BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Ninth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West Inc., d/b/a Evergy Missouri West	))))	File No. EO-2020-0262
In the Matter of the Third Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Metro, Inc., d/b/a Evergy Missouri Metro	))))	File No. EO-2020-0263

MOTION TO SUPPLEMENT REBUTTAL TESTIMONY OF BRIAN FILE

COMES NOW, 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") (collectively "Evergy" or the "Company") and, pursuant to 20 CSR 4240-2.130, moves to supplement the testimony of Evergy witness Brian File based upon the following:

1. On January 13, 2020 Staff witness J Luebbert filed his surrebuttal in this case. His surrebuttal testimony included schedules consisting of testimony and Staff's report from case number EO-2020-0227/0228, 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 ("MEEIA Proceeding"). These schedules include the following:

   a. Schedule BJF-s2 (Staff Report, Second Prudence Review of Cycle 2 Costs Related to the Missouri Energy Efficiency Act for the Electric Operations of Evergy Metro, Inc., File No. EO-2020-0227);

b. Schedule BJF-s3 (Staff Report, Second Prudence Review of Cycle 2 Costs Related to the Missouri Energy Efficiency Act for the Electric Operations of Evergy Missouri West, Inc., File No. EO-2020-0228);

c. Schedule JL-s4, Direct Testimony of J Luebbert in Case No. EO-2020-0227;

d. Schedule JL-s5, Surrebuttal Testimony of J Luebbert in Case No. EO-2020-0227.

2. The addition of these schedules from the MEEIA Proceeding in Staff's surrebuttal testimony go significantly beyond the direct testimony filed by Staff in this case, or the rebuttal testimony filed by any party in this case, and thus left Evergy unable to adequately respond to these schedules in rebuttal testimony of this case.

3. Evergy asks the commission for permission to supplement its rebuttal testimony in this case with the inclusion of Evergy's witness Brian File's rebuttal and sur-surrebuttal testimony in case number EO-2020-0227/0228, as follows and attached hereto:

a. Schedule BF-s1, Rebuttal Testimony of Brian File in Case No. EO-2020-0227/0228;

b. Schedule BF-s2, Sur-surrebuttal Testimony of Brian File in Case No. EO-2020—0227/0228.

4. The inclusion of Evergy's witness Brian File's rebuttal and sur-surrebuttal testimony from the MEEIA Proceeding is inherently fair and makes the legal record whole in this case given Staff's inclusion of its testimony and report from the same proceeding in this case.

THEREFORE, Evergy Missouri Metro and Evergy Missouri West ask the Commission to accept the supplemental testimony filed hereto as **Schedule BF-s1** and **Schedule BF-s2**.

Respectfully submitted,

/s/ Roger W. Steiner

Robert J. Hack, MBN 36496
Roger W. Steiner, MBN 39586
Evergy, Inc.
1200 Main Street
Kansas City, Missouri 64105
Phone: (816) 556-2791
rob.hack@evergy.com
roger.steiner@evergy.com

James M. Fischer MBN 27543
Fischer & Dority, P.C.
101 Madison, Suite 400
Jefferson City, MO 65101
Telephone: 573-636-6758
Facsimile: 573-636-0383
jfischerpc@aol.com

Joshua Harden MBN 57941
Collins & Jones, P.C.
1010 W. Foxwood Dr.
Raymore, MO 64083
Telephone: 816-318-9966
Facsimile: 888-376-8024
Email: jharden@collinsjones.com

Attorneys for Evergy Missouri Metro and Evergy Missouri West

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, to counsel for all parties this 25th day of January 2021.

/s/ Roger W. Steiner
Roger W. Steiner

Exhibit No.:	
Issue:	MEEIA program design and operation
Witness:	Brian A. File
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Evergy Metro, Inc. and Evergy Missouri West, Inc.
Case No.:	EO-2020-0227 / 0228
Date Testimony Prepared:	September 11, 2020

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: EO-2020-0227 / 0228

REBUTTAL TESTIMONY

OF

BRIAN A. FILE

ON BEHALF OF

EVERGY METRO, INC. and EVERGY MISSOURI WEST, INC.

Kansas City, Missouri
September 2020

REBUTTAL TESTIMONY

OF

BRIAN A. FILE

Case Nos. EO-2020-0227 / 0228

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 for 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").

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West.

Q: What are your responsibilities?

A: My responsibilities include leading the demand-side management group (including energy efficiency and demand response) at Evergy for all jurisdictions. This function includes the Commission approved MEEIA programs. Additionally, I have responsibility for a team focused on customer renewable energy programs and customer facing rates implementation (e.g. Time of Use).

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 demand-side management 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.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to respond to MPSC Staff's ("Staff") recommendation in Evergy's MEEIA Cycle 2 April 1, 2018 to December 31, 2019 prudence audit. This testimony will outline a response to Staff's recommendations and allegations by showing that Evergy operated both the Programmable Thermostat and Demand Response Incentive programs within the Commission approved tariffs, MEEIA rules and prudent managerial business principles. Additionally, I will respond to various additional imprudence recommendations related to program spends for the suite of Evergy's energy efficiency and demand response programs.

Q: Can you please describe the outline of your testimony?

A: Yes, I will cover these four areas:

- Staff allegations outside of a MEEIA audit scope;
- Response to Staff allegations outside of a MEEIA audit scope;
- Response to Staff allegations regarding MEEIA programs; and

- Response to Staff challenges of expenses during audit period.

I. Staff Allegations Outside of MEEIA Audit Scope

Q: Are certain of Staff's allegations outside the scope of a MEEIA program audit of the management of demand response programs?

A: Yes. The appropriate scope of the prudence review in this proceeding are costs that are "subject to the DSIM" under 20 CSR 4240-20.093. Three specific issues raised by Staff are not within the scope of a prudence review of the costs subject to the demand-side investment mechanism ("DSIM"). The costs and imputed revenue that Staff seeks to disallow and impute are not dollars that were spent on Evergy's demand-side programs or recovered through the DSIM rider. Staff witness Luebbert recommends three adjustments[1] which are not subject to the DSIM:

1) Evergy did not call demand response events to mitigate day-ahead locational marginal pricing ("LMP") fluctuations in the Southwest Power Pool ("SPP") marketplace;

2) Evergy did not call demand response events to mitigate costs associated with SPP schedules 1-A and 11; and

3) Evergy did not enter into (hypothetical) non-affiliate capacity contracts.

