Exhibit No.:	
Issues:	*MEEIA one-year extensions, MEEIA Cycle 4 proposal, Avoided capacity costs, IRP No-DSM plans vs. 2024 IRP preferred plan, Earnings opportunity, Cost-effectiveness, Previous Commission concerns, Variances*
Witness:	*Brad J. Fortson*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Rebuttal Testimony*
Case Nos.:	*EO-2023-0369 and EO-2023-0370*
Date Testimony Prepared:	*July 9, 2024*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

BRAD J. FORTSON

EVERGY METRO, INC.,
d/b/a Evergy Missouri Metro
CASE NO. EO-2023-0369

EVERGY MISSOURI WEST, INC.,
d/b/a Evergy Missouri West
CASE NO. EO-2023-0370

Jefferson City, Missouri
July 2024

TABLE OF CONTENTS OF

REBUTTAL TESTIMONY

OF

BRAD J. FORTSON

EVERGY METRO, INC.,
d/b/a Evergy Missouri Metro
Case No. EO-2023-0369

EVERGY MISSOURI WEST, INC.,
d/b/a Evergy Missouri West
Case No. EO-2023-0370

REBUTTAL TESTIMONY

OF

BRAD J. FORTSON

EVERGY METRO, INC.,
d/b/a Evergy Missouri Metro
Case No. EO-2023-0369

EVERGY MISSOURI WEST, INC.,
d/b/a Evergy Missouri West
Case No. EO-2023-0370

Q. Please state your name and business address.

A. My name is Brad J. Fortson, and my business address is Missouri Public Service Commission, 200 Madison Street, PO Box 360, Jefferson City, MO 65102.

Q. Are you the same Brad J. Fortson that filed direct testimony on May 24, 2024, in this case?

A. Yes, I am.

EXECUTIVE SUMMARY

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony will discuss Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 3 one-year extensions, Evergy's MEEIA Cycle 4 proposal, avoided capacity costs, previous IRP No-DSM plans compared to the 2024 IRP preferred resource plan, MEEIA Cycle 4 earnings opportunity, cost-effectiveness of prior and proposed MEEIA cycles, previous Commission concerns with MEEIA Cycle 2 that relate to MEEIA Cycle 4, and the proposed variances.

Q. What is the overall purpose of Staff's rebuttal testimony?

A. Staff's overall position in its rebuttal testimony is that it is not reasonable at this time for the Commission to approve a ("MEEIA") demand-side management ("DSM")

program portfolio and its extraordinary ratemaking authority for a number of reasons including, but not limited to, Evergy not showing the work that supports the MEEIA Cycle 4 filing and the large amount of ratepayer costs. Staff's rebuttal testimony addresses concerns with Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("EMM") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West's ("EMW") (collectively "Company" or "Evergy") *MEEIA Cycle 4 2025-2028 Filing* ("MEEIA Cycle 4") and associated testimony filed by Company witnesses on April 29, 2024.

MEEIA CYCLE 3 ONE-YEAR EXTENSIONS

Q. Have changing conditions been a major contributing factor to the 2023 and 2024 one-year MEEIA extensions as opposed to the multiyear MEEIA portfolios previously approved?

A. Yes. On November 29, 2018, the Company filed its *MEEIA Cycle 3 2019-2022 Filing* ("MEEIA Cycle 3") in Case Nos. EO-2019-0132 and EO-2019-0133.[1] This case ultimately went to hearing, and on December 11, 2019, the Commission issued its *Report and Order*. On March 11, 2020, the Commission issued its *Amended Report and Order.* MEEIA Cycle 3 was approved as a 3-year plan from 2020 – 2022. Since then, the parties have agreed, and the Commission has approved, two subsequent 1-year extensions for 2023 and 2024.

As a result of negotiations, the stakeholders filed a *Non-Unanimous Stipulation and Agreement* ("2023 Extension Stipulation") on April 29, 2022. During those negotiations,

[1] EMM filed in EO-2019-0132 and EMW filed in EO-2019-0133. These cases were consolidated under EO-2019-0132.

some concerns of Staff and OPC relating to changing conditions were addressed by the following terms of the 2023 Extension Stipulation:

- Non-incentive costs should not exceed more than 45% of the MEEIA Cycle 3 program year 4 (2023) cost expenditures.
- If the Company does not meet the 45% threshold, an earnings opportunity ("EO") penalty of 3% of the total cap budget will apply.
- The Company will not offer the Home Energy Report, Income Eligible Home Energy Report, Business Process Efficiency, or Business Smart Thermostat programs.
- An EO penalty will apply if a minimum spend on small business customers is not met.
- 30% of incentive spend on business programs will be spent on non-lighting projects. An EO penalty will apply if not met.
- The throughput disincentive ("TD") for 2023 will utilize an 83.5% net-to-gross ("NTG") factor with no true-up.
- Modifications to limit the scope of Evaluation, Measurement, and Verification ("EM&V").
- EO penalties and performance bonuses were created.

