Exhibit No. 26

Empire District Electric Company – Exhibit 26
Testimony of Nathaniel W. Hackney
Direct
File No. ER-2024-0261

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Issue(s): Low-Income Programs
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Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

Nathaniel W. Hackney

on behalf of

The Empire District Electric Company d/b/a Liberty

November 6, 2024

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THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2024-0261

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Nathaniel W. Hackney and my business address is 602 S. Joplin Avenue, Joplin, Missouri 64801.

Q. By whom are you employed and in what capacity?

A. I am employed by Liberty Utilities Service Corp. ("LUSC") as the Manager of Customer Assistance Programs for the Customer Care Department in Liberty's Central Region, which includes The Empire District Electric Company ("Liberty" or "Company").

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Liberty.

Q. Please describe your educational and professional background.

A. In 2009, I received a Bachelor of Arts from the University of Minnesota's Hubbard School of Journalism and Mass Communication. I began my employment with Liberty in 2010, and I accepted the promotion to Associate Energy Efficiency Coordinator in 2012. In 2014, I was promoted to Energy Efficiency Coordinator. In 2018, I was promoted to Senior Energy Efficiency Coordinator. In 2019, I was promoted to Central Region Senior Reporting and Systems Analyst. In 2022, I accepted my current position of Manager, Customer Assistance Programs. In this position, I manage the low-income programs for the Central Region, which encompasses electric, gas, wastewater, and

water customers in Missouri, Kansas, Oklahoma, Arkansas, Illinois, and Iowa. These include, but are not limited to, the Low-Income Weatherization Assistance Program ("LIWAP") and various other programs for the other utilities operating within the Central Region that offer billing credits and/or discounts.

Q. Have you previously testified before the Missouri Public Service Commission ("MPSC" or "Commission") or any other regulatory agency?

A. Yes. I have filed testimony with this Commission and also with the Arkansas Public Service Commission and the Kansas Corporation Commission.

Q. What is the purpose of your direct testimony in this proceeding?

A. In this testimony, I discuss several items related to Liberty's low-income programs. First, I address previous stipulated agreements. Second, I address suggested changes to the LIWAP. Third, I address performance of the Critical Medical Needs Program ("CMNP"), which Liberty offers in partnership with the United Way of Southwest Missouri and Southeast Kansas ("United Way" or "UW"). Fourth, I address the continuation of the annual low-income stakeholder meetings. And finally, I address the performance of Liberty's Low-Income Pilot Program ("LIPP") and posit a suitable replacement.

II. STIPULATED ITEMS FROM PREVIOUS CASES

Q. Please re-state the stipulated items from MPSC Case No. ER-2021-0312 related to the LIPP.

A. Item 11a(i) in the *Fourth Partial Stipulation and Agreement* ("S&A"), filed February 5, 2022, stated "Empire's LIPP will continue, with shareholders matching the $250,000 customer funding." Item 11a(ii) stated, "The requirement for payments to stay current within 60 days of bill date will be waived." Item 11a(iii) stated, "The LIPP discount

will increase to two times the customer charge during the peak heating months of December through February and peak cooling months of June through August." Item 11a(iv) stated, "there will be a 2,000 customer cap." Item 11a(v) stated, "Unspent funds will rollover annually to Empire's low-income weatherization program." Item 11a(vi) stated, "Updates will be provided twice a year to [MPSC] Staff and to [Office of Public Counsel]."

Q. Has Liberty continued offering the LIPP to its customers since the conclusion of Case No. ER-2021-0312 and performed in compliance with these items?