Company witness John Carlson addresses Luebbert's third allegation and the calculation of these non-MEEIA audit adjustments in his Rebuttal Testimony. I will address the first and second allegations in my testimony in terms of how Evergy designed and implemented the programs according to the tariffs approved by the Commission.

[1] Luebbert, Direct, P. 3.

Q: Please explain why these adjustments are beyond the appropriate scope of this proceeding.

A: These disallowances exceed the appropriate scope of a prudence review under 20 CSR 4240.20-090(11) since Evergy's decision not to enter into any capacity sales contracts is not in any way a "cost subject to the DSIM." Capacity sales (or the lack thereof) are not a cost that is collected through the DSIM as defined by Evergy Missouri Metro's tariff (Evergy Missouri Metro P.S.C. MO. No. 7 Sheet No. 49I (attached as **Schedule BAF-1**)). Evergy's DSIM includes net program costs, net throughput disincentive, and net earnings opportunity. (Id.) Capacity sales costs and revenues are not collected through the DSIM, are not subject to the DSIM in any way, and therefore should not be the subject of the MEEIA prudence review in this proceeding.

Similarly, SPP expenses are not costs that are collected through the DSIM. (See Evergy Missouri Metro P.S.C. MO. No. 7 Original Sheet No. 49I; Evergy Missouri West P.S.C. MO. No. 1, 2nd Revised Sheet No. 138.2 (attached as **Schedule BAF-2**)). As explained in the tariffs, Evergy's DSIM includes net program costs, net throughput disincentive, and net earnings opportunity. SPP expenses are not collected through the DSIM, are not included in the DSIM, and should not be the subject of the MEEIA prudence review in this proceeding.

Q: Could Staff make its allegations in other MPSC proceedings to be decided by the Commission?

A: Yes, there are at least three opportunities where Staff could raise these allegations. It seems the most applicable place for the three issues brought up to discuss "benefits not created" or "costs not avoided" is the Fuel Adjustment Clause ("FAC") prudence review process.

This process reviews the actual costs included in the FAC rider and determines if there could have been savings or imprudent costs were incurred. SPP fee savings and LMP impact benefits are included within that rider. The FAC review process is also where the Commission considers the impact of the sale of capacity on the Company's fuel expenses.

Next, a general rate case could be a second place to review the generation capacity management and Company decisions associated with those potential avoided costs or benefits.

Lastly, if the Staff wanted to discuss the cost effectiveness of programs (or in this case their claim that programs should have been more cost effective), the evaluation, measurement and verification ("EM&V") process that is conducted annually for all MEEIA approved programs is an appropriate place for that discussion. In that process, the Company's programs are evaluated for benefits and costs by an independent contractor and reviewed with stakeholders.

II. Response to Staff Allegations Outside of MEEIA Audit Scope

Q: Despite the Company's stance on the correct place to make these allegations, will you address these issues in this testimony?

A: Yes, even though the FAC review, general rate cases and the EM&V process, would be the proper place for review of these allegations, I will outline some key points in support of the Company's decision making with respect to the issues of calling demand response events to mitigate SPP monthly peaks and day-ahead LMPs. The supporting points can be broken down into three categories:

a. The Programs operated effectively as designed and approved by Commission;

b. The Commission should not impose penalties on cost effective programs; and

c. Reasonableness standard in prudence reviews.

a. <u>The Programs Operated Effectively as Designed and Approved by the Commission</u>

Q: Please address Mr. Luebbert's contention on p. 4 of his Direct Testimony that demand response events can be called for a variety of reasons including reducing congestion, reducing SPP costs, etc.

A: While Staff witness Luebbert's statement is true in the abstract, his statement does not reflect how the Company's demand response programs were designed, operated and described in the Company's tariffs and approved by the Commission. The programs' primary benefit (and the only benefit claimed in the cost effectiveness testing) is the reduction of system peak demand across the territory in the summer. As I will elaborate below, the Company's programs were not designed to reduce SPP fees or mitigate locational marginal prices. The Commission approved Tariff[2] states that the DRI "program is designed to reduce customer load during peak periods *to help defer future generation capacity additions and provide for improvements in energy supply*" (italic emphasized). In order to operate the programs as described by Staff witness Luebbert, key factors would need to be adjusted in program design.

First, the number of events that Staff witness Luebbert describes that would be needed to reduce SPP costs, reduce congestion and mitigate day ahead locational prices is

[2] Evergy MO Metro Tariff sheet 2.09.

significantly more than how the Company designed the DRI program and approved by the Commission. In order to manage SPP fees associated with Schedules 1-A and 11, a program would be best designed to call multiple times every month of the year as those fees are associated with Evergy's peak load of every month. See **Schedule BAF-3** which illustrates the top ten daily peak distribution for each of the summer months of the 2019 calendar year for each jurisdiction. In order to make sure the monthly peak is mitigated: events would likely need to be called more than five times per month on average or 20 per year. The programs were designed for 10 events maximum (DRI) and 15 events maximum (thermostat).

Further, a program that requires Evergy to call significantly more events would likely need a different program design, potentially a higher financial incentive for customer participation, and would possibly be targeted to different customer types. The marketing and customer recruitment process was developed based on the approved tariff to encourage customers to participate in the event maximums described above.

b. <u>The Commission Should Not Impose Penalties on Cost Effective Programs</u>

Q: Please address Mr. Luebbert's contention that the Company should be disallowed costs related to cost effective demand response programs.

