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MISSOURI PUBLIC SERVICE COMMISSION

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2014-0370

DIRECT TESTIMONY

OF

JOHN BUCHANAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri
 April 2, 2014

(Revenue Requirement)

DED- DE Exhibit No. 350
 Date 6.15.15 Reporter AT
 File No. ER.2014.0370

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

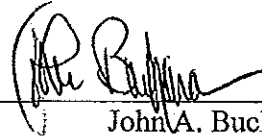
In the Matter of Kansas City Power & Light)
Company's Request for Authority to Implement a) Case No. ER-2014-0370
General Rate Increase for Electric Service)

AFFIDAVIT OF JOHN A. BUCHANAN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

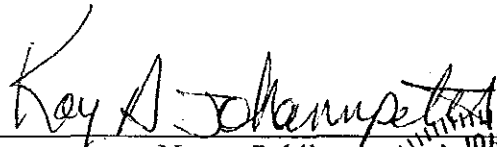
John A. Buchanan, of lawful age, being duly sworn on his oath, deposes and states:

1. My name is John A. Buchanan. I work in the City of Jefferson, Missouri, and I am employed by the Missouri Department of Economic Development as Senior Planner, Division of Energy.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of the Missouri Department of Economic Development – Division of Energy.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge.



John A. Buchanan

Subscribed and sworn to before me this 31th day of March, 2015



Notary Public

My commission expires:

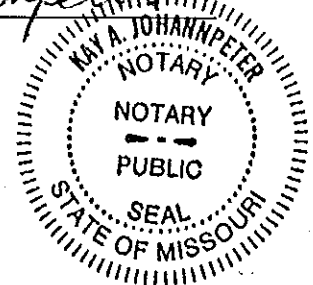
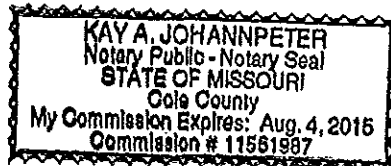


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1 **I. INTRODUCTION**

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

3 A. John Buchanan, Missouri Department of Economic Development, Division of Energy, 301
4 West High Street, Suite 720, Jefferson City, Missouri.

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

6 A. The Division of Energy ("DE") is a division of the Missouri Department of Economic
7 Development ("DED") and is the designated state energy office in Missouri responsible for
8 the administration of several federal energy programs and grants including the federal Low
9 Income Weatherization Assistance Program ("LIWAP" or "Weatherization"). The DE is
10 also responsible for administering the federal State Energy Program ("SEP") established by
11 the United States Congress in 1978, which is managed nationally by the United States
12 Department of Energy ("USDOE"). The SEP consists of several statewide energy efficiency
13 programs administered by the DE and funded by the USDOE. The DE is vested with the
14 powers and duties set forth in Section 640.150, RSMo.

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

16 A. I am the Senior Planner in the DE's Energy Policy and Resources Program.

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

18 A. I am testifying on behalf of the DE, an intervenor in these proceedings.

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

20 A. I joined the Missouri Department of Natural Resources' ("DNR") DE in July of 1980 as
21 director of the Missouri Residential Conservation Service Program ("RCS"); a
22 Congressionally mandated investor-owned electric and natural gas utility Demand-Side
23 Management initiative. In 1986, I was promoted to serve as the Senior Planner within the

1 Director's Office at the DE. In this capacity, I was involved in a variety of programs and
2 projects addressing energy, environmental, and natural resource issues. In October 1995, I
3 was appointed as a Senior Planner within the Policy and Planning Unit at the DE where my
4 responsibilities include preparation of testimony filed in general rate or other cases by the
5 DNR before the Missouri Public Service Commission ("Commission"), energy efficiency
6 program design and development, energy emergency planning, energy supply and price
7 monitoring and energy-related policy development. Governor Jay Nixon, by Executive
8 Order 13-03, transferred the DE from the DNR to the DED effective August 28, 2013. Prior
9 to my employment with the DNR, I served as Special Assistant to the Mayor, City of
10 Columbia, Missouri for two years. I have a Bachelor of Arts degree in Political Science from
11 Columbia College. I am also a former Fellow of Missouri University, where I received my
12 Master of Science in Public Administration.

