Exhibit:	
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Witness:	Charles A. Caisley
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Sponsoring Party:	Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company
Case No.	EO-2019-0132 / 0133
Date Testimony Prepared:	September 16, 2019

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2019/0132 / 0133

SURREBUTTAL TESTIMONY

OF

CHARLES A. CAISLEY

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY and
KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
September 2019

SURREBUTTAL TESTIMONY

OF

CHARLES A. CAISLEY

Case No. EO-2019-0132 / 0133

Q: Please state your name and business address.

A: My name is Charles A. Caisley. My business address is 1200 Main, Kansas City, Missouri 64105.

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

A: I am employed by Kansas City Power & Light Company ("KCP&L") and serve as Chief Customer Officer and Senior Vice President – Marketing and Public Affairs for KCP&L, KCP&L Greater Missouri Operations Company and Westar Energy, Inc., operating utility subsidiaries of Evergy, Inc.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations Company ("GMO") (collectively, KCP&L or the Company).

Q: What are your responsibilities?

A: My responsibilities include customer-facing functions such as the contact center and meter-to-cash functions as well as small-scale distributed and renewable generation projects, energy products and services platforms, energy efficiency and demand response portfolio, community and customer strategy and communications, marketing, economic development, governmental affairs and public relations functions. Many of these areas are responsible for direct interaction with customers and stakeholders. These areas of direct customer interaction include: our customer care call centers, our billing department, all field service personnel, online/electronic transactions and portals, social media, community affairs, business customers, customer complaints, city franchises and regulated and non-regulated products and services. In addition to having responsibility for multiple areas with direct customer interaction, I am also responsible for leading a cross-functional team of individuals with responsibility for our overall customer experience and strategy. This includes customer research and segmentation as well as customer data analytics.

Q: **Please describe your education, experience and employment history.**

A: I graduated from the University of Illinois in Urbana-Champaign with a Bachelor's degree in political science. I earned a Juris Doctorate degree from St. Louis University School of Law and a Master of Business Administration from Washington University in St. Louis. I joined KCP&L in 2007 as Director of Government Affairs. Prior to joining KCP&L, I was employed by the Missouri Energy Development Association (MEDA), the Missouri Industry Association for Missouri investor-owned utilities, as President. Prior to that I was employed as the Chief of Staff to the Speaker of the Missouri House. In both positions, I dealt extensively with Missouri utility law and energy policy.

Q: **Have you previously testified in a proceeding before the Missouri Public Service Commission ("Commission" or "MPSC") or before any other utility regulatory agency?**

A: Yes, I have previously testified before the MPSC and the Kansas Corporation Commission.

Q: **What is the purpose of your Surrebuttal testimony?**

A: The purpose of my testimony is to introduce the Company's Surrebuttal Report ("Report") that is being filed concurrently with this testimony and provide an overview of KCP&L's overarching concerns with positions taken by Commission Staff ("Staff") and the Office of Public Counsel ("OPC") in rebuttal testimony in this proceeding regarding KCP&L's Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 3 filing.

Q: Can you outline KCP&L's concerns with positions taken by Commission Staff in rebuttal testimony?

A: Yes. The Company has presented a MEEIA Cycle 3 portfolio that is very similar to successful programs in the previous two MEEIA cycles. In presenting our MEEIA Cycle 3 portfolio, we sought continuity for customers—putting forward similar programs and a similar overall budget. We took into account our experience from the previous two MEEIA cycles, what worked well and what needed improved. We also, sought input from Staff and stakeholders at every single step of preparing our MEEIA Cycle 3 portfolio. The operating environment and capacity positions of the Company are largely unchanged from previous cycles. Once we made our filing, Staff applied the MEEIA statute language, rules and prior Commission orders differently in its review of the Company's proposed MEEIA Cycle 3 program. Staff's application presents a significant departure from the successful past of MEEIA programs in the state. Staff argues that the Company's MEEIA Cycle 3 application should not be approved because 1) the programs do not provide benefits to all customers in the customer class, regardless of participation; and 2) the programs do not value demand-side investments equal to traditional investments in supply and delivery infrastructure in delivering cost-effective demand-side programs. Staff's position does not represent tweaks to their previous positions in MEEIA Cycle 1 and MEEIA Cycle 2. Staff's position is a complete and total departure from what made the first two MEEIA cycles successful. It threatens to destroy the hard-won benefits, vendor network and installed capacity that the Company has developed throughout our Missouri service territories over the last seven years.

