BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Second Prudence Review of the Missouri Energy Efficiency Investment Act (MEEIA) Cycle 2 Energy Efficiency Programs of Evergy Metro, Inc. d/b/a Evergy Missouri Metro	)	**File No. EO-2020-0227**
In the Matter of the Second Prudence Review of the Missouri Energy Efficiency Investment Act (MEEIA) Cycle 2 Energy Efficiency Programs of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	)	**File No. EO-2020-0228** (consolidated)

STAFF RESPONSE TO EVERGY MOTIONS TO LIMIT SCOPE OF PROCEEDING

COMES NOW Staff of the Missouri Public Service Commission and submits this Response to the Motions to Limit Scope of Proceeding filed herein by Evergy, and in support hereof states as follows:

1. On July 29, 2020, Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West") (herein collectively referred to as "Evergy") filed a Motion to Limit Scope of Proceeding in each of these cases. Thereafter, on July 30, 2020, Evergy filed a Corrected Motion to Limit Scope of Proceeding in each case.[1] The Commission should deny Evergy's motions as discussed below.

2. Evergy's motions seek to "limit the scope" of these proceedings by precluding consideration herein of certain disallowances / adjustments which Staff recommended in its Reports previously filed in these dockets. The recommended disallowances at issue fall into two general categories -- a capacity sale contract and

[1] By order issued August 5, 2020, the Commission consolidated these two cases, with File No. EO-2020-0227 denominated as the lead case.

certain Southwest Power Pool ("SPP") costs. Evergy claims the capacity sale contract disallowance should be addressed in a FAC prudence review rather than a MEEIA prudence review; it is not clear from Evergy's motions where, or even if, it believes the SPP cost disallowances should be addressed.

3. The basis for Evergy's motions, as stated by Evergy, is that "capacity sales and SPP expenses are not subject to the DSIM [Demand Side Investment Mechanism] and have not been collected from customers through the DSIM" or, stated another way by Evergy, that "Staff's proposed disallowances are not related to 'costs subject to the DSIM' and therefore are not properly the subject of this proceeding." Staff obviously disagrees that the proposed disallowances are not "related to costs subject to the DSIM" as discussed below.

4. Even Evergy's motions admit that program costs, or net program costs, are subject to the DSIM and are therefore properly the subject of a MEEIA prudence review. As stated in Staff's Report filed in Case No. EO-2020-0227[2]:

> Evergy Missouri Metro has a responsibility to provide benefits to all customers in a given rate class through implementation of the MEEIA programs. As stated on pages five - six of the Commission's Report and Order in Case No. EO-2015-0055:
>
> > Under MEEIA and with Commission approval, electric utilities may offer demand-side programs and special incentives to participating customers designed to put demand-side initiatives on equal footing with traditional supply-side resources. In order to accomplish that equal footing, the law requires the Commission to do three things:
> > (1) Provide timely cost recovery for utilities;
> > (2) Ensure that utility financial incentives are aligned with helping customers to use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently; and
> > (3) Provides timely earnings opportunities associated with cost-effective measurable and verifiable savings. (footnote omitted).

[2] Staff Report pp. 24-25.

> MEEIA allows such demand-side programs only so long as those programs are approved by the Commission, result in measurable demand or energy savings, and ***are beneficial to all customers***. [Emphasis added.]

> The best way to provide benefits to all customers is to achieve targets as economically as possible and to maximize the benefits of the demand-side programs. Demand response can be a great demand-side resource for utilities that are short on capacity and when the programs are implemented reasonably with an effort to avoid costs or provide benefits to customers. The Commission's approval of the demand response programs does not excuse the requirement of the Evergy Missouri Metro decision makers to implement the programs prudently and in a manner that maximizes benefits to customers at least cost. **The Evergy Missouri Metro demand response programs were not implemented in a manner that would maximize benefits at least cost due to managerial decision making**; thus, the costs associated with those programs are not justified. MEEIA was never intended to be a blank check. [Citing the Commission's Report and Order in Case No. EO-2015-0055] [emphasis added]

5. In regard to the specific disallowances Evergy seeks to preclude from consideration in this case,[3] Staff recommends that the Commission disallow the amounts in question because they are a result of decisions made during the implementation of the MEEIA Cycle 2 Demand Response programs. The programs were implemented following the approval of the MEEIA Cycle 2 portfolio and the DSIM that is used for cost recovery. The program costs, throughput disincentive, and earnings opportunity associated with the Demand Response Incentive program and the Residential Programmable Thermostat program are collected through the DSIM and are therefore subject to the MEEIA prudence audit. The Commission's previous approval of the demand response programs does not excuse Evergy decision-makers from implementing the programs prudently and in a manner that maximizes benefits to customers at least cost. The Evergy demand response programs were not implemented in a manner that would maximize benefits at

[3] Both consolidated File Nos. EO-2020-0227 and EO-2020-0228.

least cost due to managerial decision-making; thus, the full costs associated with those programs are not justified. As the Commission itself has stated, MEEIA was never intended to be a blank check.

6. Evergy failed to manage the programs prudently by not attempting to minimize the costs to all customers through implementation of the ratepayer-funded demand response MEEIA programs. The decisions regarding the implementation of the demand response programs harmed ratepayers because the SPP fees incurred could have been lessened through targeted demand response events. Contrary to Evergy's claims, this is directly related to the DSIM and Staff's prudence review.

7. In some instances, Evergy had the opportunity to reduce costs to customers without additional program costs, but chose not to do so. Evergy had opportunities to derive benefits for all ratepayers through decisive implementation of the demand response programs with minimal, if any, additional costs to ratepayers and chose not to do so. For example, Evergy could have called more than 100 additional residential thermostat program events without needing to provide any additional incentives to participants. If executed correctly, those additional residential thermostat program events could have increased benefits to ratepayers at no additional cost, instead of having customers pay for benefits that were not realized. Further, Evergy Missouri Metro did not need the demand reduction that resulted from the demand response programs in order to meet SPP resource adequacy requirements. However, Evergy Missouri Metro could have derived ratepayer benefits from the demand reduction by entering a bilateral contract for a portion of the generation capacity that far exceeds SPP resource adequacy requirements.

8. Ratepayers that pay the DSIM have little, if any, control over the implementation of the demand response programs, yet they fully fund the programs with the hope of reduced bills. Evergy ratepayers rely on Evergy to maximize the ratepayer benefits that may result from the implementation of MEEIA programs. The decision making that occurred due to implementation of the demand response programs resulted in a lack of realized ratepayer benefits and additional costs to ratepayers.

9. Evergy's imprudent decisions made in connection with its MEEIA programs led to the challenged programs' costs being higher and/or ratepayer benefits being lower than they would have been had prudent decisions been made. As such, the recommended disallowances are directly related to the DSIM and should be flowed through the DSIM as Ordered Adjustments. As reflected on Evergy's tariff sheets that Evergy chose to not attach to its motions, "OA" or "Ordered Adjustment" is "the amount of *any* adjustment to the DSIM ordered by the Commission as a result of prudence reviews and/or corrections under this DSIM Rider. Such amounts shall include monthly interest at the Company's monthly Short-Term Borrowing Rate."[4] (Emphasis added) The OA is, in turn, part of the "NOA" or "Net Ordered Adjustment" which is shown on the tariff sheet attached to Evergy's motions as part of the computation of the DSIM.

WHEREFORE, Staff respectfully requests the Commission issue an order denying Evergy's Motions to Limit Scope of Proceeding as discussed herein.

[4] See Evergy Missouri Metro Tariff Sheet 49J.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 7th day of August 2020.

/s/ Jeffrey A. Keevil