13 **Q. Are you currently working with Missouri utilities to implement energy efficiency**
14 **initiatives?**

15 A. Yes. Since 1980 I have worked directly with investor-owned regulated electric and natural
16 gas utilities on several energy efficiency initiatives including the federal RCS. This was the
17 first nationwide utility-sponsored non-low-income residential energy efficiency program
18 administered under the guidance of the USDOE. In addition, the DE is a charter member of
19 several electric and natural gas energy efficiency collaboratives authorized by the
20 Commission. I serve as DE's designated representative on the following utility efficiency
21 collaboratives:

- 22 1) Ameren Missouri (electric and gas);
23 2) Empire District Electric Company;

- 1 3) Empire District Gas Company;
- 2 4) Laclede Gas Company;
- 3 5) Liberty Utilities (formerly Atmos Energy Corporation)
- 4 6) Missouri Gas Energy; and,
- 5 7) Summit Natural Gas Company of Missouri.

6 I currently participate in Kansas City Power & Light Company (“KCP&L” or
7 “Company”) Demand-Side Management Advisory Group (“DSMAG”) meetings and
8 currently work with KCP&L on issues regarding its Income Eligible Weatherization (“IEW”)
9 program.

10 **II. PURPOSE AND SUMMARY OF RECOMMENDATIONS**

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

12 A. The purpose of my direct testimony is to address KCP&L’s IEW program. I will specifically
13 offer testimony regarding the need to address continuity issues among current Missouri
14 investor-owned low-income weatherization programs; and, the LIWAP.

15 **Q. What recommendations do you have regarding KCP&L’s IEW?**

16 A. To assist KCP&L in its on-going energy efficiency initiatives that address the needs of low-
17 income residential customers and to help those customers improve or reduce energy
18 consumption in an effort to lower utility bills, promote timely utility bill payments; and, to
19 reduce or avoid service disconnections, the DE recommends that the Commission:

- 20 • At the conclusion of KCP&L’s current Missouri Energy Efficiency Investment Act
21 (“MEEIA”) cycle in December 2015, require KCP&L to continue the IEP
22 independent of MEEIA. KCP&L should be allowed to recover any outstanding
23 program costs, through a disincentive and incentive component for the period that

1 the program was under MEEIA through its Demand-Side Programs Investment
2 Mechanisms (“DSIM”); and,

- 3 • Authorize KCP&L to recover customer contributions to annual low-income
4 weatherization service program expense in base rates, consistently and in keeping
5 with the Commission’s funding approval for weatherization services provided by all
6 other Missouri regulated investor-owned electric and natural gas utilities (with the
7 exception of KCP&L – Greater Missouri Operations (“KCP&L/GMO”).

8 **Q. How do program participants benefit from low-income residential weatherization?**

9 A. Home heating is a high cost for individuals with low incomes. Overall, low-income
10 households that qualify for Weatherization spend more of their income on energy needs
11 compared to non-low-income households. The decision and ability to pay one’s utility bill
12 often compete with other necessities. Many low-income individuals served by KCP&L live
13 in older homes equipped with older, less-efficient heating systems and generally lack energy-
14 efficiency measures such as insulation. Weatherization reduces space heating fuel
15 consumption, lowering the cost of home heating and potentially the cost of other energy uses.
16 Weatherization is also a cost-effective means to help low-income individuals or families pay
17 their energy bills year after year for the life of the energy-efficiency product.

18 **Q. How do other customers and the State benefit from low-income residential**
19 **weatherization?**

20 A. Weatherization has been shown to have a positive impact on households’ ability to maintain
21 service, make timelier and more complete utility bill payments and to reduce arrearages. For
22 example, two separate evaluations found:

1 The average number of disconnects for participants declined (by
2 133%) compared to the control group.¹

3
4 The percent of payments made by participants increased by an average of 5%
5 compared to the control group.²

6 [T]he program benefited them by reducing their bills, improving the safety and
7 comfort of their home, lowering their energy use, and providing energy education.³

According to the Weatherization Assistance Program Technical Assistance Center⁴:

8 Weatherization creates non-energy benefits as well, including increased property
9 value, reduced incidence of fire, reduced utility arrearages and bad debt, federal taxes
10 generated from employment, income generated from indirect employment, avoided
11 costs of unemployment benefits, and reduced pollution.

12 By supporting energy efficiency, rate-payers benefit from reduced collection costs.
13 Improved affordability which results in higher utility service subscription levels also allows
14 for greater sharing of fixed system costs across customers.

15 Tax-payers benefit from low-income weatherization because it reduces the amount of
16 state and federal assistance needed to pay higher utility bills. The State also benefits from
17 improved health and well-being of a particularly vulnerable population. Weatherization
18 activities conducted by local community action agencies can also work to keep money in
19 local economies.

