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Witness: Nathaniel W. Hackney
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Electric Company
Case No.: ER-2019-0374
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**Before the Public Service Commission
of the State of Missouri**

Surrebuttal Testimony

of

Nathaniel W. Hackney

on behalf of

**The Empire District Electric Company
a Liberty Utilities Company**

March 2020



Liberty Utilities[®]
EMPIRE DISTRICT

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1 I. **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, Joplin,
4 Missouri, 64801.

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

6 A. I am currently employed by Liberty Utilities Service Corp. as a Senior Reporting and
7 Systems Analyst for Liberty Utilities' Central Region, which includes The Empire District
8 Electric Company ("Liberty-Empire" or "Company").

9 Q. **ARE YOU THE SAME NATHANIEL W. HACKNEY THAT EARLIER PREPARED
10 AND FILED DIRECT AND REBUTTAL TESTIMONY IN THIS RATE CASE
11 BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION")
12 ON BEHALF OF LIBERTY-EMPIRE?**

13 A. Yes.

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

15 A. In this surrebuttal testimony, I will address the recommendations of Missouri Public Service
16 Commission Staff ("Staff") witness Kory Boustead in her rebuttal testimony¹ regarding the
17 Low-income Multi-Family program, and low-income programs in a future MEEIA filing. I

¹ MPSC Case No. ER-2019-0374, *Rebuttal Testimony of Kory J. Boustead*, Filed March 3, 2020.

1 will also address items in the rebuttal testimony² of Office of Public Counsel (“OPC”)
2 witness Geoff Marke, regarding energy efficiency programs, Liberty-Empire’s Low-Income
3 Pilot Program (“LIPP”), Pay As You Save[®] (“PAYS[®]”) on-bill financing, and Evaluation,
4 Measurement and Verification (“EM&V”) of Liberty-Empire’s current programs.

5 **II. LOW-INCOME ENERGY EFFICIENCY**

6 **Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF STAFF WITNESS**
7 **BOUSTEAD’S POSITION REGARDING LIBERTY-EMPIRE’S LOW-INCOME**
8 **PROGRAMS?**

9 A. In her rebuttal testimony, Witness Boustead responds to the Direct Testimony filed by
10 National Housing Trust Witness Annika Brink³. Ms. Boustead responds to Ms. Brink’s
11 recommendation that Liberty-Empire increase the budget for its Low-Income Multi-Family
12 Direct Install program. Witness Boustead states that this program has not gained an
13 extraordinary amount of traction in Liberty-Empire’s service territory. Because of this, it
14 would be more appropriate to expand Liberty-Empire’s energy efficiency offerings for low-
15 income customers in the context of a full portfolio re-design in a Missouri Energy Efficiency
16 Investment Act (“MEEIA”) filing. In so doing, the Low-income Multi-Family Direct Install
17 program could be weighed against a full suite of low-income energy efficiency programs to
18 ensure that the best programs and optimal scales are chosen.

19 **Q. DO YOU DISAGREE WITH MS. BOUSTEAD’S ASSESSMENT OF THE SUCCESS**
20 **OF THE LOW-INCOME MULTI-FAMILY DIRECT INSTALL PROGRAM?**

² MPSC Case No. ER-2019-0374, *Rebuttal Testimony of Geoff Marke*, Filed March 3, 2020.

³ MPSC Case No. ER-2019-0374, *Direct Testimony of Annika Brink on Behalf of National Housing Trust*, Filed January 15, 2020.

1 A. No. The program’s ramp-up and development, particularly screening and establishing a list
2 of candidates, inhibited success in year one. The program expended its full budget in year
3 two, handing out more than 2,300 direct install energy efficiency kits to multi-family
4 building landlords. In program year three, which is still in progress, it is unlikely the program
5 will spend its full budget without repeating participants, as nearly every eligible participant
6 identified by Liberty-Empire’s candidate search received a kit in program year two.

