIM test, which aims to indicate whether energy efficiency programs/resources will increase or decrease electricity or gas rates for all customers. The RIM test was previously referred to as the "Non-Participant Test", and is intended to show "the distributional impacts of efficiency programs on nonparticipants".[6] The RIM test *excludes* a host of benefits that are included in various other cost-effectiveness tests. The Commission has not given guidance on which test should be used for gas programs.

Second, precedent *has* been set for a preferred cost-effectiveness test in the state of Missouri, which is the Total Resource Cost (TRC) test, the preferred test for the state's electric utility energy efficiency programs under MEEIA. Use of the TRC for gas programs would maintain a consistent approach across utility sectors.

Third, the RIM test has been discredited, is not in wide use, and is, for a variety of other reasons, not appropriate as a cost-effectiveness test for the Companies' programs. The American Council for Energy Efficiency (ACEEE) found that the RIM test has been largely abandoned by leading energy efficiency states in their 2012 study of forty-four states and their cost-effectiveness practices.[7] Only one of the states surveyed indicated they used the RIM test as their primary test, and that one state no longer continues to do so. Based on those results and previous research on the flaws of the RIM test, ACEEE states that the RIM test should not be used to

[6] *Understanding Cost-Effectiveness of Energy Efficiency Programs,* National Action Plan for Energy Efficiency, November 2008, p. 6-4. https://www.epa.gov/sites/production/files/2015-08/documents/cost-effectiveness.pdf

[7] Kushler, M., Nowak, S., Witte, P., *A National Survey of State Policies and Practices for the Evaluation of Ratepayer Funded Energy Efficiency Programs,* February 2012.

determine whether and/or which energy efficiency measures or programs will be delivered.[8] Another resource that strongly criticizes the RIM test as a primary cost-effectiveness test is the *National Standard Practice Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources*.[9] The comprehensive manual, which received input and review from utilities and energy efficiency experts across the country, provides a framework for cost-effectiveness assessments of energy resources. It clearly states that the RIM test is insufficient and extremely limited as a primary cost-effectiveness test for the following reasons:[10]

- It does not provide accurate information of what happens to rates from energy efficiency investments. It only indicates if they go up or down but not the magnitude of that increase or decrease.
- It does not typically result in the lowest cost to customers.
- It can lead to unintended outcomes, such as rejections of energy efficiency investments that would have had significant reduction impacts on utility systems costs.
- It often provides misleading results.
- It attempts to combine cost-effectiveness and equity issues into one calculation, but conflates the two issues in the process.
- It is inconsistent with how other gas and electric resources are reviewed for cost-effectiveness.

Also noteworthy, all customers (participants and non-participants) receive some of the benefits of energy efficiency resources. Energy efficiency resources can reduce wholesale energy

[8] Ibid p. 36-37.
[9] National Efficiency Screening Project, *National Standard Practice Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources*, May 18, 2017. https://nationalefficiencyscreening.org/wp-content/uploads/2017/05/NSPM_May-2017_final.pdf
[10] Ibid p. 114, 122-124.

prices, reduce T&D costs, improve system reliability, reduce risk, and more – for *all* customers.[11]

ACEEE's 2012 national study of state evaluation practices found that 86% of the 41 states with a *primary* cost-effectiveness test used either the TRC or the Societal Cost Test (SCT) as their primary test.[12] The SCT includes all benefits of a Total Resource Cost test (TRC) plus benefits experienced by all of society. These include "low-income community benefits, environmental benefits, economic development benefits, and reduced health care costs".[13]

Q. Does this conclude your rebuttal testimony?

A. Yes.

[11] Ibid pg. 123
[12] Kushler, M., Nowak, S., Witte, pg. 2012.
[13] *National Standard Practice Manual for Assessing Cost-Effectiveness of Energy Efficiency Resources, pg. 113.*