

Exhibit No.:  
Issue: Demand-Side Management Amortization  
Adjustment, Demand-Side Opt-Out Revenue  
Adjustment  
Witness: Nathaniel W. Hackney  
Type of Exhibit: Direct Testimony Sponsoring  
Party: Empire District Electric Case No.: ER-  
2016-0023  
Date Testimony Prepared: October 2015

**Before the Public Service Commission  
of the State of Missouri**

**Direct Testimony**

**Of**

**Nathaniel W. Hackney**

**October 2015**



**SERVICES YOU COUNT ON**

Empire Exhibit No. 4  
Date 6-2-16 Reporter KKF  
File No. ER-2016-0023



DIRECT TESTIMONY  
OF  
NATHANIEL W. HACKNEY  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2016-0023

1     **INTRODUCTION**

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

3     A. My name is Nathaniel W. Hackney, and my business address is 602 S. Joplin Avenue,  
4     Joplin, Missouri.

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

6     A. I am presently employed by The Empire District Electric Company (“Empire” or the  
7     “Company”) as the Energy Efficiency Coordinator.

8     **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
9     **BACKGROUND.**

10    A. In December of 2009, I received a Bachelor of Arts from the University of Minnesota’s  
11    School of Journalism and Mass Communication. I have been employed by Empire for five  
12    years and accepted my current position in February of 2012. In this job, I interface on  
13    behalf of the Company with trade allies, Community Action Program (“CAP”) agencies,  
14    contractors, implementers, consultants, evaluators, marketers, regulatory stakeholders, and  
15    customers from all classes in all matters related to Empire’s active portfolios of residential,  
16    commercial, and industrial energy efficiency programs in Arkansas and Missouri and  
17    related to The Empire District Gas Company’s energy efficiency programs in Missouri. I  
18    process and approve payment of energy efficiency rebates, retaining the data necessary for  
19    required periodic evaluations, and lead the regulatory stakeholder reporting process. I also

1 assist with the demand-side analysis of Empire’s Integrated Resource Plan (“IRP”), and  
2 with the administration, payment, tracking, and customer service functions of Empire’s  
3 Solar Rebate program.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY STATE REGULATORY**  
5 **COMMISSIONS?**

6 A. Yes, I have filed direct testimony before the Kansas Corporation Commission<sup>1</sup>.

7 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?**

8 A. I support Empire’s proposed adjustment to the Demand Side Management (“DSM”)   
9 amortization expense, which has been updated to include projected final 2015 expenditures   
10 for Empire’s DSM programs. I also support the Energy Efficiency Cost Recovery   
11 (“EECR”) revenue adjustment created by excluding the retail sales of an additional 26   
12 accounts belonging to five customers, who have opted out of participation in DSM   
13 programs, effective January of 2015. Both of these adjustments will revise the new EECR   
14 factor.

15 **Q. DOES EMPIRE CURRENTLY OFFER PROGRAMS UNDER THE MISSOURI**  
16 **ENERGY EFFICIENCY INVESTMENT ACT (“MEEIA”)?**

17 A. No, Empire does not currently have a portfolio of MEEIA programs, nor does it have a   
18 Demand-Side Investment Mechanism (“DSIM”) as prescribed by the MEEIA rule.

19 **Q. DOES EMPIRE CURRENTLY OFFER ENERGY EFFICIENCY PROGRAMS TO**  
20 **ITS MISSOURI RETAIL CUSTOMERS?**

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<sup>1</sup> Docket No. 13-EPDE-209-TAR, in support of Empire’s Energy Efficiency Rider. Empire’s energy efficiency portfolio in Kansas is no longer active.

1 A. Yes, it does. Empire has offered its current portfolio of energy efficiency programs in  
2 Missouri since 2010. Empire began offering energy efficiency programs in Missouri in  
3 2007.

4 **Q. PLEASE GIVE A BRIEF HISTORY OF HOW EMPIRE HAS HISTORICALLY**  
5 **RECOVERED THE COSTS INCURRED BY ITS DSM PROGRAMS WITHOUT**  
6 **HAVING A MEEIA DSIM IN PLACE.**

7 A. As stipulated in Missouri Public Service Commission (“MPSC”) Case No. EO-2005-0263<sup>2</sup>,  
8 when Empire began designing its first DSM programs as part of the Experimental  
9 Regulatory Plan, it began collecting these costs through base rates on a ten-year  
10 amortization schedule as a regulatory asset. As part of the *Global Agreement* from MPSC  
11 Case No. ER-2011-0004<sup>3</sup>, Empire began collecting DSM program charges incurred after  
12 June 15, 2011, on a six-year amortization schedule through base rates as a regulatory asset,  
13 and continued recovering costs prior to this date on a ten-year amortization schedule. As  
14 stipulated in MPSC Case No. ER-2012-0345<sup>4</sup>, as of April 1, 2013, Empire began collecting  
15 this revenue outside of base rates through a line item called “Energy Efficiency Cost  
16 Recovery”<sup>5</sup> or “Energy Efficiency Program Cost”<sup>6</sup>. In MPSC Case No. ER-2014-0351<sup>7</sup>,  
17 Empire sought its first revision of the EECR factor, to account for recovery of amortized  
18 DSM expenses incurred after the expenses included in MPSC Case No. ER-2012-0345.  
19 This revision became effective July 26, 2015.

