

Exhibit No.: _____
Issues: Energy Efficiency & Load
Research
Customer Information
System
Charitable Contributions
Corporate Social
Responsibility
Witness: Kelly S. Walters
Exhibit Type: Surrebuttal
Sponsoring Party: Empire District Electric
Case No.: EM-2016-0213
Date: August 5, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EM-2016-0213

SURREBUTTAL TESTIMONY

OF

KELLY S. WALTERS

ON BEHALF OF

THE EMPIRE DISTRICT ELECTRIC COMPANY

**SURREBUTTAL TESTIMONY
KELLY S. WALTERS
THE EMPIRE DISTRICT ELECTRIC COMPANY**

CASE NO. EM-2016-0213

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INTRODUCTION

10 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

11 A. My name is Kelly S. Walters, and my business address is 602 South Joplin
12 Avenue, Joplin, Missouri.

13 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

14 A. I am presently employed by The Empire District Electric Company (“Empire” or
15 “Company”) as Vice President-Chief Operating Officer-Electric. I have held this
16 position since February 2011.

17 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
18 PROFESSIONAL EXPERIENCE.**

19 A. I graduated from Pittsburg State University in December 1986 with a Bachelor of
20 Science degree in Business Administration with a major in Accounting. In
21 October 2001, I received a Master of Arts degree in Human Resource
22 Management from Webster University. I began my employment with Empire in
23 November 1988 in the accounting department and held various positions until
24 July 1993 when I became Manager of Regulatory Accounting.

25 I left Empire in 1998 to assume the position of Manager of Financial Services
26 with Crowder College. In September 2001, I rejoined Empire as Director of
Planning and Regulatory. In that position, I had responsibility for load research,
strategic planning, rates, and regulatory accounting. In April 2005, I was
promoted to General Manager of Regulatory and General Services and held that

1 position with Empire until I was elected to the position of Vice President –
2 Regulatory Services in May 2006. In February 2011, I assumed my current
3 position with Empire.

4 **Q. HAVE YOU PREVIOUSLY PARTICIPATED IN ANY REGULATORY**
5 **PROCEEDINGS?**

6 A. Yes, I have. I have testified before regulatory commissions in the states of
7 Missouri, Kansas, Oklahoma, and Arkansas.

8
9 **PURPOSE**

10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11 A. I will respond to issues raised in the Rebuttal Testimony of Office of the Public
12 Counsel (“OPC”) witness Ara Azad concerning Energy Efficiency & Load
13 Research, Empire’s Customer Information System, Charitable Contributions and
14 Corporate Social Responsibility.

15
16 **ENERGY EFFICIENCY & LOAD RESEARCH**

17 **Q. ON PAGE 21, LINES 10-14 OF HER REBUTTAL TESTIMONY, OPC WITNESS**
18 **AZAD RECOMMENDS THE MISSOURI PUBLIC SERVICE COMMISSION**
19 **(“COMMISSION”) ORDER TWO COMMITMENTS RELATED TO “ENERGY**
20 **EFFICIENCY & LOAD RESEARCH.” THESE ARE:**

- 21 - **EMPIRE SHALL INTRODUCE AN ON-BILL FINANCING TARIFF FOR**
22 **ENERGY EFFICIENT UPGRADES FOR RESIDENTIAL RATEPAYERS**
23 **IN ITS NEXT SUBSEQUENT RATE CASE.**
24
25 - **THE JOINT APPLICANTS AGREE THAT EMPIRE’S LOAD RESEARCH**
26 **WILL BE UPDATED TO TAKE INTO ACCOUNT BOTH THE SUMMER**

1 **AND WINTER USAGE OF THE CUSTOMERS IN EACH CUSTOMER**
2 **CLASS BEFORE EMPIRE’S NEXT SUBSEQUENT RATE CASE.**
3

4 **WHAT DETRIMENT IS MS. AZAD ATTEMPTING TO ADDRESS WITH THESE**
5 **CONDITIONS?**

6 A. It is unclear. She states only that these conditions are to “protect customers from
7 the risks of carrying a disproportionate share of Empire’s fixed costs, and to
8 protect customers who take measures to use energy efficiently.”

