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MISSOURI PUBLIC SERVICE COMMISSION

ATMOS ENERGY CORPORATION

CASE NO. GR-2010-0192

DIRECT TESTIMONY

OF

JOHN BUCHANAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF NATURAL RESOURCES

DIVISION OF ENERGY

Jefferson City, Missouri
June 4, 2010 (Revenue Requirement)

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. John Buchanan, Missouri Department of Natural Resources, Division of Energy, 1101
4 Riverside Drive, Jefferson City, Missouri.

5 **What is the Division of Energy?**

6 The Division of Energy (DE) is a division within the Missouri Department of Natural Resources
7 (DNR) and is the designated state energy office in Missouri responsible for the
8 administration of several federal programs and grants, including the federal Low Income
9 Weatherization Assistance Program (LIWAP) and the federal State Energy Program (SEP)
10 established by the United States Congress in 1978, which is managed nationally by the
11 United States Department of Energy (USDOE). The SEP consists of several statewide energy
12 efficiency programs administered by the DNR and funded by the USDOE. In 2009, the DNR
13 assumed oversight responsibility with regard to federal energy grants issued by the USDOE
14 as a result of the passage of the American Recovery and Reinvestment Act of 2009. The
15 DNR is vested with the powers and duties set forth in Section 640.150, RSMo.

16 **Q. What is your position with the Missouri Division of Energy?**

17 A. I am a Senior Planner in the DE's Energy Policy and Planning Program at the Missouri
18 Department of Natural Resources.

19 **Q. On whose behalf are you testifying?**

20 A. I am testifying on behalf of the Missouri Department of Natural Resources, an intervenor in
21 these proceedings.

22 **Q. Please describe your educational background and business experience.**

1 A. I joined the Missouri Department of Natural Resources, Division of Energy in July of 1980
2 as director of the Missouri Residential Conservation Service Program. In 1986, I was
3 promoted to serve as the Senior Energy Planner within the Director's Office at the Division
4 of Energy. In this capacity, I was involved in a variety of programs and projects addressing
5 energy, environmental, and natural resource issues. In October 1995, I was appointed as a
6 Senior Energy Planner within the Policy and Planning Unit at the Division of Energy where
7 my responsibilities include preparation of testimony filed in general rate or other cases by the
8 DNR before the Missouri Public Service Commission (Commission), energy efficiency
9 program design and development, energy emergency planning, energy supply and price
10 monitoring and energy-related policy development. Prior to my employment with the
11 Department of Natural Resources, I served as Special Assistant to the Mayor, City of
12 Columbia, Missouri for two years. I have a Bachelor of Arts degree in Political Science from
13 Columbia College. I am a former Fellow of Missouri University, where I received a Master
14 of Science in Public Administration.

15 **Q. Are you currently working with Missouri gas utilities to implement energy efficiency**
16 **initiatives?**

17 A. Yes. Since 1980 I have worked directly with investor-owned regulated gas utilities on
18 several natural gas energy efficiency initiatives including the federal Residential
19 Conservation Service Program established by a US Congressional mandate. This was the
20 first nationwide utility-sponsored non-low income residential energy efficiency program
21 under the guidance of the USDOE. Currently, I serve as the designated DE representative on
22 three (3) efficiency collaboratives:

1 1) AmerenUE (natural gas) established by GR-2003-0517 and continued as a result of the
2 company's last rate case, GR-2007-0003;

3 2) Atmos Energy Corporation established by GR-2006-0387; and,

4 3) MGE established by GR-2006-0422 and GT-2008-0005 and continued as a result of
5 the company's last rate case, GR-2009-0355.

6 I also prepared testimony and participated in settlement discussions that led to the establishment
7 of the efficiency collaborative for Laclede Gas Company in GR-2007-0208.

8
9 **II. PURPOSE AND SUMMARY OF TESTIMONY**

10 **Q. What is the purpose of your direct testimony in these proceedings?**

11 A. The purpose of my testimony is to address natural gas related energy efficiency issues with
12 respect to Atmos Energy Corporation (Atmos). I will specifically offer testimony regarding:

13 (1) Recommending additional investments by Atmos to design, implement and evaluate
14 successful energy efficiency programs for residential and commercial (small general
15 service) customers.

