BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Every Missouri Metro and Every Missouri West's Notice of Intent to File Applications for Authority to Establish a Demand-Side Programs Investment Mechanism	)))))	**<u>File No. EO-2019-0132</u>** Tariff Nos. YE-2021-0221; JE-2021-0222

<u>STAFF RECOMMENDATION FOR APPROVAL WITH MODIFICATIONS</u>

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through the undersigned counsel, and for its *Staff Recommendation for Approval with Modifications* respectfully states:

1. On June 3, 2021, Evergy Missouri West and Evergy Missouri Metro (collectively "Evergy") submitted direct testimony and tariff revisions (YE-2021-0221 and JE-2021-0222) to initiate a PAYS® pilot program and comply with the Commission's *Amended Report and Order* issued March 11, 2019.

2. The Commission issued its *Order Directing Staff to File a Pleading Concerning Evergy's PAYS® Program Compliance Filing* on June 4, 2021, ordering Staff to file a statement informing the Commission of when it can file its recommendation.

3. In order for Staff to have the necessary time to conduct its analysis and review, Staff requested, and was granted, a Commission order setting July 19, 2021 as the filing date for Staff's recommendation.

4. Having concluded its investigation, more thoroughly explained in its Memorandum attached hereto as Appendix A, Staff is generally supportive of Evergy's PAYS® pilot program, with the exception of Evergy's proposed earnings opportunity.

5. In the Commission's Amended Report and Order in this matter, filed on March 11, 2019, the Commission ordered:

> The pilot program shall have an appropriate earnings opportunity component for the Companies to be agreed upon by the parties.[1]

6. Prior to the filing of its direct testimony and tariff revisions, Evergy did not reach an agreement with the parties regarding an earnings opportunity.

7. Further, and as more fully explained in Appendix A, the earning opportunity proposed by Evergy is inappropriate, in that it allows Evergy three different earnings opportunities, as outlined in the graph below:

3% financing charge on $7.005M	$210,150.00[2]
Performance metric 5% of $7.005M	$350,250.00
Metro energy and demand savings	$132,642.96
West energy and demand savings	$153,927.36
Total	$846,970.32

8. Though Evergy claims that its proposed performance metric of 5% aligns with that of Union Electric d/b/a Ameren Missouri ("Ameren"),[3] that is not the case. Ameren includes a 4% financing charge, as compared to the 3% from Evergy, and the only other potential earnings opportunity for Ameren is based on a budget minimum that must be spent.[4] If Ameren does not meet the minimum spend, Ameren's earnings opportunity will be reduced by $1 million for each budget floor missed.[5]

9. Ameren's earnings opportunity is more similar to a budget spend metric, requiring a spend threshold be met based on program costs. Evergy's proposal is for a performance metric that requires no threshold be met and is based on the financed amount.

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[1] Amended Report and Order, pg. 29, para. 2(d).
[2] The $210,150.00 is calculated as $7,005,000 x 3%.
[3] Direct Testimony of Brian File, pg. 8.
[4] Case No. EO-2018-0211, Unanimous Stipulation and Agreement Regarding the Implementation Certain MEEIA Programs Through Plan Year 2022, pg. 7, para. 10.
[5] *Id*.

10. In addition, Ameren's earnings opportunity was agreed to by all the parties. Evergy's has not been agreed to by all the parties, despite the Commission's order explicitly requiring such agreement.

11. Staff recommends that the Commission approve Evergy's proposed PAYS® pilot program, as filed on June 3, 2021, with the following modifications:

a. Reject Evergy's proposed earnings opportunities, and

b. Order Evergy to meet with the parties in order to reach an agreed upon earnings opportunity, per the Commission's *Amended Report and Order*.

WHEREFORE, Staff submits its *Staff Recommendation for Approval with Modifications* for the Commission's consideration and knowledge, and prays the Commission grant Staff's requested relief herein.

Respectfully submitted,

/s/ Travis J. Pringle
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all parties and/or counsel of record on this 19th day of July, 2021.

/s/ Travis J. Pringle

M E M O R A N D U M

TO: Missouri Public Service Commission Official Case File
File No. EO-2019-0132

FROM: Brad J. Fortson, Regulatory Compliance Manager

DATE:	/s/ Brad J. Fortson 7/19/2021 Energy Resources Department / Date	/s/ Travis Pringle 7/19/2021 Staff Counsel Department / Date

SUBJECT: Staff Recommendation For Approval with Modifications of Evergy Missouri Metro and Evergy Missouri West's PAYS® Pilot Program

DATE: July 19, 2021

BACKGROUND

On June 3, 2021, Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Metro") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy West") (collectively "Evergy" or "Company") filed its *Evergy Notice of PAYS Pilot Program* ("Notice") along with *Direct Testimony of Brian A. File* and *Tariff Revisions (YE-2021-0221) and (JE-2021-0222)*. On June 4, 2021, the Commission ordered Staff, no later than June 17, 2021, to file a statement informing the Commission of when it can file a recommendation concerning Evergy's PAYS® program. On June 17, 2021, Staff requested the Commission issue an order setting July 19, 2021, as the filing date for Staff's recommendation. On June 22, 2021, the Commission ordered Staff to file its recommendation no later than July 19, 2021.