9 **Q. DOES EMPIRE HAVE ANY PROGRAMS OR HAS IT TAKEN ANY STEPS TO**
10 **MAKE ENERGY EFFICIENCY UPGRADES AFFORDABLE FOR**
11 **CUSTOMERS?**

12 A. Yes. Empire has a portfolio of energy efficiency programs that promote or make
13 home and business equipment upgrades more attractive for our customers in
14 Missouri. In particular, our Low-Income weatherization program pays for 100
15 percent of energy efficiency improvements to the homes of our qualifying low
16 income customers. We have assisted in providing weatherization measures to
17 almost 2,000 electric and gas customers in Missouri since the start of the
18 program.

19 **Q. WILL THE EXISTING ENERGY EFFICIENCY PROGRAMS CHANGE AS A**
20 **RESULT OF THE PROPOSED TRANSACTION?**

21 A. No. All of the programs will continue in their current form.

22 **Q. HOW DOES EMPIRE CURRENTLY PERFORM ITS LOAD RESEARCH?**

23 A. Empire has performed ongoing load research for many years. Just like many of
24 the other electric utilities in the state of Missouri, we use load research software

1 supported by Oracle (“Load Star”). The load research is updated on a monthly
2 basis, and the statistics are available for analysis on a monthly or seasonal basis.

3 **Q. WILL THAT LOAD RESEARCH PROCESS CHANGE AS A RESULT OF THE**
4 **PROPOSED TRANSACTION?**

5 A. No.

6
7 **CUSTOMER INFORMATION SYSTEM**

8 **Q. OPC WITNESS AZAD SUGGESTS THAT THE FOLLOW CONDITION**
9 **ASSOCIATED WITH EMPIRE’S CUSTOMER INFORMATION SYSTEM (“CIS”)**
10 **BE ORDERED BY THE COMMISSION:**

11 **IF THE MERGER WERE TO BE APPROVED, IT SHOULD BE ON**
12 **THE CONDITION THAT THE BILLING AND CUSTOMER**
13 **INFORMATION SYSTEM PLATFORM AT EMPIRE BE IN USE**
14 **FOR THEIR EXPECTED USEFUL LIVES, WHICH WILL BE AT**
15 **LEAST AS LONG AS THEIR SCHEDULED DEPRECIATION**
16 **PERIOD. IF, FOR ANY REASON, THE USE OF EMPIRE’S**
17 **BILLING OR CUSTOMER INFORMATION SYSTEM PLATFORM**
18 **ARE TERMINATED BEFORE THE END OF ITS SCHEDULED**
19 **DEPRECIATION PERIOD, RATEPAYERS SHALL NOT BE**
20 **RESPONSIBLE FOR ANY UNDEPRECIATED COSTS OR LEASE**
21 **PAYMENT OBLIGATIONS REMAINING AFTER THE DATE**
22 **UPON WHICH USE IS TERMINATED.**

23
24 **(PAGE 22, LINES 7-13) DOES MS. AZAD INDICATE WHAT**
25 **DETRIMENT THIS CONDITION IS DESIGNED TO MITIGATE?**

26 A. Yes. She states that because Empire has recently upgraded its CIS, “[i]f a new
27 CIS is implemented before Empire’s current CIS is fully utilized, Empire’s
28 customers will effectively be paying for two systems.” (Azad Reb., page 22, lines
29 4-5)

30 **Q. IS THAT CORRECT?**

1 A. No.

2 **Q. WHY NOT?**

3 A. If the existing CIS is replaced, it will be retired from our plant in service accounts
4 and depreciation or amortization on the system will stop. This elimination of cost
5 will be reflected in our ongoing revenue requirement. The customers will not be
6 paying for two systems at the same time in the event of a CIS replacement.

7 **Q. WHY IS EMPIRE UPGRADING THE CIS SYTEM?**

8 A. The CIS upgrade is needed to run the software in the current computer
9 environment and eliminate some of the patches that have been added over the
10 years to allow it to continue to operate. In addition, we are adding a billing
11 enhancement that enables the CIS to bill our net metered customers. We
12 currently bill net metered customers manually. With the imposition of the solar
13 rebate mandate on Empire, our net metered customer accounts have increased
14 dramatically from around thirty (30) customers to several hundred customers.
15 The upgrade will automate this process.

16 **Q. IS EMPIRE'S CIS SYSTEM NEARING END OF LIFE?**

17 A. Yes. The upgrade currently being completed is the last upgrade available for
18 Empire's CIS system, and the system is no longer supported by the vendor.

