

Exhibit No.:
Issues: Low Income Weatherization Assistance
Witness: John Buchanan
Sponsoring Party: Missouri Department of Economic
Development - Division of Energy
Type of Exhibit: Direct Testimony
Case No.: ER-2014-0351

MISSOURI PUBLIC SERVICE COMMISSION

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2014-0351

DIRECT TESTIMONY

OF

JOHN BUCHANAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri
January 29, 2014

(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 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 programs and grants including the federal Low Income
9 Weatherization Assistance Program (“LIWAP”). The DE is also responsible for
10 administering the federal State Energy Program (“SEP”) established by the United States
11 Congress in 1978, which is managed nationally by the United States Department of Energy
12 (“USDOE”). The SEP consists of several statewide energy efficiency programs administered
13 by the DE and funded by the USDOE. The DE is vested with the powers and duties set forth
14 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, a congressionally
22 mandated investor-owned electric and natural gas utility Demand Side Management

1 initiative. In 1986, I was promoted to serve as the Senior Planner within the Director's
2 Office at the DE. In this capacity, I was involved in a variety of programs and projects
3 addressing energy, environmental, and natural resource issues. In October 1995, I was
4 appointed as a Senior Planner within the Policy and Planning Unit at the DE where my
5 responsibilities include preparation of testimony filed in general rate or other cases by the
6 DNR before the Missouri Public Service Commission ("Commission"), energy efficiency
7 program design and development, energy emergency planning, energy supply and price
8 monitoring and energy-related policy development. Governor Jay Nixon by Executive Order
9 13-03 transferred the DE from the DNR to the DED effective August 28, 2013. Prior to my
10 employment with the DNR, I served as Special Assistant to the Mayor, City of Columbia,
11 Missouri for two years. I have a Bachelor of Arts degree in Political Science from Columbia
12 College. I am a former Fellow of Missouri University, where I received my Master of
13 Science in Public Administration.

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

16 A. Yes. Since 1980 I have worked directly with investor-owned regulated electric and natural
17 gas utilities on several energy efficiency initiatives including the federal Residential
18 Conservation Service Program established by Congress. This was the first nationwide utility-
19 sponsored non-low income residential energy efficiency program under the guidance of the
20 USDOE. The DE is a charter member of several electric and natural gas energy efficiency
21 collaboratives authorized by the Commission. I serve as the designated DE representative on
22 the following utility efficiency collaboratives:

- 1 1) Ameren Missouri (electric and gas);
- 2 2) Empire District Electric Company (“Empire” or “Company”);
- 3 3) Empire District Gas Company;
- 4 4) Laclede Gas Company;
- 5 5) Liberty Utilities (formerly Atmos Energy Corporation); and,
- 6 6) Missouri Gas Energy.

7
8 **II. PURPOSE AND SUMMARY OF RECOMMENDATIONS**

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

10 (1) The purpose of my direct testimony is to address Empire’s low income weatherization
11 assistance program. I will specifically offer testimony regarding the need to continue
12 Empire’s low income weatherization assistance program following the conclusion of this
13 electric rate case.

14
15 **Q. What recommendations do you have regarding Empire’s weatherization assistance
16 program?**

17 A. To assist Empire in its continuing efforts to address the needs of low income residential
18 customers and to help those customers improve or reduce energy consumption that may lead
19 to lower utility bills and timely utility bill payments, the DE recommends that the
20 Commission:

- 21 • Require Empire to continue its low income weatherization assistance program
22 described in the Company’s tariff, Revised Sheet 8c, following the conclusion of this
23 rate case (See Schedule JAB-1);

- 1 • Authorize Empire to continue annual funding of \$226,430 to be made available to
2 Community Action Agencies providing weatherization assistance services within
3 Empire's Missouri service territory; and,
- 4 • Recover annual low income weatherization service program expense in base rates.

5 **Q. What are some of the general benefits of low-income residential weatherization?**

6 A. Home heating is a high cost for individuals with low income. Overall, low-income
7 households that qualify for weatherization spend more of their income on energy needs
8 compared to non-low-income households. The decision and ability to pay one's utility bill
9 often compete with other necessities. Many low-income individuals live in older homes
10 equipped with older, less-efficient heating systems and generally lack energy-efficiency
11 items such as insulation. Weatherization reduces space heating fuel consumption.
12 Weatherization is a cost-effective means to help low-income individuals or families pay their
13 energy bills year after year for the life of the energy-efficiency product. Weatherization
14 reduces the amount of state and federal assistance needed to pay higher utility bills, keeps
15 money in the local economy, results in a positive impact on the household's promptness in
16 paying utility bills and reduces utility bill arrearages through energy efficiency.

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

18 A. Yes. In addition to looking at energy-efficiency from the household perspective, it is
19 beneficial to examine the benefits of a low-income energy-efficiency program from the
20 perspective of energy service providers. Extensive research has found that low-income
21 energy-efficiency programs result in substantial non-energy savings to utilities. These non-

1 energy savings include reductions in working capital expense, uncollectible accounts, credit
2 and collection expenses, and others.

3
4 **III. FEDERAL LOW INCOME WEATHERIZATION ASSISTANCE PROGRAM**

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

6 A. In response to the energy crisis of the early 1970s, Congress established the federal Low-
7 Income Weatherization Assistance Program (“LIWAP” or “Weatherization”). As Missouri’s
8 state energy office, the DE administers the federal program. The Weatherization program
9 provides cost-effective energy-efficient home improvements to Missouri’s low income
10 households, especially the elderly, children, those with physical disadvantages, and others hit
11 hardest by high utility costs. The program aims to lower utility bills and improve comfort
12 while ensuring health and safety. Today, Weatherization is the nation’s largest residential
13 energy efficiency program. Since its inception in 1977, over 180,000 Missouri homes have
14 been weatherized through the LIWAP.