As the Company will describe in the Report, Staff's positions are inconsistent with the MEEIA statute, how the Commission's IRP and MEEIA rules have been previously applied, are at odds with one another, and with previous Commission orders regarding MEEIA. Staff's position will effectively prevent the Company from implementing several of the least cost options from our IRP; Commission adoption of these Staff positions would thwart the use of demand-side programs that would otherwise lower the overall cost of providing retail electric service in the State of Missouri, leaving the Company no choice but to rely exclusively on supply-side resources to meet the long-term electricity needs of its Missouri customers. Staff is advocating for a less environmentally friendly and more costly approach to providing Missouri customers with electricity. As one of the principal participants in the discussions leading to the passage and enactment of MEEIA, such a result would be inconsistent with the objectives policymakers in the legislative and executive branches sought to obtain through MEEIA. It is inconsistent with the cost-effective success these programs have previously provided and it would start moving demand-side management in Missouri on a regressive path back to where it started prior to MEEIA.

Q: **Please summarize the Company's positions responding to Rebuttal testimony in the Report.**

A: The Company Report is structured to follow the general outline of the Staff Report to address concerns raised in Rebuttal testimony filed by different parties.

Customer Perspective

In the section of Staff's Report on Customer Perspective, Staff claims that the Company has not demonstrated that proposed demand-side programs are beneficial to all of its customers or even preferred by its customers[1]. KCP&L has over a 10-year history in developing, implementing and providing successful demand-side management (DSM) programs to its customers. During this time, the Company has demonstrated continued success with its customers, and also developing innovative programs that are leading in the industry. As explained by Company Witness Brian File, with each successive portfolio filing, based on customer research and confirmed by evaluation, measurement and verification (EMV) results, KCP&L has evolved its programs such that all customers may save money and energy. Programs are designed such that all customers can participate in some manner – whether they are low income, single family home owners, multi-family dwellers, elderly or small or large businesses. While Staff is arguing that every individual customer should benefit from DSM programs under MEEIA, the Company cautions that imposition of this interpretation of the MEEIA statue by Staff may lead to a significant detriment to customers as a whole by effectively precluding the ability to approve and implement any meaningful DSM programs under MEEIA. Further, even if it were possible to show that programs benefit customers at the individual level, it would create such burdensome and costly regulatory requirements that KCP&L would spend more time trying to comply with the imposition of numerous new measures and requirements and less time developing, marketing and administering successful programs. Staff does not argue that previous programs were not successful nor that they did not benefit participating and non-

[1] Staff Report, p. 5.

participating customers. Rather, Staff has supported this finding for the past seven years for the very programs they now call suspect. Finally, we are not aware of one regulatory framework in Missouri that has the requirement to show that every customer or citizen of the state must benefit in order to approve a program or regulatory rule.

Avoided Costs

Company Witnesses Burton Crawford and Tim Nelson respond in detail to positions on avoided costs. Based on page 6 of Staff Witness Dietrich's rebuttal testimony, I understand Staff has taken the position that, for purposes of assessing the cost-effectiveness of demand-side programs, avoided capacity costs should be valued at $0 until the subject utility has identified a future need for additional supply-side capacity.

Staff's use of $0 for avoided capacity costs to value DSM is at odds with MEEIA. Section 393.1075.3 provides in relevant part that "[I]t shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure . . .." Utilizing a value of $0 for avoided capacity cost when assessing the cost-effectiveness of DSM programs producing capacity savings virtually guarantees that the number of programs that would be cost-effective would greatly diminish. This is because all demand-side programs producing capacity savings will have costs greater than $0. Staff may argue that its position recognizes avoided capacity costs at a value greater than $0 for a utility that is short of capacity, but this places too much emphasis on whether a utility is short or long of capacity in the relative near-term. When a resource reduces the present value of long-run utility costs, the benefits of choosing that resource are independent of whether the utility is long or short of capacity. It should also be noted that the Company's current capacity position is similar to what it has been for the previous two cycles in that the KCP&L/GMO system is long capacity. The Company's programs in these previous cycles were supported by Staff and approved by the Commission. In addition, as pointed out in the Company's Application[2] there are potential scenarios where capacity will be needed sooner than what is in the preferred resource plan which would benefit from having demand-side management implemented now.