19 **Q. WILL THE SYSTEM CONTINUE TO HAVE LIMITATIONS AFTER THE
20 UPGRADE IS COMPLETE?**

21 A. After the completion of the upgrade, the system will continue to have limitations
22 related to billing. An example is the ability to perform billing for time of use rates.
23 In the Commission Order in case ER-2014-0351, the Commission directed

1 Empire to work with its staff and other parties prior to the filing of its next general
2 rate case to determine the feasibility of an LP rate schedule that will recognize a
3 time differentiated facilities demand charge, including its costs and benefits.

4 Although a timeframe has not been determined, Empire is in the preliminary
5 stages of evaluating a new system and has begun obtaining information on a
6 replacement to address limitations and regulatory requirements.

7 **Q. IS THERE ANY POTENTIAL DETRIMENT TO THE PUBLIC INTEREST**
8 **ASSOCIATED WITH EMPIRE'S CIS AS A RESULT OF THE PROPOSED**
9 **TRANSACTION?**

10 A. No.

11
12 **CHARITABLE CONTRIBUTIONS**

13 **Q. HAVE YOU REVIEWED THE OPC REBUTTAL TESTIMONY SUGGESTING A**
14 **FIVE YEAR ANNUAL COMMITMENT AS TO EMPIRE'S CHARITABLE**
15 **CONTRIBUTIONS?**

16 A. Yes, I have. Joint Applicant Witness Chris Krygier will primarily address that
17 proposed condition.

18 **Q. OPC WITNESS AZAD CALCULATES A FIVE YEAR AVERAGE TO**
19 **DETERMINE YOUR RECOMMENDED LEVEL OF ANNUAL CONTRIBUTION.**
20 **DOES MS. AZAD'S AVERAGE INCLUDE ANY UNUSUAL CONTRIBUTIONS?**

21 A. Yes. In 2015, Empire made an extraordinary, one-time special payment of
22 ** to the ** to support regional
23 economic development. This was an extremely large, one-time contribution. I

1 am not familiar with any similar contribution in my experience at Empire. This
2 extraordinary, one-time contribution would need to be removed in order to derive
3 a representative annual contribution average.
4

5 **CORPORATE SOCIAL RESPONSIBILITY**

6 **Q. JOINT APPLICANT WITNESS CHRIS KRYGIER DISCUSSES THE OPC**
7 **PROPOSAL THAT EMPIRE CONTRIBUTE \$16 MILLION TO COMMUNITY**
8 **ACTIONS AGENCIES (“CAA”) IN EMPIRE’S TERRITORY. HOW WOULD**
9 **YOU DESCRIBE EMPIRE’S EXPERIENCE WITH THESE ORGANIZATIONS?**

10 A. Empire maintains a good working relationship with the CAA’s participating in its
11 electric and gas service programs in Missouri. Since 2005, Empire has
12 contributed roughly \$2,000,000 to these agencies, which has helped to
13 weatherize nearly 2,000 homes.

14 **Q. HAVE THESE AGENCIES SHOWN AN ABILITY TO USE ALL ALLOTTED**
15 **FUNDS IN THE PAST?**

16 A. No. Empire does not believe that increasing the budgeted allotment to these
17 agencies would produce significant improvement in participation, as not all of the
18 agencies have spent their full allotment of the current budget in recent years. For
19 example, in 2015 only one of the three cap agencies in Empire’s electric service
20 territory spent its full allotment of the program’s budget, and the total
21 expenditures for the program only equaled 66 percent of the total allotment for
22 the year. The CAA’s have expressed that often funding from other sources have
23 expiration dates causing those funds to be prioritized over Empire’s funds.

1 Funding from Empire is allowed to “roll over” from year to year, per Empire’s
2 service tariffs.

3 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

4 A. Yes, it does.

5

AFFIDAVIT

STATE OF MISSOURI)
)
COUNTY OF JASPER) ss

I, Kelly S. Walters, state that I am employed by The Empire District Electric Company as Vice President-Chief Operating Officer-Electric; that the Surrebuttal Testimony attached hereto has been prepared by me or under my direction and supervision; and, that the answers to the questions posed therein are true to the best of my knowledge, information and belief.

Kelly Walters

Subscribed and sworn to before me this 1st day of August, 2016.



JANET L. HUNLEY
My Commission Expires
September 20, 2019
Jasper County
Commission #15243846

Janet L. Hunley
Notary Public

My Commission Expires:

September 20, 2019