A: The Company's decision making is outlined further in this testimony and was aligned with the tariffs, budgets, MEEIA statute and rules, and Commission approved parameters. Despite this alignment and the lengthy stakeholder process that produced it, Mr. Luebbert recommends a disallowance based on benefits (reduction of SPP fees) that the Company did not claim or design programs to harvest for Cycle 2. Moreover, the DRI and thermostat

programs in question were deemed cost effective[3] by the EM&V consultant and the Staff's independent auditor.

Staff's adjustments seek to reduce program costs that have been recovered in the DSIM due to the Company missing "opportunities to derive benefits for ratepayers" (Luebbert Direct, p. 2) even though the MEEIA Cycle 2 programs were not designed to capture these opportunities. To put some additional math behind Staff's suggestion, let's look at the example of DRI in MO West. In the review period this program created ~$7.5 million in utility cost test ("UCT") benefits for customers with an average $1.57 of benefits for every $1 spent. Mr. Luebbert claims that programs should have benefited customers $1.66 per dollar spent and therefore, he suggests the Commission take away $0.09 ($1.66 minus $1.57) worth of prudently spent costs. Staff's reasoning suggests that these additional benefits should have been created with alternate decision making that would have required 1) knowledge acquired in hindsight 2) program design different than what was in place and approved by the Commission and 3) customer adoption of said different program design. This approach is not rational. There is no precedent for a hindsight prudence review scope, and the Company will show how the only way the additional benefits would have been created is with perfect hindsight and a differently designed and implemented MEEIA Cycle 2 program.

[3] Except for one program year of the KCP&L thermostat program where the Company did not allow any more participation due to maximum participation targets already being achieved.

c. Reasonableness Standard in Prudence Reviews

Q: Should the Commission judge the Company's implementation and management of its MEEIA Cycle 2 programs using the hindsight of historical peak-load data, historical locational marginal price data or hypothetical capacity contracts?

A: No. As cited in Staff's Prudence Review[4] in this case, the appropriate legal standard in a prudence review is a "reasonableness standard: [T]he company's conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, consider that the company to solve its problem prospectively rather than in reliance on hindsight. In effect, our responsibility is to determine how reasonable people would have performed the tasks that confronted the company."

Q: Does Staff base its argument on evidence of "reasonable" decision making or purely on an analysis of historical data?

A: Staff's argument that Evergy acted imprudently is not based on evidence regarding a reasonable decision "at the time, under all the circumstances" in which Evergy's management made decisions within the context of MEEIA Cycle 2, but is based entirely on a backward looking analysis, and Staff's apparent dislike of the Commission-approved MEEIA Cycle 2 programs. Staff's "hindsight" standard is particularly obvious with its argument regarding Day Ahead Locational Marginal Prices ("DA LMP"), which requires the Company to perfectly predict which days of the month will hit monthly load peaks in

[4] See, Direct Testimony of Brad Fortson, Schedule BJF-d3, Second Prudence Review of Cycle 2 Costs Related to the Missouri Energy Efficiency Investment Act for the Electric Operations of Evergy Metro, Inc., April 1 through December 31, 2019, File No. EO-2020-0227, Pg. 7-8 (Quoting *State ex rel. Associated Natural Gas Co. v. Public Service Com'n of state of Mo.*, 954 S.W.2d 520, 528-29 (Mo. 1App. W.D., 1997).

order to call demand response events. While weather forecasts and load prediction have certainly advanced, Staff assumes a level of clairvoyance not yet in existence.

Q: Is Staff's recommendation of imputed revenue from hypothetical capacity contracts also based on hindsight?

A: Yes. As discussed in more depth in the Rebuttal Testimony of Company witness John Carlson, Staff makes no attempt to evidence the feasibility of its hypothetical capacity contract with market data or analysis, let alone at the time Staff alleges the Company acted imprudently by not entering into a hypothetical capacity contract. Staff simply makes the inaccurate assumption that such capacity contracts: (1) would have had a buyer, (2) at a particular price, (3) were not impacted by any transmission constraints, and (4) with particular terms and conditions agreeable to both the buyer and seller. Staff's assumptions upon which its recommendations are based regarding hypothetical capacity contracts do not hold water even with historical data, let alone from a reasonable person standard at the time.

III. Response to Staff Allegations Regarding MEEIA Programs

Q: What demand response items are within the scope of a MEEIA program audit that you will address?

A: I respond to four issues raised by Staff witness Luebbert described on page 2-4 of his direct testimony. These allegations of imprudent management decisions include:

1) Not calling a minimum of five events for the programmable thermostat program as required by the MEEIA Cycle 2 extension stipulation in Case No. EO-2019-0132;

2) Providing free thermostats to Direct Install customers;

3) Providing free thermostats to Do it Yourself customers who never installed the thermostats and therefore did not participate in demand response events; and

4) Entering into contracts for the DRI program that did not incentivize meaningful participation, but financially rewarded customers that did not participate meaningfully.

IV. The Company Called the Events Required Under the Stipulation

Q: What is Evergy's response to Staff's allegation that the Company did not call the agreed upon programmable thermostat demand response events in 2019?

A: Contrary to Staff's allegation (p. 4, Luebbert Direct) the Company did abide by the EO-2019-0132 Stipulation and Agreement requirement to call five events in each jurisdiction. The event calls were communicated to Staff in data request responses (11, 35 and 39) in this case.

The Company called five programmable thermostat events during the 2019 demand response season as follows:

Event #1 – July 18, 2019 (4-6 PM)
Event #2 – July 19, 2019 (4-6 PM)
Event #3 – Aug 6, 2019 (4-6 PM)
Event #4 – Aug 7, 2019 (2-4 PM)
Event #5 – Aug 12, 2019 (4-6 PM)

The 168 possible events for thermostat quoted by Staff is not correct[5] as a maximum of 15 events per season is in line with the Evergy – Nest agreement for events. The agreement was provided in response to data request 007 in this case.

[5] Staff Direct Testimony (p. 29 of Evergy Missouri West report).

V. The Company Prudently Managed its Programmable Thermostat Program

Q: What were the results of the programable thermostat program in MEEIA Cycle 2?

