BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Missouri Metro and Evergy Missouri West's Notice of Intent to File Applications for Authority to Establish a Demand-Side Programs Investment Mechanism	)))))	Case No: EO-2019-0132

PUBLIC COUNSEL'S RESPONSE TO EVERGY MISSOURI METRO
EVERGY MISSOURI WEST'S APPLICATION FOR CLARIFICATION/REHEARING

Evergy Missouri Metro and Evergy Missouri West (collectively Evergy) filed its Application for Clarification/Rehearing on December 31, 2019 regarding language about recovery under the Pay As You Save (PAYS) program in the Commission's Report & Order that recently approved Evergy's Missouri Energy Efficiency and Investment Act (MEEIA) portfolios. The Public Service Commission (Commission) provided that any party wishing to respond to Evergy's motion do so no later than January 7, 2020, at noon (CST). The Office of the Public Counsel (OPC) accordingly responds as set forth in the attached memorandum

Wherefore, the OPC responds to Evergy's Application for Clarification/Rehearing as set forth in the attached memorandum.

Respectfully,

OFFICE OF THE PUBLIC COUNSEL

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Attorney for the Office of the Public Counsel

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 7th Day of January, 2020, with notice of the same being sent to all counsel of record.

/s/ Caleb Hall

MEMORANDUM

To: Missouri Public Service Commission Official Case File, Case No. EO-2019-0132 (consolidated with Case No. EO-2019-0133)

From: Geoff Marke, Chief Economist
Missouri Office of the Public Counsel

Subject: Comments related the Evergy Missouri West and Evergy Missouri Metro (collectively Evergy) PAYS Pilot Program

Date: January 7, 2020

Overview:

On December 31, counsel for Evergy filed a motion for clarification or rehearing regarding appropriate cost recovery/allocation as it pertains to the PAYS pilot program. Later that day, Judge Clark filed a directive for Staff and other interested parties to respond to Evergy's motion by noon on January 7th. The following is the OPC's response to Evergy's motion for clarification or rehearing:

1.) PAYS and MEEIA cost separation:

Based on the Commission's Report and Order, and Commissioners' comments made at Agenda, it appears as though the Commission's intent is to have the recovery of PAYS costs flow through Evergy's PAYS Tariff/surcharge, and the recovery of MEEIA costs flow through Evergy's MEEIA tariff/surcharge. This is reasonable, and can easily be done.

The OPC suggests that the costs should be broken down as follows:

PAYS Costs (recovered from participant)	MEEIA Costs (recovered from all ratepayers)
Capital provided for measure (minus rebate)	Rebate amount + Administrative Costs (EM&V)
Cost of capital (5%)	Throughput Disincentive
	Earnings Opportunity
	Administrative costs for 3rd party implementers of PAYS applied to the $10 to $15 million budget

PAYS costs recovery includes capital, plus cost of capital. Those are the direct costs borne by the participant, and should not be borne by nonparticipants. These costs would be no different than if a homeowner were to take out a loan.

MEEIA cost recovery should include the rebate amount, the throughput disincentive, and an earnings opportunity--just like every other MEEIA program.

Evergy should collect administrative costs for implementing the PAYS program and advertising through Evergy's MEEIA surcharge. This is because PAYS implementers will be conducting audits at homes that include direct install measures, regardless of whether or not a customer chooses to move forward with a PAYS program. This is no different from how historic MEEIA audit and direct-install programs have worked.

However, the administrative costs associated with performing the audit, the direct install measures and any advertising should be applied to the $10 to $15 million budget.

This is a fair allocation of costs, and would be in line with the spirit of the Commission's Report and Order.

The OPC believes it would be administratively difficult (but not impossible) and needlessly complicated to allocate all five cost items listed above (capital and cost-of-capital + PAYS admin + rebate & MEEIA admin + throughput disincentive + earnings opportunity) through a single PAYS surcharge. This is due in large part to timing of MEEIA cost recovery and the fact that PAYS payments, by design, will extend beyond the three-year Commission-approved MEEIA cycle.

2.) Earnings Opportunity:

To date, <u>the Commission has not given any utility an earnings opportunity for a pilot MEEIA program</u>. The OPC is not opposed to doing so in this unique situation; however, given the parameters of the pilot (e.g., one-year status, capped floor and ceiling, etc…). The OPC believes it would be administratively easier and fairer to treat Evergy's PAYS program earnings opportunity as if it is an extension to Evergy's residential energy and demand savings targets. That is, a HVAC rebate made through a PAYS tariff or as a traditional MEEIA rebate still induces energy and demand savings that are included in the pre-set energy and demand targets used to gauge Evergy's earnings opportunity. Alternatively, the OPC would also be willing to work with stakeholders to reach another reasonable outcome on this issue.

3.) Cost of Capital:

The OPC is proposing that Evergy's cost of capital be no greater than 5% for purposes of this pilot, whether that capital is sourced internally or from a 3rd party, and strongly recommends that this 5% be a maximum, given all of the other "make whole" provisions to which Evergy is entitled under Evergy's MEEIA framework. Needlessly raising the cost of capital on top of the costs of this program will only serve to make the PAYS option less desirable. Based on discussions with PAYS implementers, 3rd party capital for Evergy, should Evergy desire to use 3rd party capital, will be available in support of a PAYS program, so long as Evergy passes the cost of the capital on to the participants directly and does not increase it. A 5% maximum interest rate is both reasonable and consistent with other PAYS tariffed programs across the U.S.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI	)	
	)	SS.
COUNTY OF COLE	)	

COMES NOW GEOFF MARKE and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Public Counsel's Response to Evergy Missouri Metro and Evergy Missouri West's Application for Clarification/Rehearing* and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Geoff Marke
Geoff Marke
Chief Economist

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 7th day of January, 2020.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037

Jerene A. Buckman
Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.