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<sup>2</sup> MPSC Case No. EO-2005-0263, *Stipulation and Agreement*, Paragraph III(D)(3), filed July 18, 2005.

<sup>3</sup> MPSC Case No. ER-2011-0004, *Global Agreement*, Paragraph 13d-13e, filed May 27, 2011.

<sup>4</sup> MPSC Case No. ER-2012-0345, *Nonunanimous Stipulation and Agreement*, Appendix A, filed February 22, 2013.

<sup>5</sup> This is the language that appears on service tariffs.

<sup>6</sup> This is the language that appears on customer bills.

<sup>7</sup> MPSC Case No. ER-2014-0351, *Direct Testimony of W. Scott Keith*, “Pre-MEEIA Energy Efficiency”, page 20, filed August 29, 2014.

1 **Q. PLEASE DISCUSS THE ADJUSTMENT TO AMORTIZED DSM EXPENSES FOR**  
2 **COSTS INCURRED SINCE EMPIRE'S LAST AMORTIZATION OF DSM**  
3 **EXPENSES IN MPSC CASE NO. ER-2014-0351.**

4 A. As it first did in MPSC Case No. ER-2014-0351, Empire is seeking a revision to its EECR  
5 factor to account for amortized DSM costs incurred since the end of the period associated  
6 with the previous EECR factor. In Case No. ER-2014-0351, Empire's Energy Efficiency  
7 Program Cost line item was calculated using a normalized annual amortization of \$987,834.  
8 When updated to include costs incurred in the latter part of 2014 and in 2015, Empire's  
9 normalized annual amortization of these costs now totals \$1,254,718. The proposed  
10 adjustment for DSM Expenses is \$266,884. This amount will help determine the calculation  
11 of the new EECR factor. Empire witness Scott Keith will support the proposed EECR  
12 factor in this case, which in addition to amortization, includes a component related to the  
13 carrying cost associated with the DSM deferred asset.

14 **Q. DOES EMPIRE HAVE ANY CURRENT COMMERCIAL AND INDUSTRIAL**  
15 **CUSTOMERS THAT HAVE SUCCESSFULLY PETITIONED THE MPSC FOR**  
16 **VOLUNTARY EXCLUSION FROM DSM PROGRAM OFFERINGS AND COST**  
17 **RECOVERY, PURSUANT TO RSMO SECTION 393.1075.7 AND MPSC RULE 4**  
18 **CSR 240-20.094(6)?**

19 A. Yes. For the rest of this testimony, I will refer to these customers as "opt-out" customers, or  
20 as customers with "opt-out" status.

21 **Q. IN PREVIOUS CASES, HAS EMPIRE ADJUSTED EECR REVENUE TO**  
22 **ACCOUNT FOR THE EXEMPTED SALES OF OPT-OUT CUSTOMERS?**

1 A. Yes. In MPSC Case No. ER-2014-0351<sup>8</sup>, Empire adjusted its EECR Revenue to exclude the  
2 sales of opt-out customers. In 2014, Empire had 10 “opt-out” customers with 135<sup>9</sup> accounts.  
3 These customers are no longer eligible to participate in Empire’s energy efficiency  
4 programs, and are also exempt from the EECR line on their bills. Accordingly, Empire did  
5 not include their sales in determination of the proposed EECR factor.

6 **Q. HAVE ADDITIONAL EMPIRE CUSTOMERS SUCCESSFULLY PETITIONED**  
7 **FOR “OPT-OUT” STATUS SINCE MPSC CASE NO. ER-2014-0351?**

8 A. Yes. An additional 5 Empire customers with 26<sup>10</sup> metered accounts successfully petitioned  
9 the MPSC for “opt-out” status, effective January 2015. This brings the total to 15 customers  
10 with 161 meters.

11 **Q. PLEASE DESCRIBE HOW EMPIRE HAS ADJUSTED ITS EECR REVENUES TO**  
12 **ACCOUNT FOR THE ADDITIONAL OPT OUT CUSTOMERS.**

13 A. For the twelve months ending June 30, 2015, these 26 accounts were billed for a total of  
14 energy usage of 201,048,931 kWh. When multiplied by the current EECR factor of  
15 \$0.00040/kWh, this creates an adjustment of \$80,420 to EECR revenue. Empire has  
16 reduced EECR Revenues by \$80,420 to account for the fact that the sales of these 26  
17 accounts are not subject to the EECR.

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 A. Yes, it does.

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<sup>8</sup> MPSC Case No. ER-2014-0351, *Direct Testimony of Joan E. Land*, “Energy Efficiency Opt Out Customers”, page 4, filed August 29, 2014.

<sup>9</sup> Some of these accounts are for rate plan “PL-Private Lighting”, meaning their usage is not metered. Because they are not billed for metered energy usage, they are not subject to the EECR and may not appear in all summaries or data requests pertaining to opt-out accounts. However, they were included in the itemization by the individual companies required by MPSC Rule 4 CSR 240-20.094(6), and were technically awarded opt-out status by the MPSC.

<sup>10</sup> 34 Empire accounts were granted opt-out by MPSC in 2015, but seven are “PL-Private Lighting” accounts, and one is an active “CB-Commercial” account with no metered usage in the test year. These accounts are not included in the calculation of EECR Revenue, because they will not create any EECR Revenue.

