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Sponsoring Party:	Evergy Missouri Metro and Evergy Missouri West
Case No.:	EO-2023-0369/0370
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: EO-2023-0369/0370

DIRECT TESTIMONY

OF

BRIAN A. FILE

ON BEHALF OF

EVERGY MISSOURI METRO and
EVERGY MISSOURI WEST

Kansas City, Missouri
April 2024

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DIRECT TESTIMONY

OF

BRIAN A. FILE

Case No. EO-2023-0369/0370

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Brian A. File. 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 Evergy Metro, Inc. and serve as Director, Demand-Side Management, Energy Efficiency for Evergy Metro, Inc. d/b/a as Evergy Missouri Metro ("Evergy Missouri Metro"), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"), Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("Evergy Kansas Metro"), and Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central ("Evergy Kansas Central") the operating utilities of Evergy, Inc.

Q: Who are you testifying for?

A: I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West (collectively, the "Company").

Q: What are your responsibilities?

A: My responsibilities include leading the demand-side management ("DSM") group (including energy efficiency and demand response) at Evergy for all jurisdictions. This function includes the Commission approved Missouri Energy Efficiency

Investment Act ("MEEIA") programs. Additionally, I have responsibility for a team focused on customer renewable energy and storage programs.

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

A: I earned a Bachelor of Science degree in Chemical Engineering from the University of Kansas and a Master of Business Administration from the University of Missouri-Kansas City. Prior to Evergy, I worked in the petrochemical industry with Chevron Phillips Chemical Company in marketing and technical field sales roles. I have been employed at Evergy (and formerly KCP&L) since 2007 in roles varying from product management, key account relationships and economic development. I have held responsibility over the DSM team since 2013.

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 provided written testimony before the MPSC and the Corporation Commission for the State of Kansas ("KCC").

Q: What is the purpose of your direct testimony?

A: The purpose of my direct testimony is to support Evergy's MEEIA Cycle 4 DSM portfolio, specifically to add related insights into key topics below:

- MEEIA Cycle 4 portfolio design process including connecting to Integrated Resource Plan ("IRP"), DSM potential study and supporting Technical Resource Manual,
- Portfolio and program implementation approach, including cost management,

- Evaluation Measurement & Verification ("EM&V") importance and approach, and
- Metrics for performance and earnings opportunity for successful implementation.

II. PORTFOLIO DESIGN PROCESS

Q: Please explain Evergy's process for portfolio program design for MEEIA Cycle 4.

A: First, it is essential for Evergy to recognize and adhere to the MEEIA rules sections (20 CSR 4240-20.094) that outline the specific requirements for requesting a demand-side portfolio. Evergy's compliance with those rules are outlined in Evergy's MEEIA Cycle 4 Report ("Report"), Section 7.

Q: Besides compliance with the MEEIA rules, can you expand on Evergy's process to meet those rules and develop a robust proposal?

A: I will discuss this process at a high level, and then provide more details on each step.

- **DSM Potential Study** – understanding the opportunity, screening equipment and measures along with program and portfolio options.

  Similar to prior MEEIA cycles, Evergy's MEEIA program design is founded in the DSM Market Potential Study to give a framework for screening DSM in the IRP. Evergy's vendor partner, Applied Energy Group, completed a DSM Market Potential Study in 2023 that was utilized for understanding what is the saturation of energy efficient equipment in our service territories and providing

options of adoption from Realistic Achievable Potential ("RAP") to Maximum Achievable Potential ("MAP"). A copy of the 2023 DSM Potential Study is located in Appendix 8.8 of The Report.

- **IRP analysis** – analysis of DSM portfolio levels for resource and revenue requirement impacts.

The IRP analysis (and compliance with MPSC rules 4 CSR 4240 – 22.050) is the ultimate selection tool of Evergy's resource planning to determine if, and how to incorporate DSM into the utility's investment strategy to meet customer's energy needs safely, reliably and affordably. The Report expounds on the connection between MEEIA and the IRP analysis in Section 5. The IRP will select a preferred plan that in this case includes a level of DSM investment (program costs and earnings) that delivers a set of impacts (energy and demand) over a period of time.