Staff's use of a value of $0 for avoided capacity costs virtually guarantees that no demand-side measure targeting demand savings, such as demand response and HVAC, will pass the cost-effectiveness test. And Staff's requirement that all non-participants must benefit from a program for it to be approved under MEEIA virtually guarantees that demand-side programs targeting energy savings cannot be approved. Company Witness Nelson describes this "Cycle of Denial" in more detail. These Staff positions, if adopted by the Commission, will preclude approval of demand-side programs whether they target either demand or energy savings.

Benefits to All Customers

Staff has concerns that non-participating customers receive no net benefit from MEEIA Cycle 3[3]. As the Company's report will detail there are a number of benefits that all customers receive as part of the proposed programs. As Company Witness File describes, EM&V has continually shown net energy benefits to customers, second Cycle 3 programs are designed with all customers in mind and there are environmental benefits. Additionally, Company Witness Crawford describes that the IRP shows there is a reduction in the NPVRR, energy market price benefits, and reduction in SPP fees. Lastly, Company

[2] Application, Schedule 8.11.
[3] Staff Report, p. 31.

Witness Nelson discusses the rate design implications of MEEIA as it affects non-participants.

A third-party evaluator has evaluated MEEIA programs that have been verified by a Commission Staff auditor for 6 years detailing the benefits to all customers. An additional way to ensure that a MEEIA portfolio is beneficial to all customers is to have programs that everyone can participate. Company Witness File describes how the Company has carefully designed a suite of programs to provide options for different types of customers to participate. In contrast, OPC is suggesting a very limited portfolio of programs be approved, which would significantly limit the ability for all customers to participate.

Yet another way that Company Witness Crawford explains customers as a whole benefit is because the MEEIA programs will avoid costs by reducing the long-term revenue requirement of the utility whether or not supply-side resources are avoided. The IRP analysis has continually shown that demand-side management investment is best for customers by having lower long-term revenue requirements.

In addition to customers benefiting from lower long-term revenue requirements, participating customers will enjoy the benefit in the form of near term reductions to their electric bill. Despite this, Staff now raises concerns with this filing regarding customer average rate impacts given Staff's new interpretation DSM programs cannot be approved under the MEEIA statute unless "beneficial to all customers in a class, whether or not they participate." Effectively, Staff's interpretation requires that every individual customer must benefit.

However, as Company Witness Nelson describes this is not a new issue with this MEEIA Cycle 3 filing, but is simply a function of the current retail rate structure and is not a reasonable basis to reject the Company's MEEIA Cycle 3 filing. It is a fact that the reduction of energy usage will lead to the recovery of fixed costs over fewer sold kWhs, and thus create higher rates for all customers. This reduction in energy usage and kWh billing determinants occurs regardless of the avoided capacity cost used to screen the DSM programs. A resulting fact is that average customer bills go down even though average rates may go up. It has always been this way with energy efficiency programs and this scenario has existed in previous cycles approved by the Commission as well. The only way that non-participating customers may receive net benefits (and participating customers continue to benefit) would be in the long term from programs that produce demand reduction on a sustained basis. If the Commission were to adopt Staff's interpretation that any increase in rates for an individual customer that does not directly participate precludes a MEEIA program from meeting the requirement that customers benefit, no MEEIA program could ever be approved. As previously mentioned, this is why the Company has proposed a comprehensive portfolio of programs that provide multiple opportunities for all customers to participate.

Demand Side Programs

In their rebuttal testimony Staff and OPC address various concerns with the cost-effectiveness of proposed demand side programs and offer program design changes for various energy efficiency and demand response programs. Company Witness File addresses the issues raised and suggestions made related to evaluating the cost-effectiveness of our proposed programs, including how the test is applied and which test to use for demand response programs. Staff implies that we operate MEEIA programs that are not cost effective and suggest that 100 percent of ALL costs would be disallowed even if the program had a TRC ratio of 0.99. Company Witness File addresses Staff's suggestion and 180-degree change in position that only customers who have not opted out of MEEIA programs should be eligible to receive the incentives in the Company's DSM programs. These programs are fundamentally the same as what was offered by the Company in previous MEEIA cycles. Company Witness File details how the Company is using Advanced Metering Infrastructure ("AMI") data in our MEEIA programs. Company Witness File responds to the various issues raised and suggestions made on program design related to our proposed programs.

DSIM Charge

Staff addresses several concerns related to the mechanism of the DSIM charge and tariff sheets for KCP&L and GMO. Company Witness Mark Foltz addresses these various suggestions.