The Commission issued its *Order Approving Stipulation and Agreements* on May 12, 2022, approving the 2023 Extension Stipulation.

As a result of further negotiations, the stakeholders filed a *Unanimous Stipulation and Agreement* ("2024 Extension Stipulation") on October 30, 2023. During those negotiations,

some concerns of Staff and OPC relating to changing conditions were addressed by the following terms of the 2024 Extension Stipulation:

- A minimum of 65% of total costs to be spent on customer incentives. An EO penalty will apply if not met.
- No lighting measures will be included in the Company's online "Offer Center."
- Limited scope for EM&V similar to the 2023 Extension Stipulation.
- For purposes of TD calculations, program year 5 (2024) will utilize a 50% net-to-gross ("NTG") factor for all residential and business heating, ventilation, and air conditioning ("HVAC") measures. An 80% NTG factor will be utilized for all other measures. There will be no NTG true-up.
- An EO penalty will apply if a minimum spend is not spent on small business customers.
- An EO penalty will apply if 40% of incentive spend is not spent on non-lighting projects in the business programs.
- Additional EO penalties and performance bonuses were created.

The Commission issued its *Order Approving Stipulation and Agreement Regarding Extending Evergy's MEEIA Cycle 3 an Additional Year* on November 16, 2023, approving the 2024 Extension Stipulation.

Q. What does all of this illustrate?

A. The Company's initial MEEIA Cycle 3 (2020 – 2022) was approved by the Commission. The 2023 Extension Stipulation improved the Company's initial MEEIA Cycle 3 by modifying programs and adding additional parameters based on certain changing conditions. The 2024 Extension Stipulation built upon the 2023 Extension

Stipulation by further modifying programs and adding additional parameters based on certain changing conditions.

Q. Does the Company's proposed MEEIA Cycle 4 improve upon the previous agreements?

A. No. In fact, it does much of the opposite. For every attempt the stakeholders made in previous agreements to improve MEEIA Cycle 3, the Company's proposed MEEIA Cycle 4 attempts to undo that progress.

Q. Is Staff proposing another one-year extension to the Company's MEEIA Cycle 3?

A. No. To be clear, Staff is recommending rejection of the Company's proposed MEEIA Cycle 4. However, any MEEIA application that is approved should follow the structure and parameters as laid out in Staff's direct testimony, specifically the direct testimony of Staff witness Mr. J Luebbert.

EVERGY'S MEEIA CYCLE 4 PROPOSAL

Q. What is the Company proposing to be included as a part of its MEEIA Cycle 4?

A. Through its *Application to Approve DSIM Filing and Request for Variance* ("Application") the Company is seeking approval of certain demand-side programs, a Technical Resource Manual ("TRM"), an Evaluation, Measurement, and Verification ("EM&V") plan, and a Demand-Side Programs Investment Mechanism ("DSIM"). Attached to its Application is a report explaining the elements of the Company's proposed demand-side programs, TRM, and DSIM. Included in its MEEIA Cycle 4 filing are the following.

- Appendix 8.1 Evergy MEEIA Cycle 4 Program Descriptions
- Appendix 8.2 Evergy TRM MEEIA 2024-01-01
- Appendix 8.2.1 MEEIA Cycle 4_Added Measure List
- Appendix 8.3 Confidential Designation Sheet
- Appendix 8.3 Incentive Ranges MEEIA Cycle 3 2024-01-01
- Appendix 8.4 Evergy MEEIA Cycle 4 EM&V Detailed Plan
- Appendix 8.5 – EO Matrix
- Appendix 8.6 and 8.7 (proposed MEEIA tariff sheets)
- Appendix 8.8 Evergy 2023 DSM Market Potential Study
- Appendix 8.9-Verifications
- MEEIA Cycle 4 Report_CONF
- MEEIA Cycle 4 Report_Public

As a part of Staff's overall recommendation, the Commission should reject the Company's MEEIA Cycle 4, and its associated appendices. Support for the Commission's rejection of the Company's MEEIA Cycle 4 and several of the related appendices is found throughout mine and other Staff witness' rebuttal testimony.

AVOIDED CAPACITY COSTS

Q. How does Evergy quantify avoided capacity costs?

A. On pages 11 – 12 of Evergy witness Mr. Cody VandeVelde's direct testimony, he explains that:

> …representative resource types are chosen to approximate a value specific to capacity. Evergy factors in short term "market" capacity costs and the cost of building new generation (commonly referred to as cost-of-new-entry or "CONE"). In scenarios where there is a forecasted negative reserve margin position, Evergy assumes that absent

> incremental DSM it would need new generation resources to meet the reserve margin requirement. As such, Evergy uses CONE to quantify the value of DSM in these scenarios. In scenarios when there is a forecasted positive reserve margin position, Evergy uses the market-based equivalent of avoided costs rather than CONE.

