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Low Income Weatherization Assistance

John Buchanan

Missouri Department of Economic  
Development - Division of Energy

Rebuttal Testimony

ER-2014-0351

**MISSOURI PUBLIC SERVICE COMMISSION**

**EMPIRE DISTRICT ELECTRIC COMPANY**

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

**REBUTTAL TESTIMONY**

**OF**

**JOHN BUCHANAN**

**ON**

**BEHALF OF**

**MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT**

**DIVISION OF ENERGY**

Jefferson City, Missouri

March 9, 2015

DE Exhibit No. 401  
Date 4-14-15 Reporter XF  
File No. ER-2014-0351



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

6 A. Yes. On January 29, 2015, I filed direct testimony on behalf of the Missouri Department of  
7 Economic Development's Division of Energy ("DE").

8 **Q. On whose behalf are you presenting rebuttal testimony in this case?**

9 A. Like my direct testimony, I am testifying on behalf of the DE.

10 **II. PURPOSE OF TESTIMONY**

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

12 A. The purpose of my rebuttal testimony is to respond to the direct testimony of the Missouri  
13 Public Service Commission Staff ("Staff") witness Michael L. Stahlman<sup>1</sup> and Empire District  
14 Electric Company ("Empire" or "the Company") witness W. Scott Keith<sup>2</sup> regarding Empire's  
15 Low Income Weatherization Program.

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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*, Staff Report Revenue Requirement Cost of Service, January 29, 2015, pages 104 - 106.

<sup>2</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*, W. Scott Keith, Direct Testimony, August 29, 2014, page 21, lines 13-15 and page 22, lines 1-12.

1 **III. EMPIRE'S LOW INCOME WEATHERIZATION PROGRAM**

2 **Q. What are Staff's comments regarding Empire's Low Income Weatherization Program?**

3 A. According to Mr. Stahlman:

4           The Empire Low-Income Weatherization Program is administered by  
5           the DED-DE and the three DED-DE Weatherization Agencies, the  
6           Economic Security Corporation, the Ozark Area Community Action  
7           Corporation and the West Central Missouri Community Action  
8           Agency. Empire provides supplemental funding to the three DED-DE  
9           Weatherization Agencies to cover the cost of weatherization  
10          measures.<sup>3</sup>

11 Mr. Stahlman goes on to state:

12           Empire's last evaluation of the Low-Income Weatherization program  
13           was completed in 2009...Staff recommends that Empire perform  
14           another evaluation of the Low-Income Weatherization program.<sup>4</sup>

15  
16  
17 **Q. Is Mr. Stahlman correct that DE administers the Empire Low Income Weatherization**  
18 **Program?**

19 A. No. Although DE does administer low-income weatherization programs for other regulated  
20 utilities, including Ameren Missouri (natural gas and electric), Laclede Gas Company and  
21 Liberty Gas; DE does not administer the Empire Low-Income Weatherization Program.

22 **Q. What is DE's response to Staff's recommendation to conduct an evaluation of Empire's**  
23 **Low Income Weatherization Program?**

24 A. DE does not see the need for an evaluation of Empire's Low Income Weatherization  
25 Program. Programs targeted to low income customers do not need to meet a cost-  
26 effectiveness test,<sup>5</sup> nor has cost-effectiveness been a historical mandate for such programs.

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<sup>3</sup>Staff Report Revenue Requirement Cost of Service, *op.cit.*, page 105, lines 7 - 11.

<sup>4</sup>*Ibid.*, page 105, lines 12 - 13 and lines 23 - 24.

<sup>5</sup> Section 393.1075.4 RSMo.

1 An evaluation, therefore, may unnecessarily diminish the availability and effect of Empire's  
2 Low Income Weatherization Program, an established proven program.<sup>6</sup>

3 **Q. Have evaluations been conducted of Empire's Low Income Weatherization Program?**

4 A. Yes, recent evaluations have occurred. At least two Low Income Weatherization Program  
5 evaluations have been completed. TecMarket Works completed an evaluation<sup>7</sup> in 2009. The  
6 evaluation period was October 2006 to September 2008.

7 The Cadmus Group completed an evaluation<sup>8</sup> in 2013 of the Empire District Gas  
8 ("EDG") Company's Missouri Smart Energy Solutions (SES) portfolio that included four  
9 residential programs and two commercial programs that were introduced in April 2010.  
10 EDG's Low Income Weatherization Program was included in that evaluation. The evaluation  
11 period was April 2, 2010 to March 31, 2012.

12 **Q. What were Company's comments regarding Empire's Low Income Weatherization  
13 Program?**

14 A. According to Mr. Keith:

15 Empire recommends that all of the existing pre-MEEIA energy  
16 efficiency programs be terminated and the existing tariff cancelled  
17 when the new rates coming out of this case are approved by the  
18 Commission.<sup>9</sup>

19 **Q. Did Mr. Keith provide an explanation for this recommendation?**

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<sup>6</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*, John Buchanan, Direct Testimony, January 29, 2014, page 5, lines 5 – 21 and page 6, lines 1 – 21.

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

<sup>8</sup> Missouri EDG 2010-2012 Smart Energy Solutions Programs Evaluation, The CADMUS Group, March 1, 2013.

<sup>9</sup> Keith, *op. cit.*, page 21, lines 13 – 15 and page 22, lines 1 – 2.

1 A. According to Mr. Keith:

2 Under current Commission rules, all electric energy efficiency  
3 programs should be approved under the Commission's MEEIA rules.  
4 Empire's existing energy efficiency programs have not been approved  
5 under MEEIA. In addition, Empire has a MEEIA filing in front of the  
6 Commission (Case No. EO-2014-0030) with a portfolio of energy  
7 efficiency programs that would replace the existing programs.  
8 Empire's MEEIA filing also has an improved cost recovery  
9 mechanism that enables Empire to continue to offer energy efficiency  
10 alternatives to our customers without the financial disincentives  
11 associated with the existing pre-MEEIA cost recovery methodology.<sup>10</sup>

12 **Q. Do you agree with Mr. Keith's recommendation and explanation to terminate all**  
13 **Empire energy efficiency programs including Low Income Weatherization?**

14 A. Absolutely not. Every Missouri electric and natural gas regulated investor-owned utility  
15 currently has a Low Income Weatherization Program approved by the Commission. Low  
16 income weatherization assistance programs approved by the Commission and administered  
17 by regulated electric and natural gas utilities are in the public interest and benefit  
18 participants and non-participating customers by addressing health, safety and energy issues.  
19 To recommend, as Empire has, that the Commission should approve higher electric rates  
20 while allowing the Company to eliminate its existing energy efficiency portfolio, is troubling.

21 DE expert witness, Dr. Alex Schroeder, provides a thorough summary of Empire's  
22 energy efficiency programs and the importance of continuing these programs following the  
23 conclusion of this rate case. Dr. Schroeder also provides additional detail addressing the  
24 Missouri Energy Efficiency Investment Act ("MEEIA").

25 Therefore, for the reasons cited by Dr. Schroeder as well as those in my direct testimony, DE  
26 recommends the Commission:

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<sup>10</sup> *Ibid.*, page 22, lines 4 – 12.

- 1           • Require Empire to continue its low income weatherization assistance program  
2           described in the Company's tariff, Revised Sheet 8c, following the conclusion of this  
3           rate case;
- 4           • Require Empire to continue annual funding of \$226,430 to be made available to  
5           Community Action Agencies providing weatherization assistance services within  
6           Empire's Missouri service territory;
- 7           • Recover annual low income weatherization service program expense in base rates.

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

9 A. Yes. Thank you.