A: The program was a tremendous success. Participation in the program was well above targets and met maximums in the Missouri Metro territory during the Cycle 2 period. Per their EM&V PY 2019 Report, Guidehouse (the third-party evaluator) stated that "together, the thermostat programs and the DRI program deliver strong demand reductions and demonstrate the value they provide as a flexible capacity resource". In the Evergy Metro territory, the Business Programmable Thermostat, and Residential Programmable Thermostat programs achieved 86% and 104% of the MEEIA Cycle 2 energy savings targets, respectively. Similarly, the Business Programmable Thermostat and Residential Programmable Thermostat programs achieved 155% and 164% of the MEEIA Cycle 2 demand savings targets, respectively. In the Evergy Missouri West territory, the Business Programmable Thermostat and Residential Programmable Thermostat programs achieved 151% and 83% of the MEEIA Cycle 2 energy savings targets, respectively. Likewise, the Business Programmable Thermostat, and Residential Programmable Thermostat programs achieved 322% and 143% of the MEEIA Cycle 2 demand savings targets, respectively. The benefit cost tests for these programs also yielded favorable results and improvement over time as recapped below (Table 1): Additionally, these results compare favorably to Ameren Missouri PY2019 in which residential demand response results were 1.11 for both the total resource cost ("TRC") and UCT tests.

Table 1
Programmable Thermostat Cost Tests

KCP&L/Metro

Program	MEEIA 2 PTD TRC	MEEIA 2 PTD UCT	PY 2019 TRC	PY 2019 UCT	PY 2018 TRC	PY 2018 UCT
Business Programmable Thermostat	1.57	2.21	1.43	2.02	0.35	0.35
Residential Programmable Thermostat	1.92	2.92	1.89	2.71	0.34	0.30

GMOPS/MO West

Program	MEEIA 2 PTD TRC	MEEIA 2 PTD UCT	PY 2019 TRC	PY 2019 UCT	PY 2018 TRC	PY 2018 UCT
Business Programmable Thermostat	1.60	2.36	1.54	2.15	1.18	1.63
Residential Programmable Thermostat	1.96	3.08	1.88	2.65	1.64	2.13

As a quick refresher on the primary MEEIA cost effectiveness tests, any program with a Total Resource Cost "TRC" test value above "1.0" is a cost-effective program, meaning the benefits outweigh the costs of benefits from a total system perspective. The Utility Cost Test ("UCT") value above "1.0" means that the benefits outweigh the costs from the utility perspective[6].

Q: Why would Evergy select the higher cost Direct Installation option for programmable thermostats for a portion of the review period?

A: First, a little background. The Company provided customers with options to enter the Programmable Thermostat Program in order to reach the maximum number of customers. This included three different channels of entry: Direct Installation ("DI"), Do-It-Yourself ("DIY"), and Bring Your Own ("BYO"). DI and BYO have an 100% activation rate. The Commission approved budget for the thermostat program provided for a portion of the thermostats to be provided by each channel. The tariff allowed for flexibility of gaining

[6] The utility perspective of the UCT is the test that most closely aligns with the minimization of long-run utility costs in the Integrated Resource Plan ("IRP") in 20 CSR 4240-22.010(2)(B).

more participants while managing costs. The Company selected direct installation channel only for a portion of the review period to allow only a known quantity of devices to be enrolled in the program. By allowing the number of installation appointments dictate the number of enrollees, the Company could manage the budget to not exceed portfolio maximums on budget and participation maximums for the thermostat program as prescribed in the Earnings Opportunity matrix for Cycle 2[7].

The Company followed the Commission approved plan and managed the thermostat program budget to the Commission approved level by controlling the number of DIs being scheduled which held the total number of participants to a known level. While DIs are more expensive than DIY, they have a higher activation rate than DIY (Direct Installation is 100%) and provided the budget and participation management tool needed for Program Year 3 of Cycle 2 for the thermostat program.

Q: Why couldn't Evergy just change the DI program in the middle of Cycle 2 and not provide a free thermostat?

A: First, the Commission approved Programmable Thermostat Cycle 2 Tariff stated: Participants will receive a free programmable thermostat that can be controlled via radio or Wi-Fi signals sent to the unit by Company or its assignees[8]. Moreover, there are development/infrastructure costs to implementing a customer co-payment. For the Company to offer the devices with a co-payment (not free of charge), the program would have incurred similar additional costs and been delayed for many months before that functionality could be in place. As a proof point, Evergy did put in customer co-pay functionality into place at the start of MEEIA Cycle 3 and the deployment cost took five

[7] Case No. EO-2015-0240 Stipulation and Agreement – Appendix B – Earnings Opportunity Matrix.
[8] Evergy Metro Missouri tariff sheet 2.32.

months (January 2020 to May 2020) to deploy. Additionally, changing the program rules, delivery options, or adding co-payment requirements mid cycle causes discontinuity and customer confusion. Furthermore, this was not necessary since the Company was able to manage the budget within the MEEIA rules for Commission approved amounts by emphasizing DIY and BYO installations.

Q: The Staff states (Luebbert Direct, p.3) that Evergy provided thermostats to DIY customers at no cost who ultimately did not participate in the program and therefore was imprudent. How do you respond?

A: First, the intent of the program is to offer customers different avenues to enter the program including DI, DIY and BYO. The Commission approved budget and tariff for the thermostat program provided that DIY customers will receive thermostats at no cost for participating in the program. The DIY channel is meant to significantly increase participation in the thermostat program and do so by providing an easy experience where the customer can sign up and have a device delivered directly to their home for installation on their own terms. Obviously, by taking out the need to schedule an appointment and be present for third-party installation, friction is taken out of the participation process. As a trade-off for this ease of participation, the customer has the responsibility to install and activate the device once delivered to their home (the DIY part). In a small percentage of cases (on average less than 10% across MEEIA Cycle 2), the customer does not fulfill their part of the DIY and does not activate their device for participation. Potential reasons this might happen include losing the thermostat once delivered or installing it but not connecting it to Wi-Fi due to internet issues.