A. Yes.

Q. Did the program expend its full budget between June 2022 and May 2023?

A. No, it did not.

Q. Were the unspent funds reallocated to LIWAP, per 11a(v)?

A. Yes, in early 2024, Liberty issued the balance of this account at May 31, 2023. The unspent balance of $382,729.82 was reallocated amongst Liberty's three Community Action Agencies ("CAAs") as follows:

- Economic Security Corporation of SWMO ("ESC") - $166,364.91;
- Ozarks Area Community Action Corporation ("OACAC") - $166,364.91; and
- West Central Missouri Community Action Agency ("WCMCAA") - $50,000.00

Q. Did the program expend its full budget between June 2023 and May 2024?

A. No, it did not.

Q. Were the unspent funds reallocated to LIWAP, per 11a(v)?

A. Yes, in August 2024, Liberty issued the balance of this account at May 31, 2024. The unspent balance of $352,502.44 was reallocated amongst Liberty's CAAs as follows:

- ESC - $252,502.44; and
- WCMCAA - $100,000

Q. Are the CAAs reporting to Liberty the homes that have been weatherized using these funds?

A. Yes, the CAAs are sending periodic reconciliations to the Company which feature, among other data, weatherization expenditures, and homes completed.

Q. How does the Company update the regulators regarding the reports?

A. These projects are clearly outlined and reported separated from traditionally-funded (i.e., through the Missouri Division of Energy ("DE")) expenditures and home counts, and compiled within the Low-Income Weatherization Report. This report is filed electronically in May of each year for reconciliation of the prior year.

Q. Does the Company believe the LIPP should continue?

A. The Company believes it is important to continue to support a program which provides assistance to some of our most vulnerable customers. However, the Company believes, for a variety of reasons, that the funds can better serve Liberty's income-eligible customers via a new program, which I will discuss at length in Section VI of this testimony.

Q. Please re-state the stipulated item in Case No. ER-2021-0312 related to customers who call in for bill assistance.

A. Item 11f in the S&A stated, "Customers who call in for bill assistance will be given the option to be referred to one of the three community action agencies ("CAAs") if they are interested in free weatherization."

Q. For customers calling Liberty and expressing difficulty paying their bill to a Customer Service Representative ("CSR") are they now referred to one of the three CAAs?

A. Yes.

Q. What is the stipulated item in Case No. ER-2021-0312 related to staffing for low-income programs at Liberty?

A. Item 11e in the S&A stated, "Liberty Utilities Service Corp. will establish an employee position devoted to low-income programs in the Central Region (which includes Empire)."

Q. Has the Company complied?

A. Yes, I accepted the newly created position of Manager, Customer Assistance Programs in September of 2022. As noted above, I oversee items of compliance and program management for low-income programs in the Central Region.

Q. What is the stipulated item in Case No. ER-2021-0312 related to the development of the Critical Medical Needs Program ("CMNP")?

A. Item 11c(i) in the S&A stated Liberty, "will establish a critical needs program consistent with the direct testimony of Geoff Marke in this docket funded annually with $50,000 by customers and $50,000 by shareholders."

Q. Please describe the development of this program.

A. Liberty's CMNP—which is offered in similar form by multiple investor-owned utilities in Missouri—evolved from the aforementioned item in Case No. ER-2021-0312 into a partnership with the United Way. The specifics of this program were ironed out over the fourth quarter of 2022 and the first quarter of 2023, in coordination with Spire Gas, Ameren Missouri, and the United Way of St. Louis. This pilot utilized the United

Way's Care Partner Network and the Unite Us Platform, which manages referrals from local Community Benefit Organizations ("CBOs", e.g., health care providers, low-income advocates, and social service providers) to bolster and establish a two-way referral system. Customers with arrearages who have a professionally-attested medical need for electricity receive a thirty-day delay of disconnect for non-pay. This delay allows them to seek assistance from various sources. The budget approved in the S&A also includes a hardship fund, which can help with arrearages as a payer-of-last-resort, at the discretion of Liberty and the United Way.

Q. Has the Company complied with this item, establishing the CMNP?

A. Yes.

Q. Has this program proved beneficial?

A. Yes. The program has allowed 63 customers-in-need the thirty-day extension. It has also provided nearly $19,000 to avoid the imminent disconnections of 23 customers experiencing extraordinary hardship.[1] The program has also connected more than 33 additional customers with pledges from other CBOs.