15 The LIWAP utilizes a “whole house retrofit” approach to building improvement.
16 Participating houses undergo a thorough energy audit for leaks and substandard or
17 malfunctioning equipment (such as heaters), followed by repairs and equipment replacement
18 conducted by trained Weatherization professionals. After repairs are complete, a second
19 home audit is performed to verify that retrofits were installed properly. Work on eligible
20 homes is performed by 19 subgrantees, which consist of Community Action Agencies or
21 local non-profit agencies situated to serve every region of Missouri. DE administers the
22 grant from USDOE and liaisons with the USDOE for receipt, processing and administration

1 of the federal grant funds. DE processes all required reporting and responds to federal and
2 state auditors. DE also administers the subgrant process by which funds are provided to the
3 local agency subgrantees by obtaining budgets, allocating funds and drafting subgrant
4 documents for execution by DE and each agency. Once subgrants are executed, DE provides
5 technical and fiscal training, technical monitoring (desk reviews and field inspections) and
6 fiscal oversight (desk and on-site review of agency processes and program compliance) of
7 the subgrantees.

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

10 A. Funding comes primarily from two sources¹, the federal government and four Missouri
11 utilities. Funding from federal sources is part of the DE's allocation from the USDOE, under
12 a formula allocation based on population, local climatic conditions, and the cost of heating
13 and cooling for low-income residences.²

14 The second source of funding is from Missouri investor-owned electric and natural gas
15 utilities. DE administers utility weatherization funds approved by the Commission in various
16 cases for four utilities (Ameren Missouri - electric and gas, Laclede Gas Company and
17 Liberty Gas). DE administers the utility weatherization funds consistent with the guidelines
18 of the federal USDOE Weatherization program. Regardless of source, funds are passed
19 through the DE to the various subgrantees to provide vital weatherization services, under
20 federal administrative guidelines, throughout the state. Utility weatherization funds are used

¹ 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.

² See http://www1.eere.energy.gov/wip/wap_allocation.html

1 to improve the energy efficiency and health and safety of homes of eligible utility customers
2 in their respective service territories.

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

5 A. The Commission has authorized weatherization programs for Empire, Missouri Gas Energy,
6 Kansas City Power & Light Company, including Kansas City Power & Light Company's
7 Greater Missouri Operations Company. These utilities operate their weatherization program
8 independent of Missouri's federal LIWAP.

9
10 **IV. EMPIRE'S WEATHERIZATION PROGRAM**

11 **Q. Please describe Empire's weatherization program.**

12 A. Empire's weatherization program is described by the Company's current tariff in Revised
13 Sheet 8c. The Commission last authorized Empire's weatherization program in Case No. ER-
14 2012-0345.³

15 **Q. Please describe the need for an Empire weatherization program.**

16 A. Empire serves approximately 126,000 Missouri residential customers in 15 counties in
17 southwest Missouri.⁴ According to the U.S. Census Bureau, of the nearly 324,000
18 households within these 15 Missouri counties served by Empire, it is estimated that
19 approximately 175,275 households, or 54.17 percent, are eligible to receive weatherization

³ Missouri Public Service Commission Case No. ER-2012-0345, *In the matter of The Empire District Electric Company of Joplin, Missouri, for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company*, Non-Unanimous Stipulation and Agreement, February 22, 2013, page 4 – 5.

⁴ Missouri Public Service Commission Case No. ER-2014-0351, *In the matter of The Empire District Electric Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company*, Minimum Filing Requirements, August 29, 2014.

1 assistance (at 200% of Federal Poverty Guidelines).⁵ Funding to support an on-going Empire
2 weatherization program would help address the need for weatherization assistance in the
3 Company's Missouri service territory.

4 **Q. What is the estimated number of Missouri households currently on waiting lists served**
5 **by community action agencies providing weatherization services within Empire's**
6 **service territory?**

7 A. As of January 27, 2015, there were 535 families eligible to receive weatherization assistance
8 and placed on waiting lists.

9 **Q. Should the Commission allow Empire to recover the annual weatherization expense in**
10 **base rates?**

11 A. Yes. Most Missouri regulated utilities recover weatherization funding through base rates. The
12 Commission has authorized Missouri's regulated investor-owned natural gas utilities to
13 recover annual weatherization funding in base rates. Ameren Missouri (electric) recovers
14 annual weatherization funding through rates. DE's recommended approach assures program
15 continuity and allows the recovery of annual weatherization funding as they occur.

16 **Q. Please summarize your testimony.**

17 A. Significant strides have been made by investor-owned electric utilities, including Empire, to
18 successfully implement cost-effective energy efficiency programs in Missouri. These
19 investments should continue to be strongly supported at adequate levels to ensure their on-

⁵Calculation based on U.S. Census Bureau: 2009-2013 American Community Survey 5-Year Estimates, Table C17002: Ratio of Income to Poverty Level in the Past 12 Months - Universe: Population for whom poverty status is determined; 2009-2013 American Community Survey 5-Year Estimates, Table DP04: Selected Housing Characteristics (Occupied housing units and Average household size of owner-occupied unit), Last Revised: December 4, 2014.

1 going success. The DE respectfully recommends, therefore, that the Commission address and
2 authorize the following:

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

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

11 A. Yes. Thank you.