7 **Q. DO YOU AGREE WITH MS. BOUSTEAD THAT THE LOW-INCOME PROGRAMS**
8 **WOULD BE BETTER EVALUATED IN THE CONTEXT OF A MEEIA FILING?**

9 A. Yes. As I noted in my rebuttal testimony, filed March 3 in this docket, Liberty-Empire is
10 keenly aware of the needs of our low-income customers and is continually reviewing options
11 to bolster the Company’s offerings to its low-income customers. Liberty-Empire believes that
12 a more robust analysis should be conducted to ensure that the correct low-income programs,
13 correct budget levels, and correct participation targets be chosen to optimize the effectiveness
14 of these offerings.

15 **III. EVALUATION, MEASUREMENT, AND VERIFICATION (“EM&V”)**

16 **Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF DR. MARKE’S POSITION**
17 **ON EM&V OF LIBERTY-EMPIRE’S CURRENT SUITE OF PROGRAMS.**

18 A. Dr. Marke assesses that, because Liberty-Empire does not currently have MEEIA, it does not
19 recover lost revenues from energy efficiency or have an earnings opportunity tied to the net
20 energy savings produced by its energy efficiency programs. Because of this, money
21 earmarked for EM&V could be better reallocated.

22 **Q. DO YOU AGREE WITH DR. MARKE’S ASSESSMENT THAT EM&V IS LESS**
23 **IMPORTANT WHEN A COMPANY DOES NOT HAVE LOST REVENUES OR AN**

1 **EARNINGS OPPORTUNITY ATTACHED TO ACHIEVED NET ENERGY**
2 **SAVINGS?**

3 A. Yes. In my opinion, the two most valuable products created by a comprehensive EM&V are
4 the calculation of net savings (Impact Evaluation), and recommendations for the
5 improvement of program delivery (Process Evaluation). While net savings can still be useful
6 as a Key Performance Indicator (“KPI”), the precision that is to be achieved by hiring a
7 consultant to calculate net savings may not be worth the opportunity cost. In other words, I
8 believe Dr. Marke is correct that the EM&V budget could better serve Liberty-Empire’s
9 customers if reallocated. Regarding a Process Evaluation, the Company still intends to file a
10 MEEIA portfolio in 2020, which would supersede and replace the current Energy Efficiency
11 (“EE”) programs. Because of this, tips for improving program delivery and results are only
12 useful if it is guaranteed the programs will be continued in a MEEIA portfolio. The primary
13 determinants for the selection of programs in a MEEIA portfolio will be (1) the cost-
14 effectiveness analysis conducted as part of the initial filing, (2) the MEEIA stakeholder
15 advisory process, and (3) the MEEIA regulatory process. If a Process Evaluation factored
16 into this decision-making process at all, it would be secondary to these determinants. Further,
17 Liberty-Empire’s two most successful current EE programs—the Custom Commercial and
18 Industrial rebate program, and the Residential Heating, Ventilation, and Air Conditioner
19 (“HVAC”) program—have been offered in a fairly similar format for nine and thirteen years,
20 respectively. These are programs with a decade of well-established and continually refined
21 processes and lessons learned that would contribute to their successful implementation, if
22 favored by the MEEIA selection criteria.

23

1 **IV. PAY AS YOU SAVE (“PAYS”)**

2 **Q. PLEASE BRIEFLY DESCRIBE THE PAYS PROGRAM.**

3 A. PAYS, registered by the U. S. Patent and Trademark Office, is a system developed by the
4 Energy Efficiency Institute, Inc. (EEI). Through the PAYS program, the utility pays all or
5 part of the up-front cost for EE upgrades, and it recovers those funds through an on-bill tariff.
6 The monthly tariff charged to the customer can be no more than 80 percent of the average
7 monthly bill savings and last no longer than 80 percent of the measure’s effective useful life.
8 The design of the tariff ensures that the measure is an immediate cash-positive investment for
9 the participant, and that it’s cost-effective over the life of the measure⁴. As stipulated in
10 MPSC Case No. ER-2016-0023, Liberty-Empire conducted a Feasibility Study of the PAYS
11 program. This was filed alongside my direct testimony in this docket as Exhibit NWH-1.