- **MEEIA Cycle 4 portfolio refinement –** build out more granular details of the final MEEIA Cycle 4 program portfolio.

The final high-level step of the process further refines the program designs that were created in the DSM potential study and utilized in the IRP analysis for revenue requirements. We utilize additional program implementation experience and expertise along with current market dynamics to build out parameters of programs that aren't needed in the DSM Potential Study. For example, it is in this step that the current Evergy MEEIA Technical Resource

Manual is used to refine participation assumptions based on expected impacts of specific measures.

Q: With the multiple steps and likely sub-steps to what you described, what is the guiding factor in the analysis to bring forth the final portfolio to the Commission?

A: The final portfolio design is a balance of 1) IRP results identifying a preferred resource level of DSM and 2) total resource cost ("TRC") cost effectiveness of the programs to deliver that level of savings. Achieving this balance takes knowledge of the inputs, models and output parameters to best make the decision.

Q: How well was that balance achieved for Evergy's proposed MEEIA Cycle 4?

A: The MEEIA Cycle 4 portfolio plan aligns within a tight tolerance (< 2.5%) of energy and demand savings targets with the first four years of the IRP preferred plan, which was filed on April 1, 2024. The IRP selected the RAP Plus plan from the DSM Potential Study. The total proposed MEEIA Cycle 4 budget is higher than the DSM Potential Study RAP Plus plan (18.9%) based on the incremental investment in low-income programs (Hard to Reach programs) and special initiatives like Urban Heat Island and Pilot incubator programs. With those initiatives program budgets removed the delta is 4% from RAP Plus.

Q: Can you explain more about the increased investment in programs that cause the budget to more than what was ran through the IRP?

A: Yes. Evergy is proposing additional funding for efforts that don't directly result in as much energy and demand savings for two reasons. 1) An increase in Hard-to-Reach programs allow Evergy to continue to push equitable access to programs and

energy savings to customers who are lower income. The Cycle 4 % of spend on this sector is an increase to around 15% of total budget as compared to 10% in prior cycles. This signals our increased commitment to help those customers and acknowledgement to the good that these programs can provide. 2) A continued commitment to the Urban Heat Island and pilot initiatives is driven by the need for demand side programs to be innovative and find new approaches that can make a difference for our customers and that would not happen otherwise.

Q: What was the result of designing programs to TRC cost effectiveness?

A: As can be seen in Figure 1.1 in the MEEIA Report, the program and portfolio design has a healthy TRC as a whole across both jurisdictions of 2.89. This TRC test ratio is comprised at a segment level of Residential EE at 1.59, Hard-to-Reach EE at 0.66, UHI at 0.02, Business EE at 2.43 and Demand Response at 5.87.

Q: Does the IRP take into account the throughput disincentive and earnings opportunity in the resource selection process?

A: The figures submitted to the IRP planning group include an anticipated earnings opportunity for each of the DSM levels analyzed. The throughput disincentive is not factored into the analysis due to the IRP modeling process assumes "perfect ratemaking" to remove that variable from factoring into resource selection.

Q: For clarity, was a new Technical Resource Manual created for MEEIA Cycle 4?

A: No. The MEEIA Cycle 4 savings assumptions are based upon the currently effective program year ("PY") 2024 TRM. There are a handful of additional measures that were added in order to bolster offerings in 2025 and those are

identified in Appendix 8.2.1 of the Report. If MEEIA Cycle 4 is approved as proposed, we would incorporate those new measures into the ongoing annual TRM update process to happen in late 2024 for 2025 effectiveness.

III. PROGRAM IMPLEMENTATION & COST MANAGEMENT

Q: What should the Commission take into consideration related to Evergy's implementation and execution of MEEIA Cycle 4 programs?

