

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

WPS Resources Corporation, Peoples Energy)
Corporation, The Peoples Gas Light and Coke)
Company, and North Shore Gas Company)
)
Application pursuant to Section 7-204 of the)
Public Utilities Act for authority to engage in a)
Reorganization, to enter into an agreement with)
affiliated interests pursuant to Section 7-101,)
And for such other approvals as may be required)
under the Public Utilities Act to effectuate the)
Reorganization.)

Docket No. 06-0540

Surrebuttal Testimony of

ILZE RUKIS

Manager – Alternative Resources

WISCONSIN PUBLIC SERVICE CORPORATION

1 Q. Please state your name and business address.

2 A. My name is Ilze Rukis. My business address is Wisconsin Public Service Corporation,
3 700 North Adams Street, P. O. Box 19001, Green Bay, Wisconsin 54307-9001.

4

5 Q. By whom are you employed and what position do you hold?

6 A. I am Manager - Alternative Resources in Regulatory Affairs for Wisconsin Public
7 Service Corporation (“WPSC”), a gas and electric utility subsidiary of WPS Resources
8 Corporation.

9

10 Q. Please describe your education and business experience.

11 A. I have an MBA degree from Indiana University (Bloomington) with a marketing
12 emphasis. I have worked in the electric utility industry since 1979 in various positions
13 including corporate governance, finance, and financial analysis. Since 1987, I have been
14 involved with public benefits, such as low income, energy efficiency, distributed
15 generation and renewables, and more recently, related issues such as decoupling. I have
16 been employed by WPSC since 1993.

17

18 Q. What is the purpose of your surrebuttal testimony in this docket?

19 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Mr.
20 Charles Kubert on behalf of the Environmental Law and Policy Center (“ELPC”) on
21 issues related to energy efficiency.

22

23 Q. Mr. Kubert states at page 4, lines 20-21, of his rebuttal testimony that the “most relevant
24 test for the purpose of this proceeding is the utility benefit-cost ratio. Do you agree?

25 A. No, I do not. While the utility benefit-cost ratio is one test for evaluating energy
26 efficiency programs, it is not the only test to consider when deciding whether and how to
27 provide certain types of energy efficiency services. As discussed by Dr. Kushler in his
28 testimony, a set of benefit-cost tests called the California integrated resource tests have
29 been established to provide a consistent analytical framework to assess the costs and
30 benefits of public benefit programs like energy efficiency programs. These tests evaluate
31 benefits and costs from four different perspectives: societal, participant, utility (or the
32 utility revenue requirements test) and ratepayer (or the non-participant test). These tests
33 have been in use for a long period of time and are generally understood. All of these tests
34 should be considered in deciding whether to offer energy efficiency programs through a
35 utility, what programs to offer, and what level of resources to devote to the programs
36 offered.

37
38 Q. Do you agree with Mr. Kubert’s argument at page 7, lines 4-10, of his rebuttal testimony
39 that his energy efficiency proposal would have no adverse rate impact on retail customers
40 “to the extent that the Commission orders energy efficiency expenditures to be funded by
41 shareholders”?

42 A. No, I do not. Having shareholders pay for the costs of an energy efficiency program is
43 not an appropriate method of mitigating the adverse rate impacts of energy efficiency
44 programs. A utility is entitled to recover all its reasonable and prudent costs of providing
45 utility service, which include the costs of such programs. In addition, having

46 shareholders bear these costs will not insulate customers from adverse rate impacts.
47 Rates will be affected by both the costs of an energy efficiency program that are not
48 funded by shareholders and by the decreased usage of natural gas that results from the
49 program. All else equal, a successful energy efficiency program that lowers the therm
50 sales of a utility will require the utility to increase its retail rates in order to provide
51 recovery of its fixed and variable costs, including return on its rate base.

52

53 Q. Mr. Kubert states at page 7, line 21, to page 8, line 4, of his rebuttal testimony that “[t]o
54 the extent that energy efficiency investments help to lower (winter) peak demand, the
55 utility does not have to procure as much natural gas on the margin. This should, in turn,
56 lower the average price paid for natural gas which is passed to all customers”. What is
57 your response?

58 A. Mr. Kubert’s statement would be true if winter peak demand and only winter peak
59 demand is reduced or eliminated, or if the winter peak demand therms were reduced in a
60 greater proportion than therms purchased at other times of the year. This premise is
61 unrealistic. In practical terms, winter peak shaving would require such actions as
62 residential and commercial customers turning their thermostats down on the coldest days
63 of the year, when furnaces are working full capacity to maintain an indoor temperature at
64 whatever the degree setting. It is unlikely that customers will readily adopt this practice.
65 For this reason, a winter peak shaving program is not likely to result in any material
66 reduction in the utility’s winter peak demand or in the utility’s average system cost of
67 gas.

68

69 Energy efficiency alone, will not reduce average system costs because energy efficiency
70 is proportional across all hours. The most commonly implemented types of gas-related
71 energy efficiency programs for residential and commercial customers, such as funding
72 home insulation and providing rebates for more efficient furnaces and water heaters, do
73 not provide any more savings during peak periods than at any other time of the year.

74

75 Q. How can energy efficiency programs result in a decrease of both peak demand and
76 average system costs?

77 A. This will require “demand destruction,” the elimination of statewide demand as the result
78 of a comprehensive and on-going statewide or regional energy efficiency strategy
79 implemented by all utilities. Because of the regional nature of natural gas markets,
80 actions by individual utilities are unlikely to have the kind of impact on statewide or
81 regional demand that is required to reduce the market price of gas. Only a material
82 reduction in statewide or regional demand can result in a decrease in the market price of
83 gas and therefore reduced average system costs. This is the practical reason why energy
84 efficiency should be implemented on a statewide or regional basis.

85

86 Q. Is it appropriate for Mr. Kubert to extrapolate 2005 program cost and benefit data from
87 MidAmerican Energy to estimate costs and benefits of a program offered by Peoples Gas
88 in the Chicago area?

89 A. No, it is not. MidAmerican Energy’s Iowa service territory consists of rural areas and
90 much smaller cities and towns than the City of Chicago, with Des Moines being the
91 largest city. Its social and economic demographics, existing housing stock and new

92 housing construction, equipment use and saturations are undoubtedly much different than
93 those in the Chicago area. Program design including delivery and rebate levels,
94 implementation costs, potential for savings, and resulting attributable therm savings
95 would all be different between the two areas. Mr. Kubert's conclusion that an energy
96 efficiency program in the Gas Companies' service territories "would yield \$77 million in
97 avoided gas purchases over the life of those efficiency measures, [representing] almost a
98 4:1 benefit-cost ratio" (page 5, lines 18 – 21) assuming a funding level of \$20 million is
99 completely speculative.

100
101
102
103
104
105
106
107
108
109
110
111
112
113
114

Q. Do you have an overall conclusion?

A. Yes. Considerably more analysis is required before the Commission could make a
determination that the Gas Companies should be required to implement energy efficiency
programs and, if so, what programs and what level of funding would be appropriate. The
answers to these questions require a comprehensive analysis of program costs and
benefits to participating and non-participating customers, relying on the generally
accepted California integrated resources tests. Because only statewide or regional
demand destruction can result in material reductions in the market cost of gas and utility
system average costs, the Commission should consider energy efficiency a statewide
energy policy issue and analyze alternatives in the context of a generic proceeding
involving all Illinois gas utilities and other stakeholders. It is my understanding that the
Commission has already decided that such a generic proceeding is the appropriate forum
for consideration of these issues.

115 Q. Does this conclude your surrebuttal testimony?

116 A. Yes, it does.