Even with the potential for customer non-install, the DIY program is cost-effective. The evaluated cost effectiveness of the thermostat program reflects actual customer participation (not those who didn't install the thermostat or connect to Wi-Fi) and actual costs (including those thermostats paid for but not connected). Evergy's programmable thermostat program was proven to be cost effective even considering the fact that some customers did not fully complete the activation/participation process. The benefit cost tests for the programmable thermostat programs yielded favorable results and improvement over time as indicated in Table 1 above.

These facts show good managerial decision making and prudent spend of program dollars. The Commission should not adopt Staff's disallowance of costs ($116,665 in MO West and $108,080 in MO Metro) from a program that has been proven to be cost effective using the Commission's own guidelines for cost effective testing.

Q: Did you try to reach out to the customers who received the thermostat but had not completed installation?

A: Yes. While most all customers understand the offer and requirements for receiving their device, there were a minority that still don't complete the process for possible reasons as described above. These customers were a strong focus of our marketing and customer outreach as early as 2017 in order to help encourage these customers to finish the process. Across both jurisdictions, the Company sent over 15,000 emails, made almost 6,000 phone calls and sent 3,200 mailers to customers. From these contacts, the Company was able to convince over 5,700 customers to complete the thermostat installation. The Company's multiple customer engagement tactics improved the activation rate of installations during the Cycle from around 80% to over 93%. This superior DIY installation rate was

recognized by vendor partners as above industry average and in fact won an award at Chartwell's EMACS 2018 Customer Experience Conference for the marketing campaign used to best engage customers to prompt participation. As a point of reference, per Google Nest representatives' other utilities see on average ~80% installation and activation rates, showing that Evergy is well above average in encouraging every customer to install and activate eligible devices.

Q: Isn't Staff taking positions on both sides of the programable thermostat issue?

A: Yes, Staff's arguments are inconsistent and circular. On the one hand, Staff claims that anything less than 100% DIY activation rate is not prudent (p. 26 in Evergy West Staff report). As shown above, the program has a cheaper cost but cannot guarantee 100% participation. On the other hand, Staff says that when the Company used the DI method, which does have 100% participation, the Company could have "avoided the additional cost of DI installations" (p. 25 of MO West Staff report) by not allowing this DI channel. These are contradictory positions. Staff criticizes the high cost of DIs which have a 100% activation rate but also criticizes the use of the DIY channel even though it is more cost effective despite an activation rate less than 100%. In fact, the direct install path provides more inclusive participation for those that might not feel comfortable or physically be able to install a thermostat themselves. The Commission should reject Staff's attempt to claim the Company is being impudent for using different strategies to get customers to participate in the programmable thermostat program.

VI. The Company Prudently Managed Its Demand Response Incentive Programs

Q: What were the results of the Demand Response Incentive programs program in MEEIA Cycle 2?

A: The program continued to drive value for customers as evidenced by the cost effectiveness and willing participants in the program. As indicated above, per their EM&V PY 2019 Report, Guidehouse stated that "together, the thermostat programs and the DRI program deliver strong demand reductions and demonstrate the value they provide as a flexible capacity resource". In the Evergy Metro territory, the Demand Response Incentive program achieved 140% of the MEEIA Cycle 2 energy demand savings target. In the Evergy Missouri West territory, the Demand Response Incentive program achieved 58% of the MEEIA Cycle 2 energy demand savings targets. The benefit cost tests for this program also yielded favorable results and improvement over time as recapped Table 2 below:

Table 2
Demand Response Incentive Cost Tests

	KCP&L/Metro					
	MEEIA 2 PTD		PY 2019		PY 2018	
Program	TRC	UCT	TRC	UCT	TRC	UCT
Demand Response Incentive	9.68	2.69	12.51	3.39	6.89	2.02

	GMOPS/MO West					
	MEEIA 2 PTD		PY 2019		PY 2018	
Program	TRC	UCT	TRC	UCT	TRC	UCT
Demand Response Incentive	3.65	1.49	4.29	1.76	3.71	1.38

Q: The Staff criticizes the way Evergy entered into Demand Response Incentive contracts with customers who did not materially participate but received financial incentives. Why is this criticism misplaced?

A: First and foremost, Evergy operated the program as described in the Commission approved tariff and associated program descriptions that accompanied the filing and stipulation for MEEIA Cycle 2 and extension. Customers who entered agreements with Evergy to participate in DRI received a significant upfront payment to be on call to perform and then an incentive to perform during the events or a penalty if they do not perform. Customers that did not participate in the DRI events were penalized, and those that performed to their contracted amount were incentivized. For example, the penalty for non-performance is calculated at 150% of the same hourly incentive for each hour that a customer does not perform.[9] This structure of the program including the levels of the upfront payments and the event penalties were approved by the Commission and incorporated in the associated tariff.

Q: What do you make of Staff witness Luebbert's criticism on p. 4 of his Direct Testimony that the Company called minimal events despite the "front-loaded nature" of the programs?

A: The Company operated its program as it was designed and described in its approved tariff. The nature of the program to incent customers to interrupt their businesses and operations includes a trade-off in where customers see some benefit to be "on call" to curtail their operations. This upfront payment represents the carrot to help drive initial sign up and participation. The stick comes later if customers do not participate in DRI events and are

[9] KCP&L Tariff sheet 2.13 Penalties section 2nd paragraph.

penalized for non-performance and ultimately removed from the program[10]. As I stated earlier, the program design is focused primarily on the need to reduce system peak load in the summer, so the purpose is to strive to reduce load during that peak hour. It is not to call maximum events solely as Staff contends just because a tariff and the customer agreement allows it.

Q: Did Evergy attempt to deter customers from signing up with no interest in actually participating?