Q. Does the Company believe this program should continue following the conclusion of this case?

A. Absolutely. I will detail the reasons why the Company believes so in Section IV of this testimony.

Q. Please re-state the stipulated item in Case No. ER-2021-0312 related to the parameters of funding for the LIWAP.

[1] As of September 2024.

A. Item 11d(ii) in the S&A states, "Funding under [LIWAP] will be momentarily freed up to include the option for pass-over, marketing, hiring, training, health and safety; relaxation of funding restrictions to be revisited in the next rate case."

Q. Has Liberty complied with Item 11d(ii) in the S&A by allowing greater freedoms to CAAs and the way they administer funding for the LIWAP?

A. Yes. On a case-by-case basis, Liberty has broadened the parameters of LIWAP funding, approving things outside the scope of conventional LIWAP and its Readiness Funds. Liberty has maintained the right to approve these expenditures on a case-by-case basis as a means to responsibly steward the funds for this program, but has not denied any requests to date, as they have all been reasonable and justifiable in scope and spirit.

Q. What is the stipulated item in Case No. ER-2021-0312 related to the annual low-income stakeholder meeting?

A. Item 11g in the S&A states Liberty, "will continue to meet annually with stakeholders and the CAAs."

Q. Has the Company complied with this item since the resolution of Case No. ER-2021-0312.

A. Yes. Liberty has hosted regulatory stakeholders and CAAs in Joplin for annual meetings on November 30, 2022, and November 15, 2023.

Q. Please re-state the stipulated item in Case No. ER-2021-0312 related to the Energy Burden Study.

A. Item 11b(i) stated Liberty "will perform a one-time study at a cost not to exceed $100,000," and Item 11b(ii) stated Liberty "will work with stakeholders to discuss the study design and RFP."

Q. Please detail the Company's subsequent actions toward compliance with this settlement term.

A. Liberty kicked off the study process on October 11, 2022, hosting stakeholders with the intent to narrow down RFP candidates and establish a scope of work. A consensus was reached in this meeting to develop an RFP that would accomplish two things:

- analyze Liberty customer billing data and census block data to quantify Liberty's energy burden; and
- analyze successful income-eligible programs in the state, region, and country to identify candidates for programs Liberty could potentially adopt to help its customers.

The stakeholders also agreed that Empower DataWorks ("Empower" or "EDW") and Applied Public Policy Research Institute for Study and Evaluation ("APPRISE") would be the candidates the Company would receive bids from, as these companies conducted similar studies for Spire and Ameren, respectively. The RFP was issued on March 15, 2023, with bids received in early April. These bids were evaluated and scored in April 2023. In May 2023, the bid was awarded to EDW. On May 16, 2023, the award recipient and bid scoring methodology was shared with stakeholders. The study was conducted over the coming months, and the finished product was presented to stakeholders on February 20, 2024. The Energy Burden Study is attached to this testimony as **Direct Schedule NWH-1**.

Q. Has the Company complied with its directive in Item 11b(i) regarding the cost of the study?

A. Yes, the study was completed for well under the targeted budget of $100,000. The final cost of the study was $73,600.

Q. Has the Company complied with its directive in Item 11b(ii) regarding stakeholder involvement?

A. Yes, the stakeholders were involved at each step of the process.

Q. Did the study achieve its two-part objective as previously described?

A. Yes, the Energy Burden Study quantified Liberty's energy burden and the needs of its income-eligible customers and laid out a list of program options for Liberty to consider.

Q. Did the results of the study inform any of the recommendations you will be making in this testimony?

A. Yes, the study informed my recommendations for how Liberty can better utilize the funding currently reserved for LIPP, which I will detail later in Section VI in this testimony.