Q. How did Evergy determine which generation type to use for the calculation of CONE?

A. On pages 12 – 13 of Mr. VandeVelde's direct testimony, he explains that:

> In the 2024 IRP, there were no new build generation options in 2025. As such, the MEEIA avoided capacity cost model relies upon market capacity prices for scenarios of negative reserve margin in 2025 (this only applies to the base and high electrification scenario in 2025). In 2026 and 2027 the most cost-effective capacity resource available for new build is solar generation. It is not until 2028 that Evergy's 2024 IRP had the potential to build combustion turbines ("CT") to meet reserve margin requirements. Using a CT as the CONE assumption is a common practice, which recognized that CTs are typically the lowest-cost traditional capacity resources (on a $/kW basis) and typically receive higher capacity accreditation (i.e., the percentage of nameplate capacity which can be used to meet capacity requirements) than renewable resources. As such, starting in 2028 and through 2043, Evergy's avoided capacity cost model utilizes the natural gas CT cost assumptions from the 2024 IRP.

Q. Is Evergy's quantification of avoided capacity costs reasonable?

A. It may be reasonable to use the market-based equivalent of avoided costs rather it be in a scenario of positive or negative reserve margin.[2] However, it is not reasonable to assume that absent incremental DSM that the Company would need new generation resources, especially if those new generation resources are not being avoided by the inclusion of DSM. This is further discussed below in the sections titled "Previous IRP No-DSM Plans Compared to 2024 IRP Preferred Plan" and "MEEIA Cycle 4 Earnings Opportunity."

[2] The Commission determined that, for Evergy's MEEIA Cycle 3, a market-based approach was the most appropriate way to calculate avoided costs and that a market-based approach best valued demand-side investments equal to traditional investments in supply and delivery infrastructure. Case No. EO-2019-0132, *Amended Report and Order*, pg. 26, issued on March 11, 2020.

Q. Is Evergy's determination of which generation type to use for the calculation of CONE reasonable?

A. No. Using a CT as the CONE assumption may be a reasonable way to quantify the value of DSM when DSM is actually avoiding the cost of a new CT. This is further discussed in the following two sections. However, the use of new solar as CONE is something I have not seen before. To my knowledge, the timing of when certain new generation can be built is not something that has been taken into consideration from a Regional Transmission Operator ("RTO") when determining a CONE value. Further, new solar is a high-cost capacity resource with a relatively low capacity accreditation. It is approximately three times the cost of a CT on a $/kW-year basis, and six times the cost of the market-based equivalent of avoided costs on a $/kW-year basis. Therefore, the use of new solar as CONE in 2026 and 2027 is unreasonable because it overstates the avoided capacity costs. Further, the use of a CT as CONE from 2028 through 2043 is unreasonable as further discussed in the following two sections. If an avoided capacity cost is to be used when a capacity cost is not actually being avoided, it should not exceed the market-based equivalent of avoided costs as ordered by the Commission in the Company's MEEIA Cycle 3.

PREVIOUS IRP NO-DSM PLANS COMPARED TO 2024 IRP PREFERRED PLAN

Q. Is it reasonable to expect that a fourth MEEIA cycle will materially avoid or defer supply-side investments?

A. No.

Q. What statute and Commission Rule language does the Company have to comply with to demonstrate customer benefits by avoiding or deferring supply-side investments?

Section 393.1075.4, RSMo states in part that:

> Recovery for such programs shall not be permitted unless the programs are approved by the commission, result in energy or demand savings and are beneficial to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers.

Commission Rule 20 CSR 4240-20.094(4)(C)4. states:

> (C) Demonstration of cost-effectiveness for each demand-side program and for the total of all demand-side programs of the utility. At a minimum, the electric utility shall provide all workpapers, with all models and spreadsheets provided as executable versions in native format with all links and formulas intact, and include:
>
> 4. The impacts from all demand-side programs included in the application on any postponement or new supply-side resources and the early retirement of existing supply-side resources, including annual and net present value of any lost utility earnings related thereto.

In order for all customers to benefit, what customers pay through MEEIA rates should be lower than the increase to general rates otherwise would be due to new supply-side investment absent MEEIA programs. Historically, the statute language has been interpreted to mean an earnings opportunity should be based on a foregone earnings opportunity from avoiding or deferring a supply-side investment.[3]

Q. Can the deferral or avoidance of supply-side investments be determined through the IRP analysis?

A. The IRP analysis is largely based on assumptions, so if you take those assumptions to be relatively accurate, you can get an idea of what may or may not be deferred or avoided by comparing a plan that includes DSM to a plan that does not. The capacity balances[4] of those plans filed within the IRP can also help with the comparison. However,

[3] *Report and Order* issued on October 22, 2015, in Case No. EO-2015-0055, pg. 18.
[4] Capacity balance sheets illustrate the Company's capacity balance for each plan.

one thing that needs to be made very clear is that the IRP analysis includes a RAP portfolio,[5] MAP portfolio,[6] or some variation of those portfolios over the entirety of the planning horizon[7] as opposed to just the inclusion of the next potential three- or four-year cycle.