12 **Q. DOES LIBERTY-EMPIRE INTEND TO EVALUATE PAYS AS PART OF A**
13 **POTENTIAL MEEIA PORTFOLIO?**

14 A. Liberty-Empire will absolutely consider PAYS in its MEEIA analysis. It is a program with
15 exemplary reviews and potential to improve Liberty-Empire’s service to its customers.

16 **Q. WHAT IS DR. MARKE’S POSITION ON LIBERTY-EMPIRE’S LIKELIHOOD OF**
17 **SUCCESSFULLY IMPLEMENTING A MEEIA PORTFOLIO WITHOUT PAYS?**

18 A. On page 15 of his rebuttal testimony, Dr. Marke posits, “I cannot envision Empire proposing
19 a cost-effective MEEIA program without a PAYS option.”

20 **Q. WHAT IS DR. MARKE’S POSITION ON LIBERTY-EMPIRE’S LIKELIHOOD OF**
21 **SUCCESSFULLY IMPLEMENTING A PAYS PROGRAM?**

⁴ MPSC Case No. ER-2019-0374, *Direct Testimony of Nathaniel W. Hackney, Exhibit NWH-1*, Filed August 14, 2019.

1 A. Later on the same page of his rebuttal testimony, Dr. Marke posits, “the order of magnitude
2 increase in Empire’s estimated billings the past couple of years gives me considerable pause
3 in advocating for a PAYS option now. The PAYS model is dependent on accurately
4 producing energy and demand savings. If Empire cannot confidently and consistently provide
5 its customers with their usage and proper billed amount I struggle with how a PAYS program
6 could properly work.”

7 **Q. DO YOU AGREE WITH DR. MARKE’S POSITION THAT LARGE NUMBERS OF**
8 **ESTIMATED BILLINGS HAVE POTENTIAL TO WEAKEN THE**
9 **EFFECTIVENESS OF A PAYS PROGRAM?**

10 A. In general, yes.

11 **Q. DO YOU BELIEVE THE BILLING ESTIMATIONS CITED BY DR. MARKE TO BE**
12 **A REALISTIC PREDICTOR OF FUTURE BILLING ISSUES?**

13 A. I do not. While it is not an investment for which recovery is being sought in this case,
14 Liberty-Empire already has a plan in place to implement AMI, which will improve the issue
15 of estimated bills. As stated in the Direct Testimony of Liberty-Empire witness Brent Baker,
16 “Liberty-Empire intends to improve customer care functions and related operational
17 performance through the implementation of an Advanced Metering Infrastructure
18 (“AMI”) system.”⁵

19 **Q. IS DECREASING THE NUMBER OF ESTIMATED BILLS ANTICIPATED TO BE**
20 **ONE OF THE IMPROVED CUSTOMER CARE FUNCTIONS TO WHICH MR.**
21 **BAKER IS REFERRING?**

22 A. Yes.

⁵ MPSC Case No. ER-2019-0374, *Rebuttal Testimony of Brent Baker*, pages 8- 9, Filed March 3, 2020.