16 (2) Continuing the formal working collaborative group to assist and expand Atmos' energy
17 efficiency initiatives to help meet the goal of reducing natural gas consumption that could
18 lead to a reduction in natural gas costs;

19 (3) Addressing conservation and energy incentive programs that were approved by the
20 Commission in Atmos' last rate case, GR-2006-0387 as addressed in the Direct
21 Testimony filed by Atmos witness, Mr. Mark Martin; and

1 (4) Addressing the proposed energy efficiency initiative for small commercial customers and
2 funding levels as described in the Direct Testimony filed by Atmos witness, Mr. Mark
3 Martin.

4
5 **III. ENERGY EFFICIENCY PROGRAM DEVELOPMENT AND IMPLEMENTATION**

6 **Q. What recommendations do you have regarding energy efficiency programs for Atmos?**

7 A. To assist Atmos in its efforts to fully facilitate the identification, design and implementation
8 of appropriate, cost-effective energy efficiency programs designed to reduce natural gas
9 consumption by its customers and potentially lead to reductions in natural gas wholesale
10 costs, the DNR recommends that the Commission:

11 (1) Require Atmos to commit to adequate funding to implement the energy efficiency
12 programs identified by Atmos as cost effective. Annual funding target levels should
13 begin at 0.5 percent of Atmos' annual operating revenues (which would be a funding
14 level of approximately \$280,000) beginning in calendar year 2011 and increase to 1.0
15 percent of its annual operating revenues (or a funding level of approximately \$561,000)
16 by calendar year 2013 (Response to Data Request, DNR 1-009, Mark Martin, May 18,
17 2010).

18 (2) Approve the continuation of the Energy Efficiency Collaborative (EEC) authorized by
19 the Commission in the company's last rate case, GR-2006-0387, consisting of
20 representatives from Atmos, Staff, OPC, the DNR and other interested parties that have
21 intervened in this rate case to facilitate energy-efficiency activities undertaken by Atmos.
22 The collaborative should be changed from a consensus body to an advisory body to help
23 guide Atmos' energy efficiency planning and implementation process . Atmos should

1 determine and implement the most appropriate and cost-effective slate of energy
2 efficiency programs to meet the needs of its customers and share-holders;

3 (3) Require Atmos to continue to report progress to the Commission and the EEC regarding
4 Atmos' energy efficiency program design and implementation on a regularly scheduled
5 basis, to be recommended by Atmos in consultation with the EEC, until such time as
6 Atmos formally recommends to the Commission a specific end date for such reports.
7 Atmos should continue to provide program details, data and updates on a regularly
8 scheduled basis to the EEC.

9 (4) Require Atmos to expend any outstanding balance of funds that support current
10 efficiency programs as ordered by the Commission in GR-2006-0387 and continue the
11 energy efficiency initiatives with the assistance of and in coordination with the EEC until
12 such time as Atmos files new proposed tariff sheets intended to implement a general rate
13 increase for natural gas service.

14 (5) Require Atmos to place any outstanding funds budgeted but not expended for energy
15 efficiency initiatives as well as future energy efficiency funds into an interest bearing
16 account and to use any proceeds from earned interest to support any energy efficiency
17 initiatives undertaken by Atmos.

18 **Q. Do you agree that reductions in natural gas consumption could result in downward**
19 **pressure on the wholesale market and help to lower natural gas prices?**

20 A. Yes. According to a study completed by the American Council for an Energy-Efficient
21 Economy (ACEEE), reductions in natural gas consumption could result in wholesale natural
22 gas price reductions. Because of the very tight and volatile U.S. natural gas market, the study

1 estimated that a reduction of about 1 percent per year in total U.S. gas demand could result in
2 wholesale natural gas price reductions of 10 to 20 percent.