Q. Why is that important to clarify?

A. A plan that includes DSM, and indicates future supply-side deferral or avoidance, does not necessarily mean that a one near-term three-year cycle is causing that deferral or avoidance. If you take the IRP analysis and its assumptions to be relatively accurate, any deferral or avoidance of supply-side resources by the inclusion of DSM could be based on multiple, even many multiple, three- or four-year or future cycles. As previously mentioned, Commission Rule 20 CSR 4240-20.094(4)(C)4. states a MEEIA application shall include:

> The impacts from all demand-side programs included in the application on any postponement or new supply-side resources and the early retirement of existing supply-side resources, including annual and net present value of any lost utility earnings related thereto.

Q. What has the Company provided in its proposed MEEIA Cycle 4 that is responsive to 20 CSR 4240-20.094(4)(C)4?

A. Staff sent data request MPSC 0032.0 to EMM and MPSC 0033.0 to EMW requesting it to:

> 1. Please identify the specific supply-side generation investment that can be avoided or deferred through implementation of [the Company's] proposed MEEIA cycle 4 without consideration of additional MEEIA cycles. 2. Explain how [the Company] identified the specific supply-

[5] Realistic Achievable Potential represents a forecast of likely customer behavior and penetration rates of efficient technologies is the amount of energy use that efficiency can be expected to displace, assuming the most aggressive program scenario possible (e.g. providing end users with incentive payments for the entire incremental cost of more efficient equipment).
[6] Maximum Achievable Potential.
[7] 20 CSR 4240-22.020(43). Planning horizon means a future time period of at least twenty (20) years' duration over which the costs and benefits of alternative resource plans are evaluated.

> side generation investment referenced in part 1 of this data request. 3. Provide all supporting documentation and workpapers utilized to determine parts 1 and 2 of this request, in original format with links and formulas intact.

The Company's response to data request MPSC 0032.0 (EMW) and MPSC 0033.0 (EMM) was:

> 1) [The Company] long-term integrated planning is modeled with overall demand-side management (DSM) programs throughout the typical 20-year planning horizon. The 2024 IRP studied numerous levels of DSM programs, but none of the scenarios reflected DSM programs in place for only four years and then ending (similar to what studying MEEIA Cycle 4 without consideration of additional MEEIA cycles would result in).
> 2) [The Company] has not modeled long-term planning scenarios consistent with part 1. Instead, Evergy has constructed an avoided cost of capacity model that was used in [The Company's] MEEIA Cycle 4 application. This model and methodology were included in workpapers and explained throughout my direct testimony in this case. This methodology was constructed to align all possible inputs consistent with [The Company's] 2024 IRP.
> 3) Not applicable since Evergy has not ran IRP scenarios consistent with part 1 of this data request.

Q. What does the Company's response mean?

A. The Company's response means that it has not done the analysis, and therefore cannot show its work identifying the specific supply-side generation investment that will be avoided or deferred through implementation of its MEEIA Cycle 4.

Q. What has the Company provided regarding previous MEEIA cycle applications that were responsive to 20 CSR 4240-20.094(4)(C)4?

A. Staff sent data request MPSC 0033.0 to EMW and MPSC 0034.0 to EMM requesting it to:

> 1. Please identify the specific supply-side generation investment that was avoided or deferred through implementation of [the Company's] past MEEIA cycles. 2. Explain how [the Company] identified the specific supply-side generation investment referenced in part 1 of this data request. 3. Provide all supporting documentation and workpapers

utilized to determine parts 1 and 2 of this request, in original format with links and formulas intact.

The Company's response to data request MPSC 0033.0 (EMW) and MPSC 0034.0 (EMM) was:

1. No retro-active analysis has been done to identify past generation investment that has been avoided or deferred. The energy (kWh) and demand (kW) savings achieved with [the Company's] prior MEEIA Cycles have been identified in the annual 3rd party EM&V process and validated by the Staff auditor before being filed with the Commission. Since [the Company] was achieving demand and energy reduction, no competitive RFP was conducted to identify a resource that we would not need to build.
2. See above.
3. None.

Q. What does the Company's response mean?

A. The Company's response means that it has not done the analysis, and therefore cannot show its work identifying the specific supply-side generation investment that was avoided or deferred through implementation of its past MEEIA Cycles.