A: With the DRI program, Evergy's incentives are aligned with our customers. Evergy does not get credit or achieve demand savings towards MEEIA targets unless the customer performs. Evergy engaged with customers who it expected to perform in order to meet the program's objectives and provide an incentive to the customer to do so, but in the end the customer is responsible for performing. The customer enrollment process involved multiple pre-contract touch points including a facility walkthrough as desired and a curtailment plan to provide the customer the needed action steps in order to best achieve the reduction in the agreement. After events are called there is also a feedback loop with the customer to see what in the curtailment plan worked or what didn't and adjust accordingly. In fact, the third-party evaluator recognized this effort in their PY 2018 evaluation report by writing, "Navigant acknowledges that the EPD and CL calculations have been modified for the Cycle 2 extension to better represent customer peak demand and curtailment capabilities." Evergy's efforts to continually refine the expected kW curtailment from the customer was shown in the improved results of realization rate during the MEEIA Cycle 2.

[10] Evergy Metro tariff sheet 2.13 Penalties section 3rd paragraph.

Q: Can you tell me a little more about the feedback loop process and how you engaged with customers during their agreement period? Did this result in any adjustments?

A: Yes, and Yes. Evergy along with our implementation partner for this program, CLEAResult, spend a significant amount of time reviewing the performance of every customer from their early season "test" event to the actual events during the four summer months. It's a little like grading homework after teaching a class. The customer learns about the program and best practices, then creates an individual curtailment plan but the score is really how their actual electric load changed when they were called upon for a test or actual event. This is when Evergy gathers hourly interval data and shares the results with the customer to verify if the plan was working or what tweaks may need to happen, or in extreme circumstances suggests if the program is not the right fit for a customer after they've attempted to participate but failed. The best way to show this activity is the net changes to curtailment kW for each customer that happened during the 2018-19 program years. The below table 3 outlines that change.

Table 3
DRI Contract changes

DRI contract changes (MO Metro and West)	**2019 vs 2018**
# of customers w/ kW adjustments	81
Net curtailment load change from adjustments	-3,609 kW
# of customers removed	35
Net curtailable load lost from removals	16,512 kW

Lastly, Evergy and our implementers are incentivized on performance of participating customers. It is in the Company's best interest to manage the budget to gain all the

participation possible. Evergy does not create value and therefore does not create earnings opportunity unless the customer curtails. Our implementer contractors have incentives based on actual performance to align our interest. This can be shown by our focus on getting realization rates improved during these years.

Q: Do you have any specific examples of how this program has improved or compared to others in realization rate?

A: Yes, there are a couple good examples of improvement in realization from recent third-party evaluation, measurement and verification reports. See Table 4 below.

Table 4
DRI Realization Rates

Evergy DRI Realization Rates per EM&V		
	PY2018	PY2019
MO Metro	82%	128%
MO West	62%	81%

As a point of comparison, in Ameren's PY2019 Final EM&V evaluation, the load reduction represented 60% of the total nominated capacity from customers, among whom the events were called. This compares similarly to the numbers in the above table for realization rate.

Q: Were the Cycle 2 demand response programs designed to reduce transmission costs?

A: No, the tariffs say nothing about using these programs to reduce monthly peak loads associated with calculating the SPP Schedule 1A and 11 fees. While the Company agrees that these demand response programs have the potential to create additional benefits for customers in some cases (and stated so in the MEEIA Cycle 3 case surrebuttal testimony[11]), the Company did not claim any additional benefits for these potential additional savings related to reduction of transmission costs and did not earn any additional throughput

[11] Case EO-2019-0132 /0133: KCPL-GMO surrebuttal report 9-16-2019 p 18-19, 22-24.

disincentive or earnings opportunity for the transmission cost reduction benefits of these programs. Yet, Staff is acting as if this was a major feature of the program that the Company ignored. As indicated above, the Cycle 2 demand response programs were not designed to "chase" a monthly peak on which the SPP transmission costs are derived. For example, in any given month, the next highest daily peak is only minimally lower than the previous daily peak, and predicting such, especially early in the month, is quite difficult and is heavily dependent on a reliable weather forecast. Thus, in order to try to mitigate the highest day, the Company would need to call on numerous days of each month. The programs simply weren't designed to be called at such a high frequency. And while the Company recognizes that program tariffs can be changed to allow for more event calls, the customer offer, recruitment and contracting would have taken significant amount of time to adjust and therefore not reasonable in the scope of PY3 & 4 of Cycle 2.

Q: Should the Company be expected to utilize this program in a way which it was not designed or compensated for in MEEIA Cycle 2?

A: No. The programs were designed and approved as a capacity (vs energy or transmission fee reduction) product that is factored in Evergy resource planning and SPP accredited capacity. Only the capacity benefits for the program were factored in the cost effectiveness calculations when the program was approved by the Commission. Please refer to EM&V results including cost effectiveness discussed above, including 1 and Table 2. As a quick reminder, the EM&V exercise looks at impacts from the programs and compares them to costs that occur to generate those impacts. The benefits from these programs through the primary testing lens (Total Resource Cost) showed beneficial program activity repeatedly during the evaluation period.

Q: What about Staff's adjustment (Luebbert Direct, p. 3) for not calling events to minimize DA LMP? Does this make sense?

A: No. Again, the MEEIA programs were not designed to minimize this SPP cost. The programs would need to be designed with additional event call flexibility in order to properly obtain benefit from day ahead LMP market changes. This would include adjusting the program objectives and likely result in a different customer offer and target customer segments. Additionally, Staff used a historical view of LMP price changes to pick the highest price delta hours to call events. As discussed further in John Carlson's testimony, the potential to make those calls perfectly is impossible. Additionally, while trying to time the market there is also considerable risk to having a downside of the price fluctuation.

Q: Is there anything else you would say related to these four demand response prudence allegations from Staff?

A: In summary, two points bring together why our programs were managed prudently.

1) The Programmable Thermostat and Demand Response Incentive programs were operated according to their design and Commission approved tariffs for providing customer benefits for being willing to help Evergy manage summer peak load reduction effectively; and

2) The DRI program was deemed cost effective during both years of this review period by a third-party evaluator that was reviewed by Staff and Staff auditor and using Commission approved avoided costs. The thermostat program was deemed cost effective by the same process in all but the one year where participation was purposefully limited due to stipulation limits.

