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Energy Efficiency and  
Low Income Weatherization Assistance  
John Buchanan  
Missouri Department of Economic  
Development - Division of Energy  
Surrebuttal Testimony  
ER-2014-0351

**MISSOURI PUBLIC SERVICE COMMISSION**

**EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2014-0351**

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN BUCHANAN**

**ON**

**BEHALF OF**

**MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT**

**DIVISION OF ENERGY**

Jefferson City, Missouri  
March 24, 2015

DE Exhibit No. 402  
Date 4-14-15 Reporter KF  
File No. ER-2014-0351



**TABLE OF CONTENTS**

I.	INTRODUCTION.....	2
II.	EXECUTIVE SUMMARY.....	2
III.	RESPONSE TO STAFF.....	3
IV.	RESPONSE TO EMPIRE.....	5

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. Have you previously filed testimony in this case?**

6 A. Yes. On January 29, 2015, I filed Direct Testimony and on March 9, 2015, I filed Rebuttal  
7 Testimony addressing low income weatherization assistance issues on behalf of the Missouri  
8 Department of Economic Development's Division of Energy ("DE").

9 **Q. Are you adopting previously filed testimony on behalf of the DE?**

10 A. Yes, I am adopting the Direct Testimony of Dr. Alex Schroeder, Planner III – Senior Energy  
11 Policy Analyst with the DE, addressing energy efficiency issues on behalf of the DE filed on  
12 January 29, 2015. Dr. Schroeder has accepted a position with the Federal Energy Regulatory  
13 Commission in Washington, D.C.

14 **Q. On whose behalf are you presenting Surrebuttal Testimony in this case?**

15 A. Like my Direct and Rebuttal Testimony, I am testifying on behalf of the DE.

16 **II. EXECUTIVE SUMMARY**

17 **Q. What is the purpose of your Surrebuttal Testimony in these proceedings?**

18 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony of Public  
19 Service Commission ("Commission") Staff ("Staff") witness Michael L. Stahlman<sup>1</sup> regarding  
20 Empire District Electric Company's ("Empire" or "the Company") Low Income

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<sup>1</sup> Missouri Public Service Commission Case No. ER-2014-0351, *In In the Matter of The Empire District Electric Company for Authority To File Tariffs Increasing Rates for Electric Service Provided to Customers In the Company's Missouri Service Area*, Michael L. Stahlman, Rebuttal Testimony, March 2015.

1 Weatherization Program (“LIWAP”); and, the Rebuttal Testimony of Empire witness W.  
2 Scott Keith<sup>2</sup> regarding the Company’s LIWAP and energy efficiency programs.

3 **III. RESPONSE TO STAFF**

4 **Q. Please summarize Staff’s position regarding Empire’s LIWAP.**

5 A. Staff witness, Mr. Stahlman, presents Staff’s position as follows:

6 Staff recommends that Empire continue its Low-Income  
7 weatherization program as described in the Company’s tariff and  
8 record expenditures in a regulatory asset account. Staff continues to  
9 recommend, as stated in the Staff’s Revenue Requirement Cost of  
10 Service Report, that an evaluation of the program be performed and  
11 that Empire invite MGE to one or more of the collaborative meetings  
12 to discuss the evaluation and the potential of providing the evaluator  
13 with a customer’s natural gas information.<sup>3</sup>

14 **Q. Do you agree with Staff’s position and recommendation?**

15 A. I agree with Staff’s assessment of the benefits of the Low-Income Weatherization  
16 program. According to Mr. Stahlman<sup>4</sup>:

17 Empire began providing supplemental funding as part of the  
18 Stipulation and Agreement in File No. ER-2004-0570. Staff supported  
19 the funding of the Low-Income Weatherization program in that case  
20 due to programs of this nature having shown an impact on the ability  
21 of low-income customer’s to pay their energy bills which would in  
22 turn reduce Empire’s amount of arrearages.<sup>5</sup> Additionally, Staff  
23 recognized that the Low-Income Weatherization program can also  
24 improve the safety and comfort level of the home while reducing  
25 energy usage.<sup>6</sup> Therefore, Staff recognized and continues to recognize  
26 that low income weatherization programs promote public policies  
27 beyond a demand-side resource program.

<sup>2</sup>Missouri Public Service Commission Case No. ER-2014-0351, *In the Matter of The Empire District Electric Company for Authority To File Tariffs Increasing Rates for Electric Service Provided to Customers In the Company’s Missouri Service Area*, W. Scott Keith, Rebuttal Testimony, March 2015.

<sup>3</sup>Stahlman, *op. cit.*, page 4, lines 11 – 16.

<sup>4</sup>*Ibid.*, page 3, lines 4 – 12.

<sup>5</sup>Missouri Public Service Commission Case No. ER-2004-0570, *In the Matter of the Tariff Filings of The Empire District Electric Company to Implement General Rate Increase for Retail Electric Service Provided to Customers in its Missouri Service Area*, Lena M. Mantel, Rebuttal Testimony, November 4, 2004, page 4, lines 21 – 23.

<sup>6</sup>*Ibid.*, page 5, lines 1 – 3.