1 **Q. WILL THE EXPECTED IMPLEMENTATION TIMELINE OF AMI COINCIDE**
2 **WITH THE IMPLEMENTATION TIMELINE OF PAYS, IF IT IS APPROVED**
3 **ALONGSIDE A MEEIA FILING?**

4 A. Roughly, yes.

5 **Q. DO YOU BELIEVE THAT AMI WOULD IMPROVE THE FUNCTIONALITY OF A**
6 **PAYS PROGRAM?**

7 A. Yes, I would anticipate AMI to improve the functionality of a PAYS program if it were to be
8 implemented.

9 **Q. DO YOU BELIEVE THAT A PAYS PROGRAM COULD BE REALISTICALLY**
10 **IMPLEMENTED EVEN IF THE COMPANY WERE NOT DEPLOYING AMI?**

11 A. Yes.

12 **V. LOW-INCOME PILOT PROGRAM (“LIPP”)**

13 **Q. PLEASE SUMMARIZE DR. MARKE’S POSITION ON THE LIPP, AS DESCRIBED**
14 **IN HIS REBUTTAL TESTIMONY⁶.**

15 A. Dr. Marke recommends:

- 16 • *The request for the tracker be rejected;*
17 • *The existing tariff be frozen so no new customers may enroll;*
18 • *The Company cease offering the program at the conclusion of its December 2020*
19 *bill; and*
20 • *Costs historically reserved for Empire’s DSM EM&V be allocated instead towards a*
21 *third-party low-income assistance study to be submitted in Empire’s next rate case.*

⁶ MPSC Case No. ER-2019-0374, *Rebuttal Testimony of Geoff Marke*, Filed March 9, 2020.

1 *The third-party study shall include (at a minimum):*

- 2 • *A literature review of bill assistance best practices across utilities;*
3 • *Alternative proposals that focus on specific targeted bill assistance segments*
4 *(former homeless population, elderly, renters, etc...); and*
5 • *Avenues to leverage existing funding mechanisms to maximize program*
6 *impact moving forward.*

7 **Q. WHY DOES DR. MARKE WANT TO DISCONTINUE THE LIPP PROGRAM?**

8 A. Dr. Marke assesses that the LIPP was “thrown together quickly and produced inconclusive
9 results.” He goes on to say, “If the program continues ‘as is’, I am confident that there will be
10 even fewer customers enrolled by the next rate case.”

11 **Q. DOES DR. MARKE RECOMMEND A VIABLE REPLACEMENT FOR THE**
12 **CUSTOMERS SERVED BY THIS PROGRAM?**

13 A. Dr. Marke does not recommend an immediate replacement after his recommended
14 discontinuation of the LIPP in December 2020. He does, to his credit, suggest that the
15 EM&V budget from the energy efficiency portfolio be reallocated to fund a study to
16 recommend better ways to serve this group of customers.

17 **Q. COULD THE STUDY RECOMMENDED BY DR. MARKE BE A USEFUL**
18 **ENDEAVOR TO EITHER IMPROVE THIS PROGRAM OR FIND A SUITABLE**
19 **REPLACEMENT?**

20 A. Yes.

21 **Q. IS THIS STUDY LIKELY TO HELP MORE PEOPLE THAN AN EM&V STUDY ON**
22 **LIBERTY-EMPIRE’S CURRENT ENERGY EFFICIENCY PORTFOLIO?**

23 A. Yes, for the reasons I describe earlier in this testimony.

1 **Q. DO YOU BELIEVE THAT THE STUDY RECOMMENDED BY DR. MARKE AND**
2 **THE DISCONTINUATION OF THE LIPP MUST BE MUTUALLY EXCLUSIVE?**

3 A. No. I advocate for the continuation of the LIPP program, as well as, the study. If the study
4 recommends a program that improves upon the LIPP, or one could serve as a suitable
5 alternative, implementation would likely be approved in a future case. I recommend that the
6 LIPP not be discontinued until a suitable replacement has been found that better serves this
7 customer sector. In the interim, I recommend the program continue as described in my Direct
8 Testimony.

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

10 A. Yes.

VERIFICATION OF NATHANIEL W. HACKNEY

Nathaniel W. Hackney, under penalty of perjury, declares that the foregoing surrebuttal testimony is true and correct to the best of her/his knowledge, information, and belief.

/s/Nathaniel W. Hackney _____

Nathaniel W. Hackney
Senior Reporting and Systems Analyst