VII. Administrative Expense Disallowance

Q: On p. 3 of her Direct Testimony, Staff witness Cynthia M. Tandy proposes to disallow administrative expenses (before interest) of $20,328.36 for Evergy Missouri Metro and $11,297.65 for Evergy Missouri West. What is Evergy's response to Staff's proposed disallowances?

A: These expense disallowances can be broken down into different categories and Evergy will respond to each of these categories.

- Industry conferences that Staff doesn't believe are related to MEEIA programs or conferences for which the Company has not provided sufficient invoice detail;
- MEEIA Cycle 3 expenses that Staff contends should be deferred to that time period;
- Industry memberships and sponsorships that Staff believes are not related to MEEIA programs; and
- Other expenses that Staff believes are not related to MEEIA programs.

Q: What is Evergy's response to the conference expenses that are proposed to be disallowed by Staff?

A: All of these conference expenses either had a missing receipt and/or a valid reason for inclusion in the MEEIA DSIM. A high-level summary of events attended is in the below Tables 5 & 6. A detailed breakout of these costs is provided Company workpapers.

Table 5
MO Metro Expense Disallowance Position

Evergy MO Metro EO-2020-0227	Staff Suggested DISALLOWED EXPENSES	Company Position		Company Response / Info Provided
CONFERENCES/MEETINGS	$ 2,456.86	$ -		MEEA, Nexant, PLMA, Chartwell - all industry/MEEIA related expenses w/ additional agenda & support material
CYCLE III EXPENSES	$ 1,786.42	$ 1,786.42		Expenses should be defered to Cycle 3
MEMBERSHIPS/SPONSORSHIPS	$ 14,559.00	$ 300.00		Industry specific sponsorships of organizations driving energy efficiency activity (USGBC,MEEA,); Miscategorization of marketing activity for Metrowire media; Individual AEE certification removal ($300)
OTHER EXPENSES	$ 1,526.08	$ -		All related to MEEIA activity w/ explanations in work papers
Total	$ 20,328.36	$ 2,086.42		
Interest	$ 605.93	$ 57.28		
Total + Interest	$ 20,934.29	$ 2,143.70		

Table 6
MO West Expense Disallowance Position

Evergy MO West EO-2020-0228	Staff Suggested DISALLOWED EXPENSES	Company Position		Company Response / Info Provided
CONFERENCES/MEETINGS	$ 2,610.38	$ -		MEEA, Nexant, PLMA, Chartwell, Energy Star - all industry/MEEIA related expenses w/ additional agenda & support material
CYCLE III EXPENSES	$ 673.75	$ 673.75		Expenses should be defered to Cycle 3
MEMBERSHIPS/SPONSORSHIPS	$ 7,059.00	$ -		Industry specific sponsorships of organizations driving energy efficiency activity (USGBC,MEEA,BOC, St. Joe Construction, Metro Home Builders); Miscategorization of marketing activity for Metrowire media
OTHER EXPENSES	$ 954.52	$ 295.00		All related to MEEIA activity w/ explanations in work papers w/ Exception of Excel training - $295
Total	$ 11,297.65	$ 968.75		
Interest	$ 375.71	$ 12.07		
Total + Interest	$ 11,673.36	$ 980.82		

Q: What is Evergy's response to the Cycle 3 expenses that are proposed to be disallowed by Staff?

A: Evergy agrees that costs which were incurred to help create and gain approval for MEEIA Cycle 3 should have been deferred for recovery in Cycle 3. The net effect of these adjustments within the DSIM Rider which recovers both Cycle 2 and Cycle 3 costs is the interest carrying costs for the change in timing of recovery. The total value of this adjustment would be $1,786.42 in MO Metro and $673.75 in MO West (before interest).

Q: What is Evergy's response to the membership and sponsorships expenses that are proposed to be disallowed by Staff?

A: Most of the expenses in the membership and sponsorships are directly related to activity to bring benefit to the MEEIA programs either through program awareness, best practice gathering or industry relationship building. A high-level summary of the memberships and organizations involved in is in Tables 5 & 6. One exception is the individual employee certification in an industry association for a value of $300.00 in Evergy MO Metro that is the total value of the Company's position on the adjustment for this category. A detailed breakout of these costs is provided Company workpapers.

Q: What is Evergy's response to the other MEEIA expenses that are proposed to be disallowed by Staff?

A: Most of these other expenses either had a description for inclusion which is now included where applicable and/or a valid reason for inclusion in the MEEIA DSIM. A high-level summary of the descriptions and reasons is in Tables 5 & 6. One exception is an employee specific Excel based training that results in an adjustment of $295.00 in Evergy MO West for this category. A detailed breakout of these costs is provided Company workpapers.

Q: Does that conclude your testimony?

A: Yes, it does.

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**

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. and serve as Director, Demand-Side Management for 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").

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of twenty-seven (27) 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 11th day of September 2020.

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021

DEMAND SIDE INVESTMENT MECHANISM RIDER (CYCLE 2)
Schedule DSIM (Continued)

DETERMINATION OF DSIM RATES:

The DSIM during each applicable EP is a dollar per kWh rate for each rate schedule calculated as follows:

$$DSIM = [NPC + NTD + NEO + NOA]/PE$$

Where:

NPC = Net Program Costs for the applicable EP as defined below,

$$NPC = PPC + PCR$$

PPC = Projected Program Costs is an amount equal to Program Costs projected by the Company to be incurred during the applicable EP, including any unrecovered Cycle 1 Program Cost that will utilize an amortization period as outlined in Stipulation & Agreement filed in Docket EO-2015-0240 .

PCR = Program Costs Reconciliation is equal to the cumulative difference between the PPC revenues billed resulting from the application of the DSIM through the end of the previous EP and the actual Program Costs incurred through the end of the previous EP (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly Short-Term Borrowing Rate.

NTD = Net Throughput Disincentive for the applicable EP as defined below,

$$NTD = PTD + TDR$$

PTD = Projected Throughput Disincentive is the Company's TD projected by the Company to be incurred during the applicable EP, including any unrecovered TD-NSB that will utilize an amortization period as outlined in Stipulation & Agreement filed in Docket EO-2015-0240. For the detailed methodology for calculating the TD, see Sheet 49K.