3 The study identifies new energy policies and additional funding for energy efficiency
4 programs necessary to achieve savings significant enough to reduce the wholesale price of
5 natural gas as well as to generate direct cost savings to natural gas consumers. The study
6 estimated an annual energy efficiency investment by each of the 8 Midwest states, including
7 Missouri, based on each state's proportional allocation of total projected regional natural gas
8 savings in 2010. From a regional perspective, in order to reduce natural gas demand
9 sufficiently to pressure wholesale prices downward, the study roughly estimated that
10 Missouri would be required to expend approximately \$12 million¹ per year for natural gas
11 related energy efficiency programs through the year 2020. The study estimates that the
12 dollar savings impact of the associated natural gas price reductions from these levels of
13 investments along with other policy and program actions would be approximately \$60
14 million for Missouri by 2015² and an additional \$97 million by the year 2020.³

15 **Q. Will Atmos' current investment in energy efficiency programs send sufficient price**
16 **signals to pressure wholesale prices lower?**

17 A. No. Atmos should be commended for addressing and responding to the energy efficiency
18 needs of their residential natural gas customers. However, I do not believe that Atmos'
19 current energy efficiency funding levels will result in sufficient savings to contribute to lower
20 wholesale natural gas prices. As I noted earlier in my testimony, a more significant level of

¹ Examining the Potential for Energy Efficiency To Help Address the Natural Gas Crisis in the Midwest, January 2005, Report Number U051, American Council for an Energy-Efficient Economy, Table 23. Amount of Annual Funding Needed to Achieve Projected Savings Natural Gas

² Supra, Table 20c, 2015 Total Dollar Savings to Midwest Customers Midwest Energy Efficiency Scenario

³ Supra, Table 20d. 2020 Total Dollar Savings to Midwest Customers Midwest Energy Efficiency Scenario

1 investment in energy efficiency is required to potentially pressure natural gas wholesale
2 prices lower. I am not suggesting that Atmos alone can have a significant impact on
3 wholesale prices through its energy efficiency programs, but Atmos can and should
4 contribute in a more meaningful way toward a regional reduction in natural gas consumption.

5 **Q. Is there data to support the level of energy efficiency investments that would result in**
6 **direct benefits to natural gas customers, the utility, shareholders and potentially**
7 **pressure wholesale prices lower?**

8 A. Yes. In addition to the American Council on an Energy-Efficient Economy study, the
9 National Action Plan for Energy Efficiency sponsored by the USDOE and the United States
10 Environmental Protection Agency and prepared by 50 leading organizations, including a
11 variety of natural gas companies, noted that “energy efficiency programs are being
12 successfully operated across many different contexts including electric and gas utilities.
13 These programs are reducing annual energy use by 0.15 percent to 1 percent at spending
14 levels between 1 and 3 percent of electric and 0.5 and 1.5 percent of gas revenues—and are
15 poised to deliver substantially greater reductions over time.”⁴ Based on the 2009 annual
16 operating revenues reported by Atmos, the minimum level of annual energy efficiency
17 program investments should be approximately \$280,615 (at 0.5 percent) to \$841,844 (at 1.5
18 percent) using Atmos’ 2009 annual gross operating revenue of \$56,122,926 (Response to
19 Data Request, DNR 1-009, Mark Martin, Atmos Energy Corporation, May 18, 2010). DNR
20 is proposing a ramp up to 1.0 percent of annual operating revenue or approximately \$561,000
21 by 2013 based on the company’s gross annual operating revenue in calendar year 2009.

⁴ National Action Plan for Energy Efficiency, July 2006, pages 6-11.

1 **Q. Were recommendations presented by the National Action Plan for Energy Efficiency**
2 **used by Atmos in designing and implementing the current energy efficiency initiatives?**

3 A. No. The current Atmos energy efficiency initiatives were proposed by Atmos and initiated
4 through the consensus process by the EEC. Further, Atmos is not basing its proposal to
5 continue or expand the efficiency initiatives on the National Action Plan, a strategic business
6 plan or formal program evaluation performed by Atmos or a third party. (Response to Data
7 Request, MDNR 1-012, Mark Martin, May 18, 2010)

8 **Q. Can you cite to additional support for increased investment in energy efficiency?**

9 A. Yes. Recent Commission decisions in the AmerenUE electric rate case, Empire District
10 electric and gas cases and MGE gas rate case all indicate a commitment to and support for
11 increased investment in energy efficiency. Examples of this additional support for increased
12 investment in energy efficiency appear below on pages 11 and 12 of my Direct Testimony.