A: This brings to mind the old adage... "The best predictor of future outcomes is to look at past results." But I would add in this case, also validate the go-forward plans for scope and reasonableness. To this end, we believe the Commission should look at the extended track record of KCP&L, GMO and Evergy success in delivering on expectations of MEEIA outcomes as shared by Company witness Gunn.

Q: How does Evergy manage the administrative costs of Evergy's MEEIA programs?

A: Evergy has continually strived to improve efficiency in delivering its portfolios and the proposed cycle is no different. Another example of the efficiency in delivering incentives to customers was proven just recently by PY 2023 results where Evergy exceeded stakeholders' target of incentive to non-incentive ratio per the S&A[1]. Evergy achieved a 58% incentive ratio vs 55% incentive ratio target. Evergy will continue to invest in establishing cost controls to deliver on efficient spend to deliver results promised. The steps in place to establish cost controls include setting up Request for Proposals to multiple vendors to understand costs, negotiating with

[1] *Order Approving Stipulation and Agreement,* issued May 12, 2022, File No. EO-2019-0132.

vendors, setting contractual limits of spending including variable performance fees, and monitoring hiring practices. All of these controls help us ultimately manage to cost effectiveness requirements and budget limitations. But of course, there are some factors that Evergy can't control in delivering programs.

Q: What are the factors that are not in your control?

A: There are several market (e.g. sector, material, geographic) driven factors that Evergy does not have control over in delivering programs. For example, prices of energy efficient equipment, installation and labor costs of equipment, or costs from external marketing activities (e.g. paid media) and implementation contractors. While we can't control these, they are known variables and Evergy will take into consideration during the program implementation these various factors as we deliver cost effective programs.

Q: What will be different with implementing MEEIA Cycle 4 as compared to prior cycles?

A: We have a history of delivering ongoing directly attributable savings from many different types of customers. We'll continue to focus on the helping any customer who wants to understand how they can save energy and money. But where we continue to improve is developing data and algorithms to help us identify which customers can benefit the most from our programs in saving energy and demand. When you tie that with who we think is the most likely to take action and message to them with the right information for their decision processes, the flywheel of participation and impact really takes off. This same targeted approach can also be true of market actors, trade allies and contractors.

Q: What are some examples of this concept for your MEEIA Cycle 4?

A: One easy example that comes to mind is our continued focus on finding the best new demand response participants (business and residential) and building on the performance of existing participants. When looking for new participants, the offer of a free thermostat for a homeowner or incentive dollars for turning equipment off for a business operator have been around for a quite a bit now in MEEIA for Evergy. More demand reduction value will come from additional analysis to determine how and when these customers use energy and their likelihood to deliver MW of reduction during peak event times. This analysis involves meter data mapped with customer information (likelihood to have a smart thermostat or a business process that can shut down to predict the potential savings). Continually improving performance of existing participants will be important in this leg of the cycle considering the extensive cohort of participants built over the last 10+ years. We are planning to bring more education to all residential and commercial customers about the "why" behind their participation which has been shown to improve response and performance during events.

IV. EVALUATION, MEASUREMENT AND VERIFICATION APPROACH

Q: What is Evergy's approach to EM&V for MEEIA Cycle 4?

A: Evergy is proposing a re-invigorated approach to Cycle 4 to bring back the focus to the impact results from the energy and demand reductions attributed to the programs, specifically also to be emphasized for performance metrics. While the last couple Cycle 3 extension years have de-emphasized EM&V impact analysis

(no EO metrics on kW or kWh achievement), the continued need to validate energy and demand reductions from our programs is more important than ever.

Q: Why is EM&V "more important than ever"?

A: The IRP selection shows continued investment in DSM is warranted and preferred as Evergy looks at all the ways it can serve our customers energy needs now and into the future. With the future needs for generation and the changing landscape of energy transition, it is key to have the feedback loop as part of what is happening as a result of these programs. You can think of it as a cycle in itself between the DSM Potential Study, the IRP analysis and EM&V as illustrated below. All three of these components are important to make the cycle most effective.