1           However, I disagree with Staff's evaluation proposal. As noted in my Rebuttal  
2           Testimony, Empire's Low Income Weatherization Program is an established proven  
3           program. The evaluation completed by TecMarket Works in 2009 found:

4                     The services provided are expected to lower participant's utility bills  
5                     and improve their payment performance.<sup>7</sup>

6                     The net savings from the weatherization services is an average of  
7                     2,052 annual kWhs, or a 13.4% decrease in consumption. The electric  
8                     savings for the participant group is estimated at a 1,819 kWhs  
9                     annually, equal to an 11.8% reduction in electricity consumed.<sup>8</sup>

10           The Staff proposal would be duplicative and costly relative to the size of the  
11           program. The proposal would also detract from the tangible benefits associated with  
12           weatherizing homes; including affordability, health, and an improved quality of life.  
13           Diverting funding from weatherization activities in order to fund another evaluation is  
14           unnecessary and should be rejected.

15   **Q. Do you have specific concerns regarding Staff's recommendation?**

16   A. Yes. The Staff has provided insufficient detail regarding a proposed evaluation:

- 17           • The Staff has not quantified the level or source of funds necessary to financially  
18           support the evaluation process. Without such detail, my concern is that funding will  
19           be drawn from funds originally targeted and approved by the Commission for  
20           weatherization services. Empire's annual weatherization program is currently funded  
21           at only \$226,430. An evaluation could cost 25%-50% of the annual budget for the  
22           weatherization program. The cost of an evaluation is a significant expense and  
23           customers served by Empire should not bear the burden of this cost.

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<sup>7</sup> TecMarket Works, An Evaluation of the Low-Income Weatherization Program: Results of an Impact Evaluation, March 2009, page 1.

<sup>8</sup> *Ibid.*

- 1           • DE is unaware of any prior discussion or recommendation by Staff within Empire's  
2           Demand Side Management advisory group or Missouri Gas Energy's ("MGE")  
3           energy efficiency collaborative regarding a joint Empire/MGE low income  
4           weatherization evaluation. It is premature and imprudent to tie-up funds for a  
5           potential evaluation without a fully developed plan.

6 **IV. RESPONSE TO EMPIRE**

7 **Q. Please summarize Empire's position regarding LIWAP.**

8 A. According to Empire witness, W. Scott Keith:

9           DE witnesses John Buchanan and Alex Schroeder recommend that  
10          Empire be ordered to continue to fund all of the programs in Empire's  
11          existing energy efficiency program portfolio. In addition, the Staff in  
12          its Cost of Service Report recommended that Empire be ordered to  
13          perform another evaluation of the low income program. While the  
14          Staff report did not address overall program continuation, since the  
15          Staff has recommended additional program evaluation, it appears the  
16          Staff intends for these programs to continue.<sup>9</sup>

17 Mr. Keith continues:

18          Empire is opposed to both recommendations. Neither Staff nor DE  
19          recommends any improvement in the current cost recovery  
20          mechanism. The Staff's recommendation to spend even more on  
21          program evaluation is particularly unreasonable, given the less than  
22          adequate nature of cost recovery that currently exists.<sup>10</sup>

23 **Q. Did DE propose an alternative funding mechanism?**

24 A. Yes. DE proposed that the Commission approve recovery of Empire's LIWAP  
25          expense through base rates.<sup>11</sup>

26 **Q. Please summarize Empire's position on energy efficiency portfolio funding.**

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<sup>9</sup> Keith, *op.cit.*, page 14, lines 18 – 23.

<sup>10</sup> *Ibid.*, page 15, lines 5 – 9.

<sup>11</sup> Buchanan, *op.cit.*, page 6, line 7.

1 A. According to Mr. Keith:

2 [A] rider that is designed to adjust outside of a general rate case could  
3 be implemented to recover program costs. Empire proposed just such a  
4 rider in connection with its most recent MEEIA filing in Case No. EO-  
5 2014-0030. At the present time, all of Empire's program cost  
6 recoveries are addressed in general rate cases. This is not an acceptable  
7 approach for Empire. Both Ameren and Kansas City Power & Light  
8 have riders in place to recover programs costs outside of their general  
9 rate cases. In order to continue these programs, Empire requests that  
10 an energy efficiency rider be implemented to recover program costs as  
11 a direct surcharge on customer bills outside of the normal rate case  
12 process. The rider can easily be structured to recover actual energy  
13 efficiency program costs, and it is also possible to include incentive  
14 rewards for overall program performance. Given the experience the  
15 DE and Staff have with the Ameren and Kansas City Power & Light  
16 DSIM riders, the concept of a rider for cost recovery should not  
17 present any insurmountable issues for either party.

18 **Q. What is your response to Empire's position on energy efficiency portfolio**  
19 **funding?**

20 A. Empire should strive to make necessary adjustments to their MEEIA application to  
21 allow timely Commission approval. Ameren Missouri, KCP&L and KCP&L/GMO  
22 already have Commission approved MEEIA programs in place.

23 **Q. Does DE's proposal to fund Empire's LIWAP address Mr. Keith's concerns**  
24 **regarding cost recovery?**

25 A. Including the annual cost of LIWAP in base rates could accelerate recovery compared  
26 to a rider.

27 **Q. Please summarize your recommendations.**

28 A. DE recommends that the Commission:



- 1                   • Require Empire to continue to offer current energy efficiency programs  
2                   and LIWAP described by the Company's tariff, following the conclusion  
3                   of this rate case;
- 4                   • Require Empire to continue LIWAP annual funding of \$226,430 to be  
5                   made available to Community Action Agencies providing weatherization  
6                   assistance services within Empire's Missouri service territory;
- 7                   • Recover annual LIWAP expense in base rates.

8   **Q. Does this conclude your surrebuttal testimony?**

9   **A. Yes. Thank you.**