¹ Residential Low Income Weatherization Program Evaluation, The Cadmus Group, page 16, July 2012.

² *Ibid.*

³ Ameren Low-Income Weatherization Program, Final Evaluation Report, APPRISE, December 2009, page E12.

⁴ "Short and Long-Term Perspectives: The Impact on Low-Income Consumers of Forecasted Energy Price Increases in 2008 and a Cap-and-Trade Carbon Policy in 2030, ORNL/CON-503", Oak Ridge National Laboratory, Oak Ridge, Tennessee, December - 2007; January MIDWINTER UPDATE, "Estimating the National Effects of the U.S. Department of Energy's Weatherization Assistance Program with State-Level Data: A Metaevaluation Using Studies from 1993 to 2005", ORNL/CON-493, Oak Ridge National Laboratory, Oak Ridge, Tennessee, September, 2005; and the EIA ORNL/TM-2010/66, EIA February 2010 Short Term Energy Outlook.

1 **Q. Are there utility benefits from low-income energy efficiency services?**

2 A. Yes. In addition to looking at energy-efficiency from the household perspective, it is
3 beneficial to examine the benefits of a low-income energy-efficiency program from the
4 perspective of energy service providers. Extensive research has found that low-income
5 energy-efficiency programs result in substantial non-energy savings to utilities. These non-
6 energy savings include reductions in working capital expense, uncollectible accounts, credit
7 and collection expenses, and other benefits.

8 **III. FEDERAL LOW INCOME WEATHERIZATION ASSISTANCE PROGRAM**

9 **Q. Please describe the federal Low Income Weatherization Assistance Program.**

10 A. In response to the energy crisis of the early 1970s, Congress established the Weatherization
11 program. As Missouri's state energy office, the DE administers the federal program. The
12 Weatherization program provides cost-effective energy-efficient home improvements to
13 Missouri's low-income households, especially the elderly, children, those with physical
14 disadvantages, and others most affected by high utility costs. The program's goal is to lower
15 utility bills and improve comfort while ensuring health and safety. Today, Weatherization is
16 the nation's and Missouri's oldest and largest residential energy efficiency program. Since
17 its inception in 1977, over 180,000 Missouri homes have been weatherized through the
18 LIWAP.

19 The LIWAP uses a "whole house retrofit" approach to building improvement.
20 Participating houses undergo a thorough energy audit for leaks and substandard or
21 malfunctioning equipment (such as heaters), followed by repairs and equipment replacement
22 conducted by trained weatherization professionals. After repairs are complete, a second

1 home audit is performed to verify that retrofits were installed properly. Work on eligible
2 homes is performed by 19 subgrantees, which consist of Community Action Agencies or
3 local non-profit agencies situated to serve every region of Missouri. The DE administers the
4 grant from USDOE and liaisons with the USDOE for receipt, processing and administration
5 of the federal grant funds. The DE processes all required reporting and responds to federal
6 and state auditors. The DE also administers the subgrant process by which funds are
7 provided to the local agency subgrantees by obtaining budgets, allocating funds and drafting
8 subgrant documents for execution by the DE and each agency. Once subgrants are executed,
9 the DE provides technical and fiscal training, technical monitoring (desk reviews and field
10 inspections) and fiscal oversight (desk and on-site review of agency processes and program
11 compliance) of the subgrantees.

12 **Q. What are the current sources of funding to weatherize homes of low-income residents of**
13 **Missouri administered by the DE?**

14 A. Funding comes primarily from two sources⁵, the federal government and four Missouri
15 utilities. Funding from federal sources is part of the DE's allocation from the USDOE, under
16 a formula allocation based on population, local climatic conditions, and the cost of heating
17 and cooling for low-income residences.⁶

18 The second source of funding is from customer and shareholder contributions provided
19 by Missouri investor-owned electric and natural gas utilities. DE administers utility
20 weatherization funds approved by the Commission in various cases for four utilities:

⁵ Low Income Heating Energy Assistance Program (LIHEAP) funds have been used in the past and will be used in the 2014/2015 LIWAP program year to weatherize homes, but have not been available on an annual basis. LIHEAP funds will not be addressed in testimony.

⁶ See http://www1.eere.energy.gov/wip/wap_allocation.html

- 1) Ameren Missouri (electric);
- 2) Ameren Missouri (natural gas);
- 3) Laclede Gas Company; and,
- 4) Liberty Gas.