Q. You have previously mentioned Commission Rule 20 CSR 4240-20.094(4)(C)4. Is the Company compliant with this rule?

A. No. The Company has not provided "The impacts from all demand-side programs included in the application on any postponement or new supply-side resources and the early retirement of existing supply-side resources, including annual and net present value of any lost utility earnings related thereto" required by 20 CSR 4240-20.094(4)(C)4 for its current proposed MEEIA Cycle 4, or for any past MEEIA cycle for that matter.

Q. Going back to the IRP analysis and the inclusion/exclusion of a DSM portfolio, do the IRP rules require a plan(s) be analyzed without DSM?

A. Yes. Commission Rule 20 CSR 4240-22.060(3)(A)1. states in part that:

> (3) Development of Alternative Resource Plans…
> (A) The utility shall develop, and describe and document, at least one (1) alternative resource plan… for each of the following cases. The utility shall examine cases that—
> 1. Minimally comply with legal mandates for demand-side resources…

There is currently no legal mandate for demand-side resources, therefore the rule language above has been interpreted to mean that a case shall be analyzed that includes no additional demand-side resources beyond what the Commission has previously approved (a No-DSM plan). The No-DSM plan has historically illustrated, at least hypothetically, what additional supply-side resources will be needed in lieu of demand-side resources.

Q. Did the Company include a No-DSM plan in its 2015 IRP?

A. Yes. EMM and EMW each included one No-DSM plan.

Q. What did the No-DSM plans include as additional supply-side that the 2015 PRPs, with DSM, did not?

A. The EMM No-DSM plan included the addition of 207 MW combustion turbines ("CT") in 2021, 2025, and 2031.[8] The EMW No-DSM plan included the addition of 207 MW CTs in 2016, 2020, 2024, and 2031.[9]

Q. Did the Company include a No-DSM plan in its 2018 IRP?

A. Yes. EMM and EMW each included one No-DSM plan.

Q. What did the No-DSM plans include as additional supply-side that the 2018 PRPs, with DSM, did not?

[8] The preferred plan included a 207 MW CT in 2029.
[9] The preferred plan included a 207 MW CT in 2034.

A. The EMM No-DSM plan included no more supply-side additions than the 2018 PRP. The EMW No-DSM plan included the addition of 207 MW CTs in 2019, 2020, 2028, and 2036.[10]

Q. Did the Company include a No-DSM plan in its 2021 IRP?

A. Yes. EMM included two No-DSM plans. I chose to use the No-DSM plan with the most similarities to the 2021 PRP to use in the comparison to the 2024 PRP. EMW included one No-DSM plan.

Q. What did the No-DSM plans include as additional supply-side that the 2021 PRPs, with DSM, did not?

A. The EMM No-DSM plan included the addition of 233 MW CTs in 2039 and 2040. The EMW No-DSM plans included the addition of 233 MW CTs in 2024 and 2038.[11]

Q. What non-renewable supply-side additions does the Company's 2024 PRP include?

A. EMM's 2024 PRP includes a 415 MW CT in 2032 and 325 MW combined cycles ("CC") in 2036, 2038, 2039, and 2041. EMW's 2024 PRP includes a 143 MW CC in 2024, a 325 MW CC in 2029, and a 415 MW CT in 2030.

Q. How does the Company's 2024 PRP compare to the 2015, 2018, and 2021 No-DSM plans explained above?

A. EMM's 2015 No-DSM plan showed that without DSM, a 207 MW CT would be needed in 2021, 2025, and 2031. Said another way, the 2015 PRP, with DSM, would avoid

[10] The preferred plan included a purchased power agreement.
[11] The preferred plan included a 233 MW CT in 2039.

the need for a 207 MW CT in 2021, 2025, and 2031. EMW's 2015 No-DSM plan showed that without DSM, a 207 MW CT would be needed in 2016, 2020, 2024, and 2031. Said another way, the 2015 PRP, with DSM, would avoid the need for a 207 MW CT in 2016, 2020, 2024, and 2031.

- The EMM 2024 PRP's inclusion of a 415 MW CT in 2032 demonstrates that the 2015 No-DSM plan 207 MW CT in 2031 is never really avoided.
- The EMW 2024 PRP's inclusion of a 143 MW CC in 2024 and a 415 MW CT in 2030 demonstrates that the 2015 No-DSM plan 207 MW CT in 2024 and 2031 is never really avoided.

EMM's 2018 No-DSM plan showed that without DSM, no additional supply-side was needed than what the 2018 PRP included. Said another way, the 2018 PRP, with DSM, would not avoid any more than what the No-DSM plan would. EMW's 2018 No-DSM plan showed that without DSM, a 207 MW CT would be needed in 2019, 2020, 2028, and 2036. Said another way, the 2018 PRP, with DSM, would avoid the need for a 207 MW CT in 2019, 2020, 2028, and 2036.