13 **Q. What level of energy efficiency funding should the Commission consider for Atmos?**

14 A. The DNR recommends an annual target amount beginning in 2011 at 0.5 percent of Atmos'
15 2009 gross operating revenue (approximately \$280,000) and increasing to 1.0 percent
16 (approximately \$561,000) by 2013 to implement cost-effective energy efficiency programs
17 for Atmos' residential and SGS customers. These recommended funding levels are minimum
18 levels of investment necessary to support energy efficiency initiatives

19 **Q. Why is the DNR recommending an incremental increase in energy efficiency funding by**
20 **Atmos?**

21 A. To ensure that energy efficiency programs currently administered by Atmos are sustainable
22 and result in uninterrupted energy savings and other benefits to Atmos natural gas customers,
23 ongoing and increasing investments by Atmos in energy efficiency are necessary. DNR is

1 recommending incremental increases in energy efficiency funding to allow time for Atmos to
2 analyze and select additional cost-effective programs and provide time to ramp up new and
3 existing programs to full implementation.

4 **Q. Why is additional energy efficiency funding by Atmos needed with the federal energy**
5 **stimulus funding Missouri has recently received?**

6 A. In February 2009, President Obama signed into law the American Recovery and
7 Reinvestment Act of 2009 (ARRA) providing approximately \$200 million to Missouri to
8 initiate or expand existing energy efficiency programs. These federal stimulus funds,
9 although significant, must be expended no later than March 2012. The State of Missouri
10 continues to plan and implement a broad scope of ARRA-funded energy efficiency and
11 alternative energy programs on a statewide basis that comply with the guidelines established
12 by the Secretary of Energy. Some program areas underway to date include appliance rebates,
13 small agriculture cost-share grants, industrial energy efficiency, bioenergy and renewable
14 energy studies grants, an expanded low-income weatherization assistance program and
15 residential (including multi-family) energy efficiency programs. The intended purpose of the
16 ARRA energy funding is to stimulate the economy in a short period of time by creating jobs,
17 reducing energy usage and costs, and encouraging the development of clean alternative
18 energy sources. To maximize these benefits and goals of the ARRA funding, the Secretary of
19 Energy has directed that the funds may not be used to supplant existing energy efficiency
20 programs currently administered by a state or by others, including utility sponsored energy
21 efficiency programs. The ARRA funding does not provide an ongoing, dedicated funding
22 source for energy efficiency programs in Missouri.

1 **Q. Has the Commission previously ordered energy efficiency program funding based on**
2 **utility operating revenue?**

3 A. Yes. The Commission used utility operating revenue as the basis for setting the funding level
4 for energy efficiency initiatives in Atmos Energy Corporation's last rate case, GR-2006-
5 0387. Specifically, the Commission, in its Report and Order, stated, "Thus, the Commission
6 finds that it would be just and reasonable and in the public interest to implement a fixed
7 delivery charge rate design as proposed by Staff on the condition that Atmos contribute
8 annually, one percent (1%) of its annual gross revenues (currently, approximately \$165,000)
9 to be used for an energy efficiency and conservation program." (Report and Order, Missouri
10 Public Service Commission, GR-2006-0387, February 22, 2007, page 21).

11 **Q. Are Atmos energy efficiency investments funded by shareholders or by utility rates?**

12 A. Atmos currently contributes funds to support its energy efficiency investments. Atmos does
13 not recover such expenses through rates. The Commission used the 1% of gross revenues
14 standard in Atmos' last rate case as the minimum level that the utility, not the ratepayers,
15 should expend in order to receive a Straight Fixed Variable rate design.

16 **Q. Has the Commission supported energy efficiency program funding based on utility**
17 **operating revenue for other natural gas utilities?**

18 A. Yes, particularly in two recent natural gas rate cases. After being presented with the same
19 information as above in Case No. GR-2009-0355, Missouri Gas Energy's last rate case, the
20 Commission found:

21 ... that .5% of MGE's annual gross operating revenues should be allocated for energy
22 efficiency funding and that it is an appropriate goal or benchmark in expenditures for
23 natural gas utilities. The Commission finds that the EEC should take all steps necessary
24 to work toward implementation of cost-effective energy efficiency programs to reach this
25 goal to maximize benefits....
26

1 MGE will initially fund an annual amount of a minimum of \$1.5 million per year for its
2 energy efficiency program. This amount shall be subject to increase toward the goal of
3 .5% of gross operating revenues at the time the EEC has a comprehensive plan for the
4 increased expenditure level. Increased expenditures shall be dependent upon programs'
5 continued growth and success.⁵
6