III. ADMINISTRATIVE CHANGES TO LIWAP

Q. Please describe the current administration of LIWAP.

A. Currently, as stipulated in the Stipulation and Agreement in MPSC Case No. EM-2016-0213 ("Merger S&A"), filed August 23, 2016, Liberty's LIWAP is administered in partnership with DE. Liberty sends its annual budget for weatherization for LIWAP as set in the S&A in MPSC Case No. ER-2021-0312—$550,000 comprised of $250,000 from customers and $300,000 from shareholders—to the Division of Energy, along with $12,500 (five percent), funded by shareholders, for administration. DE, through the Environmental Improvement and Energy Resources Authority ("EIERA"), allocates and distributes these funds to the CAAs served by Liberty. DE then receives information regarding the qualitative and quantitative specifics of each weatherization job performed, compiles them, and supplies Liberty with a quarterly report.

Q. Since the resolution of Case No. EM-2016-0213, has the Company substantially complied with this item from the Merger S&A related to administrative budgets?

A. Yes, it has. The Company has made the $12,500 (administrative, shareholder-funded) payments annually to EIERA in 2018, 2019, 2020, 2021, 2022, 2023, and 2024. A payment for 2025 will be delivered to EIERA before the resolution of this case.

Q. Since the resolution of Case No. ER-2021-0312, has the Company substantially complied with this item from the S&A related to program budgets?

A. Yes, it has. The Company has made the $250,000 (customer-funded) and $300,000 (shareholder-funded) payments annually to EIERA in 2017 (prorated for November-December), 2018, 2019, 2020, 2021, 2022, 2023, and 2024. A payment for 2025 will be delivered to EIERA before the resolution of this case.

Q. Do any other investor-owned utilities in Missouri still utilize DE for administration of their LIWAP?

A. Not to my knowledge.

Q. Does the Company wish to continue its current arrangement following the resolution of this case?

A. While the current arrangement has served Liberty and its customers adequately, the Company does not wish to continue this arrangement. Over many conversations with MPSC Staff ("Staff"), Office of Public Counsel ("OPC"), DE, and its CAAs, Liberty perceives there to be consensus among these parties in favor of Liberty resuming administrative control of these programs as part of the resolution of this case.

Q. Is Liberty willing to work with these stakeholders to establish a process and protocol for periodic reporting on its LIWAP after resuming administrative control with the resolution of this case?

A. Absolutely.

Q. Will Liberty endeavor to keep stakeholders informed of a payment and reporting structure as it is established with CAAs following the resolution of this case?

A. Yes, and, in addition, a reporting process is already being established with CAAs for reconciliation of the aforementioned unspent LIPP budgets, which have been reallocated to LIWAP and distributed to the CAAs. This will position the Company even better for success as it resumes administrative control of this program.

IV. CONTINUATION OF CRITICAL MEDICAL NEEDS PROGRAM

Q. In Section II, the Company detailed the genesis and development of the CMNP in its current state, as well as the ongoing performance of the program. Is the Company pleased with the performance of this program to date?

A. The Company is quite pleased with the early success of the CMNP and is optimistic for even greater success in the future. As awareness of the programs has grown among the United Way's Care Partner Network, and both the Company and the United Way have increased their respective comfort levels with the processes that contribute to the day-to-day success of the program, the program has steadily increased in the number of customers it serves. The Company and United Way have also established a partnership of two-way referrals to the program, as has United Way with its CBOs. This has allowed customers who express difficulty paying to Liberty to be referred to United Way to enroll in the program, and customers who contact the United Way, or are referred to the United Way from other CBOs, can also be referred to Liberty for consideration in other programs in addition to the CMNP. Additionally, the program has recently expanded to include two new counties (Barton and McDonald) in addition

to Jasper and Newton Counties. McDonald County, in particular, stands to be well-served from this program, as it is statistically one of the poorest counties in Missouri.