DE administers utility weatherization funds consistent with the guidelines of the federal Weatherization program. Regardless of source, funds are passed through the DE to the various subgrantees to provide vital weatherization services, under federal administrative guidelines, throughout the state. Utility weatherization funds are used to improve the energy efficiency and health and safety of the homes of eligible utility customers in their respective service territories.

Q. Please identify regulated investor owned utility-based weatherization fund sources that are not administered by the DE.

A. The Commission has authorized weatherization programs for the following Missouri regulated investor-owned electric and natural gas companies:

- 1) Empire District Electric Company;
- 2) Empire District Gas Company;
- 3) Missouri Gas Energy;
- 4) Kansas City Power & Light Company;
- 5) Kansas City Power & Light Company/Greater Missouri Operations Company; and,
- 6) Summit Natural Gas Company of Missouri.

These utilities operate their weatherization program independent of Missouri's federal LIWAP. Each utility provides supplemental funding to the community action agencies that deliver federal LIWAP within their Missouri service territory through individual cooperative agreements. Generally, the utility programs are designed to align with the federal program

1 allowing for greater leveraging of federal funding for in-state weatherization. This is a key
2 reason to create uniformity and consistency in utility weatherization programs.

3 **Q. Which electric utilities operate their weatherization program under MEEIA?**

4 A. Only KCP&L and KCP&L/GMO operate their weatherization programs under MEEIA.

5 **IV. KCP&L'S WEATHERIZATION PROGRAM**

6 **Q. Please describe KCP&L's weatherization program.**

7 A. KCP&L's weatherization program is described by the Company's current tariff in Sheet 1.91
8 and Sheet 1.92.

9 **Q. What is KCP&L's annual weatherization budget?**

10 A. For program year 2014, KCP&L's weatherization budget was \$573,888.00 supporting
11 weatherization services by 5 local community action agencies within KCP&L's Missouri
12 service territory. The Company reimburses each agency for weatherization expenses incurred
13 on a monthly basis.

14 **Q. Please describe weatherization continuity issues among current Missouri investor-**
15 **owned low-income weatherization programs.**

16 With the exception of KCP&L and KCP&L/GMO, the Commission has authorized funding
17 for weatherization services provided by Missouri regulated investor-owned utilities through
18 customer contributions in base rates. In addition to program consistency, base rate recovery
19 is preferable to recovery through the MEEIA cost recovery mechanism for reasons of
20 program continuity. Commission authorization for all utility-sponsored weatherization
21 funding through base rates works to ensure continuity between all investor-owned energy
22 utilities in Missouri. Investor-owned electric utilities offer MEEIA on a voluntary basis.

1 Including weatherization programs through MEEIA does not insure that weatherization will
2 be offered if a utility does not participate in MEEIA. Recently there have also been delays
3 and disagreement regarding proposed MEEIA portfolios. Lapses between approved MEEIA
4 plans could disrupt continued availability of weatherization services.

5 **Q. Please summarize your testimony.**

6 A. The Missouri State Legislature in 2009⁷ recognized that low-income programs, including
7 weatherization, provide several benefits beyond energy efficiency and are in the public
8 interest. DE's recommended funding approach assures program consistency and continuity
9 and allows the recovery of annual weatherization funding as costs occur. Significant strides
10 have been made by Missouri investor-owned electric and natural gas utilities, including
11 KCP&L, to implement low-income energy efficiency programs in Missouri. These
12 investments over the past two decades should continue to be strongly supported at adequate
13 levels to ensure their on-going success. The DE respectfully recommends, therefore, that the
14 Commission address and authorize the following:

- 15 • At the conclusion of KCP&L's current MEEIA cycle in December 2015, require
16 KCP&L to continue the IEP independent of MEEIA. KCP&L should be allowed to
17 recover any outstanding program costs, throughput disincentive and performance
18 incentive components for the period that the program was under MEEIA through the
19 Company's DSIM; and,
- 20 • Authorize KCP&L to recover customer contributions to annual low-income
21 weatherization service program funding through base rates consistent and in keeping
22 with the Commission's funding approval for weatherization services provided by all

⁷ Section 393.1075, RSMo, Missouri Senate Bill 376, August 2009.

1 other Missouri regulated investor-owned electric and natural gas utilities (with the
2 exception of KCP&L/GMO).

3 **Q. Does this conclude your direct testimony?**

4 A. Yes. Thank you.