- The EMW 2024 PRP's inclusion of a 325 MW CC in 2029 and a 415 MW CT in 2030 demonstrates that the 2018 No-DSM plan 207 MW CT in 2028 is never really avoided.
- The EMW 2021 PRP's inclusion of a 233 MW CT in 2033 and 2039 also clearly demonstrates that the 2018 No-DSM plan 207 MW CT in 2036 is never actually avoided.

The EMM 2021 No-DSM plan showed that without DSM, a 233 MW CT in 2039 and 2040 would be needed. Said another way, the EMM 2021 PRP, with DSM, would avoid the need for a 233 MW CT in 2039 and 2040. The EMW 2021 No-DSM plan showed that without

DSM, a 233 MW CT in 2024 and 2038 would be needed. Said another way, the EMW 2021 PRP, with DSM, would avoid the need for a 233 MW CT in 2024 and 2038.

- The EMM 2024 PRP's inclusion of a 325 MW CC in 2038, 2039, and 2041 clearly demonstrates the EMM 2021 No-DSM plan 233 MW CT in 2039 and 2040 is never really avoided. The EMW 2024 PRP's inclusion of a 143 MW CC in 2024 demonstrates the EMW 2021 No-DSM plan 233 MW CT in 2024 is ultimately not avoided. The EMW 2021 PRP called for a 233 MW CT in 2039, so the EMW 2021 No-DSM plan 233 MW CT in 2038 is ultimately a one-for-one between the plans, and is never really avoided.

MEEIA CYCLE 4 EARNINGS OPPORTUNITY

Q. Although you have demonstrated that no supply-side resources have been avoided, has the Company received an EO from its MEEIA programs?

A. Yes. The Company has received an EO for its MEEIA programs that date back to 2013. However, it does not appear that EOs in the past have been associated with foregone earnings or cost-effective, measurable and verifiable energy and demand savings.

Q. How much money has the Company's ratepayers paid for the EO's in previous MEEIA cycles?

A. Tens of millions of dollars.[12]

Q. How much money has the Company's shareholders invested in order to receive those millions of dollars of EO?

A. Zero dollars.

[12] *Direct Testimony of Justin Tevie,* tables on pgs. 3 – 4, Case Nos. EO-2023-0369 and EO-2023-0370.

Q. Is the Company proposing an EO with its MEEIA Cycle 4 application in this case?

A. Yes. The Company has proposed a combined total EO target at 100% for MEEIA Cycle 4 of $31,986,152. The maximum EO proposed by the Company is $39,982,690 (125% of target).

Q. How has the Company estimated its EO for its proposed MEEIA Cycle 4?

A. The Company states on page 37 of its MEEIA Cycle 4 filing that:

> We suggest that values for the buckets of EE MWh, EE MW, and thermostat MW remain at levels relatively consistent with MEEIA Cycle 3 to align with the Commission's prior directive and focus primarily on demand (kW) savings. These established EO values remain valid in Cycle 4 because they:
> - Benchmark EO as a percentage of net benefits and spend as compared to prior Cycles.
> - Link to IRP minimization of revenue requirement.
> - Align with deferral and retirement of generation assets as demonstrated in the IRP.

Q. What supply-side resources does the Company claim it will avoid with its 2024 PRP through IRP analysis?

A. On page 8 of Company witness Mr. Cody VandeVelde's direct testimony in this case he states in reference to EMM, "On a shorter-term basis, for years 2025 through 2028, the RAP+ plan required around 240 MW less of supply-side additions compared to the plan with no DSM." On that same page of Mr. VandeVelde's direct testimony he states in reference to EMW, "In terms of near-term impacts, for years 2025 through 2028, the RAP+ plan needed around 270 MW less of supply-side resource additions compared to the no DSM plan."

Q. Do you believe that the supply-side resources in the No-DSM plans will actually be avoided?

A. No, for a few reasons. As discussed above, no new supply-side generation has been avoided to date by MEEIA programs. This trend will continue with the Company's proposed MEEIA Cycle 4. On April 5, 2024, EMW filed its *Notice of Intended Case filing* giving notice that it intends to file an application for certificate**s** of public convenience and necessity ("CCN"). Previous MEEIA Cycles, and any approved MEEIA Cycle 4 that starts January 1, 2025, will obviously not avoid whatever new supply-side generation is applied for in the CCN(s). Further, EMW represents that its 2024 PRP, with DSM, will avoid a 325 MW CC in 2038, and EMM represents that its 2024 PRP, with DSM, may defer or avoid a 325 MW in the mid-2030's. I say "may" since it is not completely clear what, if any, dispatchable supply-side generation EMM may avoid since its PRP includes a 325 MW CC in 2036, 2038, 2039, and 2041, while the No-DSM plan includes a 325 MW CC in 2035, 2037, 2038, and 2039. This illustrates something I stated earlier on in this testimony. MEEIA Cycle 4 needs to demonstrate "The impacts from all demand-side programs included in the application on any postponement or new supply-side resources…"[13] If new supply-side is actually avoided as far out as the mid- to late-2030's, it is not just from the proposed MEEIA Cycle 4, but would be from MEEIA Cycle 4 (maybe) coupled with many multiple-year future cycles. To assume that a MEEIA cycle implemented from 2025 – 2028 is solely responsible for avoiding new supply-side investments in the mid- to late-2030s is unreasonable, especially given that the Company has not demonstrated such (see DR responses above stating so). The only analysis provided is that from the IRP, which does not include a scenario for only four years of DSM (like MEEIA Cycle 4) but includes some level of DSM for an entire 20-year period. It is nearly impossible for an analysis that includes DSM