Q. Does the Company see value in continuing the CMNP following the resolution of this case?

A. Yes -- immense value. This program serves a subset of Liberty's customers in the most dire of situations and digs in to help them comprehensively in partnership with United Way CBOs. There are numerous testimonials of customers who have utilized the thirty-day extension to re-establish disconnected service, enter into long-term payment agreements, receive emergency and long-term financial aid, handle years-old arrearages, receive referrals to other programs (e.g., LIWAP) and most importantly, maintain a life-sustaining connection to power during trying times with serious and chronic illnesses. Now with the expansion into two new counties, Liberty expects even greater impacts and testimonials from this program.

V. CONTINUATION OF ANNUAL LOW-INCOME STAKEHOLDER MEETINGS

Q. As detailed in Section II, the Company has continued to host the CAAs and regulatory stakeholders annually in Joplin in 2022 and 2023. Does the Company still believe hosting these meetings has value?

A. Without a doubt, the dialogues and discourses are invaluable, and many of the ideas that begin or expand within these meetings lead to tangible and actionable improvements for the programs and processes of Liberty's low-income programs.

Q. Does the Company believe it should continue hosting these meetings after the resolution of this case?

A. Absolutely.

VI. LOW-INCOME PILOT PROGRAM

Q. As noted in Section II of my testimony, the LIPP did not expend its full budget in either the 2022-23 or 2023-24 program years. Please share the specific performance figures.

A. As of October 2024, there were 551 customers enrolled in the program, as compared to the cap of 2,000.

Q. Is this indicative of enrollment trends since inception of the program?

A. Yes, the program has had enrollment of roughly 600-700 for quite some time.

Q. What is the budget for this program?

A. The budget of this program is $500,000, split evenly between shareholders and customers.

Q. What has the Company observed to be hindering the success of this program?

A. Being enrolled in the Company's Budget Billing Plan – formerly known as the Average Payment Plan, is a requirement of the Low-Income Pilot Program. The logic behind this is sound: that a predictable monthly bill should allow customers a better chance to stay current on their bills. However, when a customer is on the Budget Billing Plan, their monthly bills during peak seasons *appear* to be lower than they actually are, due to the nature of the program. This means that when the Budget Billing Plan customers apply for and receive financial assistance, such as the federal Low-Income Heating Energy Assistance Program ("LIHEAP"), they often have a misleading credit balance on their account. This is because the net of their monthly Budget Billing Plan installment is significantly less than the payment they receive from LIHEAP, but *not lower* than the amount they actually owe to the Company. This issue can often preclude customers who *do carry a balance owed to the Company* to miss out on the LIPP

payment, because their Budget Billing Plan makes it appear as though they owe nothing after receiving energy assistance. This complicated "Catch-22" has caused some customers to unenroll from the program.

Q. Has the Company found that some low-income customers are averse to the principle of the Budget Billing Plan on its own merits?

A. While the Company cannot speak specifically regarding customer perception of the Budget Billing Plan, the Company has observed a significant sample of customers, both income-challenged and not, who chose to unenroll from the Budget Billing Plan during shoulder months (i.e., spring and fall). When the customer's *actual balance* is less than their Budget Billing Plan installment, the customer will often take the lower of the two balances for the present month, notwithstanding the net-positive effect of future peak months when their Budget Billing Plan installment will be less than their actual balance owed. This behavior is not exclusive to low- and moderate-income customers, but it stands to reason that customers in crisis may be more likely to make such a short-term decision.

Q. Does the Company believe a new program that does not require the Budget Billing Plan will have a greater chance of success than LIPP?

A. Yes.

Q. Does the Company believe that a program with a higher stipend may further entice customers into enrollment for LIPP?

A. Yes, it does.

Q. What does the Company propose be done with LIPP?

A. First, I would like to establish that Liberty values input and dialog with stakeholders regarding design of programs like this. With that established, the Company would like

to begin that dialog by proposing a new program. The Company would like to replace the LIPP program with the "Fresh Start Plan". The Company would propose the Fresh Start Plan have an annual budget of $300,000 that will continue to be split 50/50 between customers and shareholders. Additionally, the Company would propose any unspent funds remain and rollover to the following year.