Staff also suggests that the Commission not approve an Earnings Opportunity ("EO") for the company because the Company is not avoiding investment with its MEEIA programs. The statute says that the earnings opportunity is to be "associated with cost-effective measurable and verifiable efficiency savings" and not "deferred" or "avoided" supply-side resources. As Company Witness Darrin Ives explains, having an appropriate construct around cost recovery, throughput disincentive, and earnings opportunity is critical for any utility promoting energy efficiency and demand response programs. The Company has proposed an EO that is consistent with prior MEEIA Earnings Opportunities approved by the Commission for the Company and Ameren. While there may be some differences in program levels and design from utility to utility to serve the needs of each utility's respective customers, this three-part recovery mechanism should be applied consistently across the state for similar utilities competing for similar capital from similar investors. It would not make sense for a company to implement a voluntary MEEIA program with Staff's proposal on cost recovery and EO where it is disadvantaged in such a way. And yet again, it is at odds with MEEIA. Section 393.1075.3 provides in relevant part that "[I]t shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure . . .." If Staff reduces the EO from previous cycles, then it will be signaling KCP&L and every other utility in Missouri that it prioritizes incremental investment in supply over demand-side investments.

Modifications and Conditions

Staff and OPC make a variety of suggestions for modifications to program elements as well as adding suggested conditions for approval of a MEEIA program. The Company has presented a robust and cost-effective MEEIA portfolio developed on the basis of its two previous successful cycles and positive customer feedback, delivering intended results as envisioned in the MEEIA legislation we helped champion. As previously addressed, many of Staff and OPC's suggestions alter the scope and intent of our proposed offerings so drastically that ***the Company would not elect to move forward with them.*** That being said, the Company has reviewed the suggestions for modifications to program elements as well as suggested conditions. Company Witness File provides comment on which suggestions are acceptable and not acceptable to the Company. For those recommendations and conditions the Company finds acceptable and consistent with the Company's overall MEEIA strategy, the Company is willing to modify aspects of our Application if the Commission deems appropriate.

<u>Summary</u>

Q: Why are these Staff position on benefits to all customers inconsistent with how the Commission rules have been previously applied?

A: As Company Witness Crawford explains, the Commission's rule on integrated resource planning ("IRP") requires electric utilities to use minimization of the present value of long-run utility costs as the primary selection criteria in choosing the preferred resource plan. See 20 CSR 4240-22.010(1)(B). These Staff positions on benefits to all customers is inconsistent with prior rulings and virtually guarantee that no demand-side program targeting energy savings can be approved under MEEIA regardless of whether such demand-side programs would reduce the present value of long-run utility costs.

Q: Why are these Staff positions at odds with previous Commission MEEIA orders?

A: KCP&L and GMO currently offer demand-side programs, approved in the course of MEEIA 2 proceedings for KCP&L and GMO and with prior MEEIA Cycle 1, that target both demand and energy savings. If Staff had taken, and the Commission had adopted, these positions in the course of KCP&L's and GMO's MEEIA Cycle 1 and 2 proceedings, there is no doubt in my mind that KCP&L and GMO would have very few or no demand-side programs in place today.

Q: What are the inconsistencies between Ameren's Commission approved Cycle 3 portfolio and Staff's recommendation?

A: Staff is measuring KCP&L's programs with a different measuring stick than Ameren. The Company has identified several inconsistencies, including:

- Ameren did not identify any **specific** investments that would be avoided through implementation of its MEEIA Cycle 3 programs but Staff faults the Company for not doing so.
- Staff supports Ameren offering a Home Energy Report (HER) that has similar characteristics as the Company's but admonishes the Company for offering a HER due to lack of persistence and naturally occurring energy savings.
- Staff recommends as a condition for approval by the Commission that the Commission only allow for recovery of program costs, TD, and EO from programs that are ultimately verified as cost effective based on EM&V. Staff did not require the same of Ameren in its support of Ameren's programs.
- Staff recommends a very different level of earnings for the Company compared to what it supported for Ameren. Staff is recommending **zero** earnings for KCP&L; whereas the Company is requesting an EO that is consistent with prior Commission orders for both the Company and Ameren. Company Witness Ives further expands on the Company's proposed EO in relation to percentage of budget is similar to Ameren's recently approved Cycle 3 plan and the Company's Cycle 2 EO. Utilities operating in the same state with similar circumstances should have similar incentives for investing in their customers.
- Staff is recommending that the Company utilize a zero-avoided capacity cost for evaluation of its proposed MEEIA programs because the need for capacity for the Company only potentially exists in 2032. However, Staff takes a very different position with Ameren and supports avoided capacity costs for Ameren for the

period 2019-2037[4]. As stated in Staff's rebuttal testimony in the Ameren case, "Ameren Missouri has no current capacity needs for either and will not need capacity for 16 years"[5].