Figure 1.1 DSM as a Resource

Q: Considering its importance, what are some ways that Evergy is proposing EM&V improve and be re-invigorated for this Cycle?

A: We've outlined a new framework and approach for EM&V in our MEEIA report Appendix 8.4. Key attributes of this approach that will help drive improvement in

the EM&V process are 1) recognizing the time variable in savings impacts across residential customers, 2) continued and expanded use of AMI data to validate savings for demand response, 3) detailed research into specific areas that have been or are potential for significant savings and 4) further in-depth analysis of attribution of savings in concert with new energy efficiency funding sources.

Q: Will Evergy's approach to EM&V for MEEIA Cycle 4 cost more?

A: We are proposing to stay under the MEEIA rule guideline of 5% of spend to be assigned to EM&V, with about 3% of budget assigned to EM&V in our proposal. This is similar to the last two MEEIA Cycle 3 extension years (PY2023, PY2024) although the total dollar amount increases based on the larger scale of portfolio relative to prior extension years. But a key filter for the evaluation decision process is outlined in our proposed framework. Specifically, the EM&V approach states "Careful allocation of evaluation resources must be achieved to provide the greatest benefit for the evaluation dollar.[2]" Meaning, when deciding to do additional research or analysis on a project or measure savings, the value of the output of the analysis should be weighed against the evaluation costs to create the output.

Q: What are some factors that could be used to value the output?

A: A straightforward metric could be how much savings projected might impact the earnings opportunity or throughput disincentive value. In other words, weighing how much earnings opportunity total dollars could be impacted if there was a large variance or percentage change from lesser EM&V analysis.

[2] *MEEIA Cycle 4 2025-2028 Filing Appendix 8.4-EM&V Plan*, p. 2.

V. METRICS FOR PERFORMANCE AND EARNINGS OPPORTUNITY

Q: Can you explain the approach to the earnings opportunity matrix for the MEEIA Cycle 4 proposal?

A: The MEEIA Cycle 4 earnings opportunity ("EO") approach is a rewind to some degree to Cycle 2 and more specifically the Commission's approved MEEIA Cycle 3 matrix that focuses on outcomes of energy and demand to align with return on asset fundamentals and drive performance of the programs. We are proposing a combined jurisdiction (Metro and West) matrix for achievement, meaning that MW and MWh are valued at the same for each jurisdiction and there is flexibility in where the MW and MWh are achieved. There is also some flexibility in which year the MW and MWh are achieved to allow for some ramping and cyclical nature of the economy.

Q: What constitutes the "matrix"?

A: The EO matrix is made up of four categories for achievement of different metrics. The four categories are:

1) Income-Eligible, Urban Heat Island, Education and Pilots Budget spend
2) Energy Efficiency measures/programs energy savings (MWh) achieved
3) Energy Efficiency measures/programs demand savings (MW) achieved
4) Demand Response measures/programs demand savings (MW) achieved

Q: Can you expand more on the calculations that make up the values in the earnings opportunity matrix?

A: There is a multiple step process for setting the final values in the EO matrix and it can be broken down as follows:

Step 1) Determine the total amount of Earnings Opportunity – this value is set at 15% of expected spend/budget

Step 2) Determine allocation of EO Target across categories – these values are set at 15% for category 1 & 2 above and 35% for category 3 & 4 above.

Step 3) Determine the EO "rate" in $/MWh or $/MW of each category – calculate by dividing the allocated EO dollars for each category by the target MWh or MW for the category

Step 4) Set caps of achievement for each category to arrive at total EO potential – this value is set at 125% of target dollar amount for each category

Q: Why have you put more weight on demand savings (categories 3 & 4)?

A: The proposed EO matrix is weighted with prior Commission precedence[3] in mind that highlighted demand reductions as more valuable when evaluating DSM portfolios.