7 Likewise, in Case No. GR-2009-0434, Empire District Gas Company's last rate case, the
8 Commission ordered:

9 The Empire District Gas Company is directed to budget for energy efficiency programs
10 previously approved in the *Partial Stipulation and Agreement* at levels that will begin at
11 \$231,200 in 2010; and to take all reasonable actions toward the goal of increasing
12 expenditures for those programs to .5 percent of annual operating revenues, including gas
13 costs, for 2011 and 2012.⁶
14

15 **Q. How should the Commission treat these energy investment funds?**

16 A. The DNR's position is that energy efficiency funds expended by regulated utilities should be
17 treated as a cost of providing service with recovery of such costs by expensing them in rates.
18

19 **IV. NATURAL GAS ENERGY EFFICIENCY INITIATIVES**

20 **Q. Please briefly summarize Atmos' current energy efficiency initiatives.**

21 A. In Atmos' last rate case, Case No. GR-2006-0387, the Commission stated in the its Report
22 and Order "The Commission finds that an energy and conservation program must be
23 approved by the Commission and must be the result of a collaborative process involving the
24 Staff, Public Counsel, Atmos, the other parties to this case (that wish to participate), the
25 Energy Center of the Missouri Department of Natural Resources, and other parties that the
26 Commission shall designate. As the Commission has found with regard to other companies, a

⁵ Missouri Public Service Commission Case No. GR-2009-0355, *In the Matter of Missouri Gas Energy and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service*; Report and Order, Effective: February 20, 2010, pages 62-63.

1 successful program may include Energy Star education and communication, appliance rebate
2 and replacement, green construction for old and new homes, Pay As You Save programs,
3 weatherization, energy audits (with follow-up), and others. Such a program may contain a
4 low-income component as well as residential, commercial, and industrial components. The
5 comprehensive program should be designed with methods for gathering and reporting data to
6 analyze its effectiveness.” (Report and Order, Missouri Public Service Commission,
7 February 22, 2007).

8 On March 22, 2007, the first meeting of the Atmos energy efficiency collaborative took
9 place. As a result of that and subsequent meetings, Atmos proposed and the Commission
10 approved a series of energy efficiency initiatives committing 1 percent of company non-gas
11 revenues for that year (initially \$165,000) including:

12 A) Residential Low Income Weatherization Assistance Program funded at \$100,000 to
13 operate in conjunction with the federal Low Income Weatherization Assistance Program
14 administered by the Missouri Department of Natural Resources;

15 B) High Efficiency Space Heating Rebate Program funded at \$60,000 providing customer
16 rebates for the purchase and installation of ENERGY STAR ® natural gas furnace, boiler
17 or Combination heat and water heating systems; and,

18 C) Customer Education funded at \$5,000 to develop and present educational materials to
19 Kindergarten thru 12th grade students throughout Atmos’ three geographic service areas
20 in Missouri.

⁶ Missouri Public Service Commission Case No. GR-2009-0434, *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*, Report and Order on DSM Funding, Effective March 1, 2010, pages 15-16.

1 **Q. Please summarize eligibility requirements to participate in these energy efficiency**
2 **initiatives.**

3 A. As described in Atmos tariffs, the eligible program participant is a customer who is being
4 served under the "Company's Residential Firm Service or Small firm Small General Service,
5 is located in Missouri, and elects to purchase energy efficient gas saving equipment as
6 described in this Conservation Effort."⁷

7 **Q. Is the current efficiency funding formula sufficient to fully support cost-effective energy**
8 **efficiency programs offered by Atmos?**

9 A. No. Additional funds are necessary to fully support development of an aggressive,
10 comprehensive portfolio of energy efficiency programs to maximize benefits for Atmos'
11 ratepayers. Funds are needed to evaluate and determine which programs are cost effective
12 and appropriate for implementation. Funds are necessary to design and implement efficiency
13 programs to assure that they meet the needs of utility customers and result in identifiable
14 energy savings and other benefits as a result of the program. Finally, funds are necessary to
15 evaluate the success of program implementation, to make necessary changes to improve
16 delivery of these programs.