Q: **Why would Commission adoption of these Staff positions thwart the use of energy efficiency and demand-side programs that would otherwise lower the present value of long-run utility costs in the State of Missouri, leaving investor-owned electric utilities operating in the state no choice but to rely exclusively on supply-side resources to meet the long-term electricity needs of Missouri customers?**

A: As shown above, these Staff positions would make it virtually impossible for the Commission to approve demand-side programs under MEEIA. Capacity planning for electric utilities is, of necessity, focused on the long-term because supply side resources are long-lived, costly and often take years to put in place. Long-term planning cannot be undertaken with any meaningful degree of reliability if significant variables used in that analysis change substantially from year to year. The value of avoided capacity costs to use for the assessment of cost-effective demand-side programs is a significant variable in long-term capacity planning, as is the expected level of demand-side programs over the planning period. In fact, the preferred resource plans of KCP&L and GMO assume meaningful levels of demand reductions due to demand-side programs over the next twenty years. If Staff's positions in this proceeding are adopted by the Commission then it is highly unlikely that any demand-side programs will be implemented by KCP&L or GMO after their MEEIA Cycle 2 programs terminate in 2019. Under those circumstances, it is clear

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[4] Ameren Missouri 2019-21 MEEIA Energy Efficiency Plan, Appendix C, Avoided Costs
[5] Case No. EO-2018-0211, Staff Rebuttal Report, Lines 13-14, p. 23

that the preferred resource plans currently in place for KCP&L and GMO will need to be changed.

Q: Why do those issues cause KCP&L concern?

A: As Company Witness File described in the application, KCP&L has been a strong advocate of demand-side management in Missouri which has resulted in significant positive benefits to the State, individual customers and the community at large, including increased economic activity resulting in jobs, environmental benefits through emissions reductions like CO_2 reduction, and energy savings for customers.

Q: What is your response to Staff's assertion that KCP&L/GMO is able to offer its DSM portfolio outside of MEEIA[6]?

A: While it appears that Staff is trying to offer an alternative solution, the notion of offering DSM outside of MEEIA is contrary to the state policy that the State of Missouri legislature set in 2009 by passing the statute. There have been great strides in energy efficiency investment and outcomes[7] based on the hard work put in by the legislature and subsequently all the stakeholders including Staff debating and finalizing associated rules. To move these programs outside MEEIA would infer that the statute as intended has failed and that the progress made in demand side management in the State was not successful. The Company opposes this notion and suggests just the opposite. Missouri can and will be stronger economically as evidenced by the jobs and benefits created with continued investment in demand side management under the MEEIA construct. Finally, without the MEEIA cost recovery mechanisms and incentives, the Company will not offer the programs.

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[6] EO-2019-0132, Rebuttal Testimony - N. Dietrich, p. 10, lns. 3-4.
[7] EO-2019-0132 and EO-2019-0133 Application, p. 23 Figure 2.1.

Q: What does the Company request of the Commission in this case?

A: The Company requests that the Commission reject these Staff positions. The Company requests that the Commission reject setting a different standard regarding energy efficiency for the Eastern half of Missouri and the Western half of Missouri. The Company requests that the Commission approve our MEEIA Cycle 3 filing as is or with the modifications outlined by Witness File and set a continued positive course for demand-side management and all the associated benefits in the State of Missouri.

Q: Does this conclude your Surrebuttal testimony?

A: Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2019-0132
In the Matter of KCP&L Greater Missouri Operations Company's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2019-0133

AFFIDAVIT OF CHARLES A. CAISLEY

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Charles A. Caisley, being first duly sworn on his oath, states:

1. My name is Charles A. Caisley. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President – Marketing and Public Affairs.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company consisting of sixteen (16) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

CA Caisley
Charles A. Caisley

Subscribed and sworn before me this 16th day of September 2019.

Anthony R Westenkirchner
Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021