[3] *Report and Order*, issued October 22, 2015, File No. EO-2015-0055; *Report and Order*, issued March 2, 2016, File Nos. EO-2015-0240/0241; *Order Approving Stipulation and Agreement and Granting Waivers*, issued December 5, 2018, File No. EO-2018-0211; *Amended Report and Order*, issued March 11, 2020, File Nos. EO-2019-0132/0133.

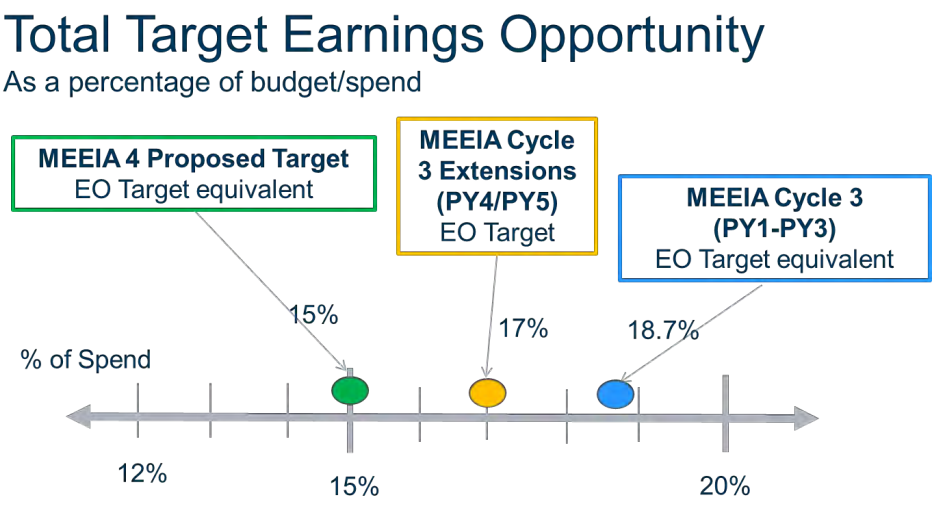
Q: How did you select the value in Step #1 of the 15% of total spend as the EO target?

A: Over the history of MEEIA implementations, there have been a few different approaches to determine the final value of the earnings opportunity including the Commission approved approach in MEEIA Cycle 3 matrix that was outlined in the report filing appendix[4]. In order to help simplify the approach but arrive at a similar figure that has been approved previously, a percentage of spend was calculated.

Q: How does the 15% of spend compare to the earnings opportunity in prior cycles?

A: The most direct comparison is the MEEIA Cycle 3 extensions (PY2023 and PY2024) which have a target/max Earnings Opportunity of 16.97% of spend. If you compare that to previous methodologies that can be converted to % of spend you can see a relatively tight range of results over the 10 years of MEEIA returns to equate to supply side investments. The figure below shows the recent history of the Earnings Opportunity calculated as a percentage of spend to be on an equivalent basis.

[4] *Evergy MEEIA Cycle 3 Filing Report* – Appendix 8.11, dated November 29, 2018, File Nos. EO-2019-0132/0133.



Q: Can you please summarize your testimony?

A: Evergy has followed a robust process to develop the MEEIA 4 proposal that starts with DSM potential, followed by an integrated resource analysis which sets the parameters to create a realistic implementation plan to deliver energy and demand savings. The plan is based on a Technical Resource Manual vetted in our service territory and will follow proven implementation experience and cost management techniques. Evaluation will be key to validating the performance achieved and be cost effective but robust enough to handle new facets of the industry, like TOU and federal incentives. The performance metrics and associated earnings opportunity are valid and reasonable compared to previous Cycles.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Evergy Missouri Metro's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2023-0369
In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2023-0370

AFFIDAVIT OF BRIAN A. FILE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Brian A. File, being first duly sworn on his oath, states:

1. My name is Brian A. File. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Director – Demand-Side Management, Energy Efficiency.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of fifteen (15) 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.

Brian A. File

Subscribed and sworn before me this 29th day of April 2024.

Notary Public

My commission expires: 4/26/2025

ANTHONY R. WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2025
PLATTE COUNTY
COMMISSION #17279952