Q. Please describe the proposed Fresh Start Plan.

A. The Fresh Start Plan will offer a larger stipend to a smaller sample of customers, and evaluate on a pilot scale how their long-term arrearages are affected in spite of the absence of the Budget Billing Plan. The Fresh Start Plan will solicit CAAs in Liberty's service territory to recommend a list of customers who could benefit from this program. The program leverages design elements of Ameren Missouri's *Keeping Current* program. *Keeping Current*, and programs like it, were identified as one of several potentially beneficial program designs in the Energy Burden Study, as shown in **Direct Schedule NWH-1** to my testimony. Like *Keeping Current*, the Fresh Start Plan will offer a tiered credit to eligible customers based on income, as verified by the CAA providing the referral. The program will offer a $50 bill credit to customers between 41 and 60 percent of the State Median Income ("SMI"), and $75 to customers with an income less than or equal to 40 percent of the SMI. The program will also have an Arrearage Match component, wherein customers who enter into and maintain a twelve-month payment agreement for half of their arrearage amount will receive a monthly credit on their bills equal to the other half of their arrearage amount.

Q. Why does the Company propose SMI as the metric of choice over Federal Poverty Level ("FPL")?

A. Sixty percent of SMI is the current threshold for qualifying for LIHEAP in the state of Missouri, and thus, makes the most sense as a determinant for eligibility in an income-eligible assistance program. Liberty's Energy Burden Study found that nearly 40 percent of Liberty's Missouri electric customers live at or below 60 percent of the SMI, as shown in **Direct Schedule NWH-1**.

Q. Does the Company propose enrollment in the Budget Billing Plan as a requirement to the new pilot program?

A. After citing the Budget Billing Plan as a barrier to the success of the LIPP, the Company is not inclined to require it as a component of this program. Although the Company would likely offer it as a viable option for having predictable bills while maintaining a long-term payment agreement, the Company would prefer to leave the ultimate decision to the customer.

Q. Does Ameren's *Keeping Current* require a Budget Billing Plan?

A. It appears to.

Q. Does Liberty have reservations about not requiring enrollment in the Budget Billing Plan as a component of the Fresh Start Plan?

A. The Company is eager to evaluate within this pilot how leaving this decision in the hands of the customer affects their ability to successfully stay enrolled in the program. The Company is also eager to see how customer outreach and communications to educate the customers on the seasonality of their bills can help customers who decline the Budget Billing Plan to stay current.

Q. Will the Company track the success rates and enrollment of customers who enroll with the Budget Billing Plan versus those who do not enroll in the Budget Billing Plan as a metric for this pilot program?

A. Absolutely.

Q. How many customers does the Company anticipate this program can serve with its $300,000 budget?

A. The first iteration of this program has the capability to serve 250 customers at Tier 1 (41-60% of SMI), 75 customers at Tier 2 (40% of SMI or less), and 49 customers to qualify for an arrearage match. This is based on an average arrearage estimate of $279, as calculated based on actual outstanding arrearage balances at the end of February 2024.

Q. In addition to its ongoing analysis, would the Company be willing to conduct a third-party evaluation of the program as part of this pilot?

A. Yes, if the Company believes the sample size is valid. If the Company hits a minimum threshold of 60 percent of budget expenditures in Year 1 of the Plan, and 75 percent in Year 2 of the Plan, an evaluation not to exceed $25,000 will be conducted upon conclusion of Year 2. This study will include a process evaluation, economic evaluation, and—budget permitting—customer interviews. The Company proposes the third-party evaluation of the program be paid out of the program costs.

Q. Will the Fresh Start Plan require modifications of the current LIPP tariff sheets?

A. Yes. The tariff modifying the LIPP into the Fresh Start Plan is attached to this testimony as **Direct Schedule NWH-2**.

Q. Does this conclude your direct testimony at this time?

A. Yes.

VERIFICATION

I, Nathaniel W. Hackney, under penalty of perjury, on this 6th day of November, 2024, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Nathaniel W. Hackney