[13] 20 CSR 4240-20.094(4)(C)4.

for 20 years to be any indication of what a 4-year, near-term, MEEIA cycle achieves as far as avoided supply-side investments.

Q. You mentioned above that the Company stated that established EO values remain valid in MEEIA Cycle 4 because they benchmark EO as a percentage of net benefits and spend compared to prior cycles. Is this a reasonable "benchmark?"

A. No, for a couple of reasons. First, as previously detailed, Staff does not believe there will be any future supply-side generation avoided, meaning there are no foregone earnings. Second, a percentage of net benefits and spend are essentially arbitrary numbers. As discussed above, Staff is of the opinion that no previous MEEIA cycle has avoided any future supply-side generations. Therefore, the benchmarked percentages from previous MEEIA cycles are irrelevant.

Q. Can you summarize Staff's position on EO?

A. Yes. Staff's position on EO is that there should be no EO for any MEEIA Cycle 4 since there is no foregone earnings opportunity. Past EOs have not been associated with foregone earnings or cost-effective, measurable and verifiable energy and demand savings. Further, the Company invests no shareholder dollars in MEEIA. Ratepayers are the sole funder of any MEEIA program. However, if one wanted to consider MEEIA program budget as an "investment" by the Company, the return or earnings opportunity should be commensurate with the return that the utility receives on actual shareholder investments. Further, and as mentioned earlier, the Company has proposed EO performance bonuses that are essentially a maximum EO above the targeted EO. If the Commission approved return that the utility receives on actual shareholder investments

is exceeded, it is considered an over-earning of the utility. Therefore, any EO above that which is targeted is equivalent to an over-earnings.

COST-EFFECTIVENESS OF PRIOR AND PROPOSED MEEIA CYCLES

Q. How is cost-effectiveness determined for MEEIA programs?

A. Commission Rule 20 CSR 4240-20.094(4)(I) states in part:

> (I) The commission shall consider the TRC test a preferred cost-effectiveness test…

Commission Rule 20 CSR 4240-20.092(1)(WW) states:

> (WW) Total resource cost test or TRC means a test that compares the sum of avoided utility costs, including avoided probable environmental costs to the sum of all incremental costs of end-use measures that are implemented due to the program (including both utility and participant contributions), plus utility costs to administer, deliver, and evaluate each demand-side program and costs of statewide TRM or TRM and statewide TRM.

Commission Rule 20 CSR 4240-20.092(1)(C) states:

> (C) Avoided costs or avoided utility costs means the cost savings obtained by substituting demand-side programs for existing and new supply-side resources. Avoided costs include avoided utility costs resulting from demand-side programs' energy savings and demand savings associated with generation, transmission, and distribution facilities including avoided probable environmental compliance costs. The utility shall use the integrated resource plan and risk analysis used in its most recently adopted preferred resource plan to calculate its avoided costs.

Q. Based on the discussion above in regards to avoided supply-side generation, or the lack thereof, what effect do these rules have on program cost-effectiveness?

A. With no avoided supply-side generation, the previous MEEIA cycle programs were very likely not cost-effective. Further, with no anticipated actual avoided supply-side

generation in the currently proposed MEEIA cycle 4, the programs are more than likely not cost-effective.

Q. Has EM&V demonstrated that certain EMM and EMW MEEIA Cycle 3 programs were not, or just barely, cost-effective, even using the Company's avoided costs?