17 **Q. Please summarize Atmos' proposed changes to the current energy efficiency programs.**

18 A. Atmos is proposing to continue the programs as approved by the Commission in Case No.
19 GR-2006-0387 without a specific funding level and to create a recovery mechanism in which
20 the funding would be borne by the Company's customers versus the Company's
21 shareholders. (Direct Testimony, Mark Martin, page 20, lines 4-6).

22 **Q. Do you agree with the proposed changes presented by Atmos?**

⁷ Atmos Energy Corporation Form No. 13, P.S.C. No. 2, Sheet 117, date effective August 31, 2007.

1 A. DNR's position is that it is appropriate for energy efficiency funding to be recovered in rates
2 authorized by the Commission, preferably by expensing investments in energy efficiency
3 programs. The DNR proposes greater investments in energy efficiency: annual target
4 amounts beginning in 2011 at 0.5 percent of Atmos' 2009 gross operating revenue
5 (approximately \$280,000) and increasing to 1.0 percent (approximately \$561,000) by 2013 to
6 implement cost-effective energy efficiency programs for its residential and SGS customers.
7 These recommended funding levels are minimum target levels of investment to support
8 energy efficiency initiatives.

Q. Please briefly summarize the status of the Atmos' energy efficiency initiatives.

A. According to Atmos, the table below shows the energy efficiency budgets and expenditures for current programs:

	Program					
<i>Low-Income Weatherization</i>						
Program Year	Annual Allocation	Carryover	Total Allocated	Spent	Balance	% Spent
June 2008	\$100,000	\$0	\$100,000	\$16,859	\$83,141	16.86%
June 2009	\$100,000	\$83,141	\$183,141	\$133,766	\$49,375	73.04%
March 2010	\$102,410	\$49,375	\$151,785	\$23,598	\$128,187	15.55%
<i>High-Efficiency Space Heating Rebates</i>						
Program Year	Annual Allocation	Carryover	Total Allocated	Spent	Balance	% Spent
June 2008	\$60,000	\$0	\$60,000	\$11,500	\$48,500	19.17%
June 2009	\$60,000	\$48,500	\$108,500	\$21,250	\$87,250	19.59%
March 2010	\$60,000	\$87,250	\$147,250	\$23,016	\$124,234	15.63%
<i>Consumer Education</i>						
Program Year	Annual Allocation	Carryover	Total Allocated	Spent	Balance	% Spent
June 2008	\$5,000	\$0	\$5,000	\$2,282	\$2,718	45.64%
June 2009	\$12,775	\$2,718	\$15,493	\$5,112	\$10,381	33.00%
March 2010	\$5,000	\$10,381	\$15,381	\$0	\$15,381	0.00%
<i>All Programs</i>						
Program Year	Annual Allocation	Carryover	Total Allocated	Spent	Balance	% Spent
June 2008	\$165,000	\$0	\$165,000	\$30,641	\$134,359	18.57%
June 2009	\$172,775	\$134,359	\$307,134	\$160,128	\$147,006	52.14%
March 2010	\$167,410	\$147,006	\$314,416	\$46,614	\$267,802	14.83%

Source: Annual allocation, carryover, total allocated, spent and balance figures provided by Mark Martin, May 18, 2010, Responses to MDNR DR No. 1-001. Percentages spent calculated by DNR.

Q. Please describe the performance of Atmos' natural gas energy efficiency initiatives.

A. Atmos has consistently spent substantially less than the amount of funds available to each program, and in each year has carried over a significant balance. For the portfolio as a whole, Atmos' expenditures have never been greater than 52 percent of the available funds.

1 With regard to individual programs, in most years Atmos has spent less than twenty percent
2 of available funds. Three exceptions to this are in the low-income weatherization program
3 for the program year ending in June 2009, where Atmos spent 73 percent of the available
4 funds and in the consumer education program in the program year ending in June 2008 and
5 2009, where Atmos spent 46 and 33 percent respectively. In terms of the balance carried
6 over from year to year, the total portfolio carried over \$134,359 in the program year ending
7 in June 2008 and \$147,006 from the program year ending in June 2009. Based on the
8 available data, which ended in March 2010 and may not reflect any expenses for the balance
9 of 2010, Atmos has an unspent balance of \$267,802. (Source: Mark Martin, May 18, 2010,
10 Responses to MDNR DR No. 1-001.)