DISCUSSION

In its March 11, 2020, *Amended Report and Order* ("Amended Report") in Case No. EO-2019-0132, the Commission stated that if Evergy Metro and Evergy West offer a MEEIA Cycle 3 plan, the Company shall modify its respective Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 3 portfolios to include a one-year PAYS® pilot program.[1] The Commission further stated in its Amended Report that the pilot program shall have an appropriate earnings opportunity component for the Company to be agreed upon by the parties.[2]

Staff generally supports Evergy's PAYS® Pilot Program. However, the earnings opportunity proposed by Mr. File in his Direct Testimony is neither appropriate nor has it been agreed upon by the parties in EO-2019-0132. Mr. File ultimately proposes three earnings opportunities for the one-year PAYS® pilot program. First, participants will be charged a 3% financing charge for Evergy to recover a portion of the Company's weighted average cost of capital. Second, Evergy

[1] Amended Report and Order, pg. 28
[2] Amended Report and Order, pg. 29

APPENDIX A

proposes a performance metric that is based on 5% of the amount financed. Third, Evergy proposes an energy and demand savings metric.[3] Below is a table that illustrates the amount of earnings Evergy will be allowed to recover from the three earnings opportunities:

3% financing charge on $7.005M	$210,150.00[4]
Performance metric 5% of $7.005M	$350,250.00
Metro energy and demand savings	$132,642.96
West energy and demand savings	$153,927.36
Total	$846,970.32

Typically, for most residential and commercial MEEIA programs, an earnings opportunity is based on achieving a certain level of energy and demand savings or a level of spending. PAYS® is a financing program that inherently includes a financing charge that allows for a return on the financed amount. By providing a PAYS® program, Evergy will receive an "earnings opportunity" through its 3% financing charge. In addition to the financing charge earnings opportunity, Evergy proposes a performance metric earnings opportunity of 5% of the amount financed and an energy and demand savings earnings opportunity. Evergy claims the performance metric of 5% of the amount financed aligns with the earnings opportunity of Union Electric Company d/b/a Ameren Missouri's ("Ameren Missouri").[5] Staff is unclear how Evergy's proposed performance metric of 5% of the amount financed aligns with the earnings opportunity of Ameren Missouri.

Ameren Missouri's PAYS® includes a 4% financing charge. In Ameren's program, the only potential earnings opportunity in addition to the financing charge is that a budget minimum must be spent in order for Ameren Missouri to receive its core earnings opportunity.[6] In order for Ameren Missouri to achieve its core earnings opportunity, Ameren Missouri must spend the budget minimum (floor) in each of its four program areas.[7] Ameren Missouri's earnings opportunity will be reduced by $1 million for each budget floor missed.[8] In other words, if Ameren Missouri does not spend the PAYS® budget minimum of $750,000, the earnings opportunity will be reduced by $1 million. This is entirely different than what Evergy is proposing.

This caveat to Ameren Missouri's earnings opportunity is more akin to a budget spend metric that requires a spend threshold be met and is based on program costs. Evergy's proposal is for a performance metric that requires no threshold be met and is based on the financing amount. Further, Ameren Missouri's PAYS® earnings opportunity has no energy and demand savings metric. Ameren Missouri's PAYS® earnings opportunity was agreed to by the parties after

[3] Direct Testimony of Brian A. File, pg. 4
[4] The $210,150.00 is calculated as $7,005,000 x 3%
[5] Direct Testimony of Brian A. File, pg. 8
[6] Case No. EO-2018-0211, Unanimous Stipulation and Agreement Regarding the Implementation [sic] Certain MEEIA Programs Through Plan Year 2022, pg. 7, para. 10.
[7] Residential, Business, PAYS, and Low-Income
[8] Case No. EO-2018-0211, Case No. EO-2018-0211, Unanimous Stipulation and Agreement Regarding the Implementation [sic] Certain MEEIA Programs Through Plan Year 2022, pg. 7, para. 10.

extensive discussions between Ameren Missouri and the parties. Evergy's PAYS® earnings opportunity is being proposed with very little discussion between Evergy and the parties on the earnings opportunity, despite the fact that the Commission's Amended Report explicitly states that the PAYS® earnings opportunity shall be agreed upon by the parties.

STAFF RECOMMENDATION

Staff generally supports Evergy's PAYS® Pilot Program with the exception of Evergy's proposed earnings opportunities. Staff has reviewed the Notice, Mr. File's testimony, and tariff revisions filed by Evergy and recommends the Commission approve Evergy's proposal as filed on June 3, 2021, with the following conditions:

1) Reject Evergy's proposed Earnings Opportunities, and
2) Order Evergy to meet with the parties in order to reach an agreed upon earnings opportunity, per the Commission's *Amended Report and Order*.

Staff has verified that Evergy is current on its annual report filings and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

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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**

AFFIDAVIT OF BRAD FORTSON

State of Missouri)
) ss.
County of Cole)

COMES NOW Brad Fortson and on his oath declares that he is of sound mind and lawful age; that he contributed to the attached *Staff Recommendation for Approval with Modifications*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Brad J Fortson
Brad Fortson

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 19th day of July, 2021.

Dianna L. Vaught
NOTARY PUBLIC

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377