A. Yes, the following two tables illustrate the cost-effectiveness, using the TRC test, for three of the Company's biggest MEEIA Cycle 3 programs. These TRC tests were determined by the Company's EM&V contractor:

EMM	2020	2021	2022	2023
Business Standard	1.01	0.86	0.86	1.16
Business Custom	0.91	0.98	0.98	0.96
Heating, Cooling, and Home Comfort	1.07	1.04	1.11	1.06

EMW	2020	2021	2022	2023
Business Standard	0.95	0.94	0.81	1.3
Business Custom	1.38	1.08	1.08	0.88
Heating, Cooling, and Home Comfort	1.02	1.02	0.99	1.08

A program with a TRC test below 1.00 is not cost-effective, meaning the program cost ratepayers more than it benefited them. For example, the TRC test for the EMM Business Custom program from 2020 – 2023 was never above one, meaning that program only cost ratepayers and never benefited them. For every $1.00 spent by ratepayers on that program, they only received $0.98, at best, in return. For those TRC tests slightly above 1.00, the program cost was slightly lower than the benefits to ratepayers. For example, the best TRC test for the Heating, Cooling, and Home Comfort program from 2020 – 2023 was 1.11, meaning that for every $1.00 spent by ratepayers on that program, they

received $1.11, at best, in return. Again, the "benefits" used in the TRC test are based on the Company's avoided costs.

PREVIOUS COMMISSION CONCERNS WITH MEEIA CYCLES

Q. Did the Commission express concern in previous MEEIA cycles in regards to non-participating ratepayer benefits and the earnings opportunity?

A. Yes. In its *Report and Order* issued on October 22, 2015, in Ameren Missouri's MEEIA Cycle 2, Case No. EO-2015-0055, the Commission stated in its decision that:

> Simply put, the Commission would approve a MEEIA plan if non-participating ratepayers would be better off paying to help some ratepayers reduce usage than they would be paying a utility to build a power plant. Unfortunately, that is not the case here. The evidence in this case shows that most Ameren Missouri customers will likely receive very little, if any, overall net benefits from the Utility Plan. Approximately 87% of Ameren Missouri's customers are residential customers. And a vast majority of those do not participate in MEEIA.

The Commission went on to say:

> Finally, the performance incentive in the Utility Stipulation lacks a component relating to a reduction of supply-side investment. Without such a component, ratepayers could continue to pay depreciation and rate of return on supply side investments, and then pay again for performance incentives on demand-side programs. This subverts the purpose of the performance incentive. When a company is successful in promoting energy efficiency, the performance incentive should be high. The company should absolutely be rewarded for such an accomplishment given the structure and goals of MEEIA. But the converse should be true as well; MEEIA was never intended to be a blank check.
>
> …However, the Commission cannot approve a MEEIA plan in this case that results in ratepayers paying for more energy savings than the MEEIA plan actually causes. Furthermore, even if the proposed plan included a mechanism for measuring actual energy savings, the Commission cannot approve a plan that rewards the company for

> reductions in demand without requiring the company to show it has foregone supply-side earnings related to that reduction in demand.
>
> The Commission appreciates the time and effort the parties expended on trying to arrive at a negotiated plan. However, the Commission finds the plan offered by Ameren Missouri does not comply with the purposes or provisions of MEEIA. Thus, the Commission must reject Ameren Missouri's proposed MEEIA plan. It is the Commission's hope that Ameren Missouri will consider this decision and present a new MEEIA plan that all parties and this Commission can support.

Q. Are the concerns the Commission expressed in its decision rejecting Ameren Missouri's initial MEEIA Cycle 2, present in Evergy's Application for its proposed MEEIA Cycle 4?

A. Yes. Staff's position in this case is that non-participating ratepayers are worse off paying to help some ratepayers reduce usage than they will be paying a utility to build a power plant. Those power plants will be built regardless of MEEIA Cycle 4. Evergy customers will likely receive very little, if any, overall net benefits from MEEIA Cycle 4. The earnings opportunity (referred to as the performance incentive in MEEIA Cycle 2) again lacks a component relating to a reduction of supply-side investment. As such, and as noted by the Commission in its Ameren Missouri MEEIA Cycle 2 decision, ratepayers will continue to pay depreciation and rate of return on supply-side investments, and then pay again for earnings opportunities on demand-side programs. The Commission again needs to acknowledge in this case, as it did in Ameren Missouri's MEEIA Cycle 2, that MEEIA was never intended to be a blank check.

VARIANCES

Q. If the Commission approves a MEEIA Cycle 4, should it also approve the variances requested by the Company?

A. No. The Company is requesting 16 separate variances from the Commission's MEEIA Rules, several of which are variances to Commission MEEIA Rule definitions. More concerning is the lack of support to show that good cause exits for the requested variances. Fourteen of the requested variances are TD-related. The requested TD-related variances simply list the Commission Rules related to TD and provides one short summary intended to "catch all" of the Commission Rules related to TD. To receive a variance from a Commission rule requirement, the Company should be required to provide a detailed explanation of why the variance is needed, and whether good cause exists.

Q. Does this conclude your rebuttal testimony in this proceeding?

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	)))))	Case No. EO-2023-0369
n 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	)))))	Case No. EO-2023-0370

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BRAD J. FORTSON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Brad J. Fortson*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

BRAD J. 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 8th day of July 2024.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

Notary Public