11 **Q. What conclusions do you draw from these expenditures?**

12 A. Considering expenditures, Atmos' low-income weatherization program appears to be more
13 successful than Atmos' non-low-income weatherization energy efficiency programs, in
14 relation to the program budget, the number of low-income households receiving
15 weatherization assistance and the projected energy savings due to these investments. For
16 example, without further formal evaluation of the non-low income weatherization energy
17 programs, it is difficult to assess performance. It is clear, however, that the expenditures
18 reported by Atmos are far below the funding level directed by the Commission as a condition
19 of approval of a fixed delivery charge rate design in Atmos' last rate case. Atmos is
20 requesting that the costs of its energy efficiency programs be borne by ratepayers. In
21 exchange for this shift of costs from shareholders to ratepayers, DNR maintains that
22 ratepayers should see the benefits from the energy efficiency programs. At the very least,

1 and regardless of who bears the program costs, Atmos should be compelled to spend the
2 funds ordered by the Commission..

3 **Q. Please explain.**

4 A. It is clear that Atmos has not funded programs to the level ordered by the Commission.

5 Regardless of whether program costs are borne by Atmos' shareholders or ratepayers, Atmos
6 should develop a program plan that aggressively supports energy efficiency. Atmos should
7 use the more than a quarter million dollars of unspent funds and develop rebate programs that
8 include more measures and develop educational programs focused increasing the energy
9 awareness of the general public, not just focused on distributing information to elementary
10 and middle school students. If the Commission decides that program costs should be borne
11 by ratepayers, it is imperative that Atmos make the necessary investments to support
12 aggressive levels of energy efficiency.

13 **Q. Do you have an example of Missouri gas utility that has a better record of performance**
14 **related to energy efficiency programs?**

15 A. Yes, AmerenUE's natural gas rebate program.

16 **Q. Please describe the performance of AmerenUE's natural gas rebate program.**

17 A. AmerenUE (natural gas) initiated a similar natural gas rebate pilot program with funding at
18 \$165,000 over a 3-year period. Pursuant to the Stipulation and Agreement in Case No. GR-
19 2003-0517, a collaborative group consisting of AmerenUE, Staff, OPC and the DNR was
20 established to design the components of the residential and commercial energy efficient
21 equipment program. The collaborative has met regularly since the inception of the program.
22 AmerenUE provided funding of \$55,000 in 2004, \$81,550 in 2005 and \$55,800 in 2006 to
23 support rebate programs for ENERGY STAR® qualified residential furnace replacement and

1 residential programmable thermostats; residential hot water heater wraps, hot water pipe
2 insulation and low flow showerheads and commercial ENERGY STAR® qualified energy
3 efficient natural gas utilization equipment.

4 Since its inception, AmerenUE has successfully implemented the rebate program,
5 including the commercial rebate component. September 2007 marked the end of the third
6 and final phase of the program authorized in Case No. GR-2003-0517, and AmerenUE has
7 expended nearly all available funds. Because of the success of the program, in AmerenUE's
8 last general rate case, Case No. GR-2007-0003, the Commission approved the continuation
9 of the program with funding at \$100,000 per year, nearly doubling energy efficiency
10 investments (Stipulation and Agreement, GR-2007-0003, pg. 17). The energy efficiency
11 initiatives continue to make progress with AmerenUE proposing a new series of efficiency
12 strategies for review and implementation.

13 **Based on the success of a similar sized energy efficiency program by AmerenUE (natural**
14 **gas), what do you recommend for Atmos?**

15 A. Because AmerenUE has an energy efficiency program budget similar in size to Atmos and
16 has successfully implemented the program, Atmos can and should do the same.

17 **Q. Please summarize your testimony.**

18 A. Greater investments in natural gas energy efficiency initiatives based on a funding target
19 provides greater assets to fully evaluate and implement cost-effective energy efficiency
20 programs. Through effective planning, well designed and cost-effective energy efficiency
21 programs may be implemented that achieve identifiable reductions in natural gas
22 consumption resulting in lower utility bills that, when coupled with other utility funding and
23 energy efficiency initiatives, may lead to lower natural gas wholesale prices. An advisory