TDR = Throughput Disincentive Reconciliation is equal to the cumulative difference, if any, between the PTD revenues billed during the previous EP resulting from the application of the DSIM and the Company's TD through the end of the previous EP calculated pursuant to the MEEIA Cycle 1 or 2 Application, as applicable (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly Short-Term Borrowing Rate.

NEO = Net Earnings Opportunity for the applicable EP as defined below,

$$NEO = EO + EOR$$

DEMAND SIDE INVESTMENT MECHANISM RIDER
Schedule DSIM (Continued)

DETERMINATION OF DSIM RATES:

The DSIM during each applicable EP is a dollar per kWh rate for each rate schedule calculated as follows: DSIM = [NPC + NTD + NEO + NOA]/PE

Where:

NPC = Net Program Costs for the applicable EP as defined below,

NPC = PPC + PCR

PPC = Projected Program Costs is an amount equal to Program Costs projected by the Company to be incurred during the applicable EP, including any unrecovered Cycle 1 Program Costs that will utilize an amortization as outlined in Stipulation & Agreement filed in Docket EO-2015-0241.

PCR = Program Costs Reconciliation is equal to the cumulative difference, if any, between the PPC revenues billed resulting from the application of the DSIM through the end of the previous EP and the actual Program Costs incurred through the end of the previous EP (which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under-balances at the Company's monthly Short- Term Borrowing Rate.

NTD = Net Throughput Disincentive for the applicable EP as defined below,

NTD = PTD + TDR

PTD = Projected Throughput Disincentive is the Company's TD projected by the Company to be incurred during the applicable EP, including any any unrecovered Cycle 1 TD-NSB that will utilize an amortization as outlined in Stipulation & Agreement filed in Docket No. EO-2015-0241. For the detailed methodology for calculating the TD, see Sheet 138.4.

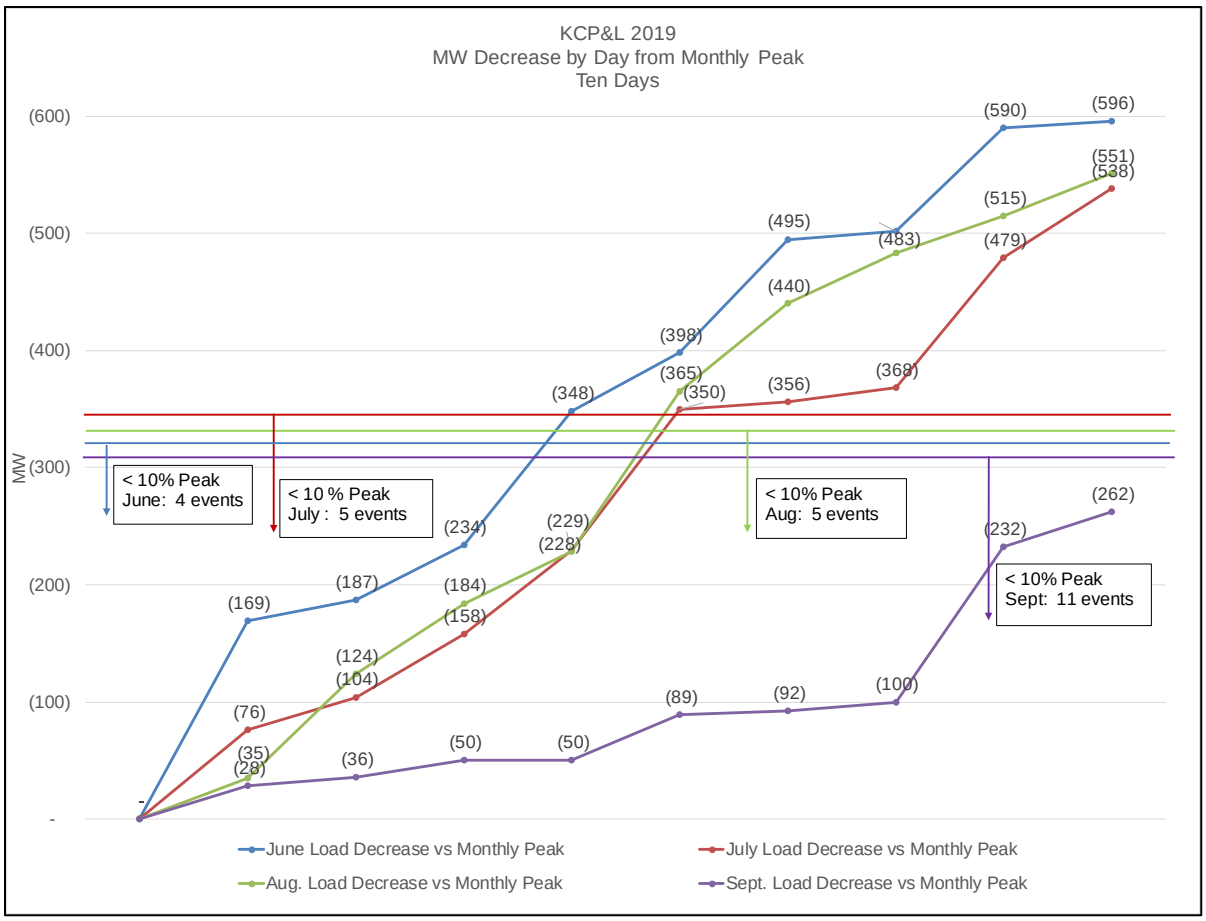
TDR = Throughput Disincentive Reconciliation is equal to the cumulative difference, if any, between the PTD revenues billed during the previous EP resulting from the application of the DSIM and the Company's TD through the end of the previous EP calculated pursuant to the MEEIA Cycle 1 or 2 application, as applicable(which will reflect projections through the end of the previous EP due to timing of adjustments). Such amounts shall include monthly interest on cumulative over- or under- balances at the Company's monthly Short-Term Borrowing Rate.

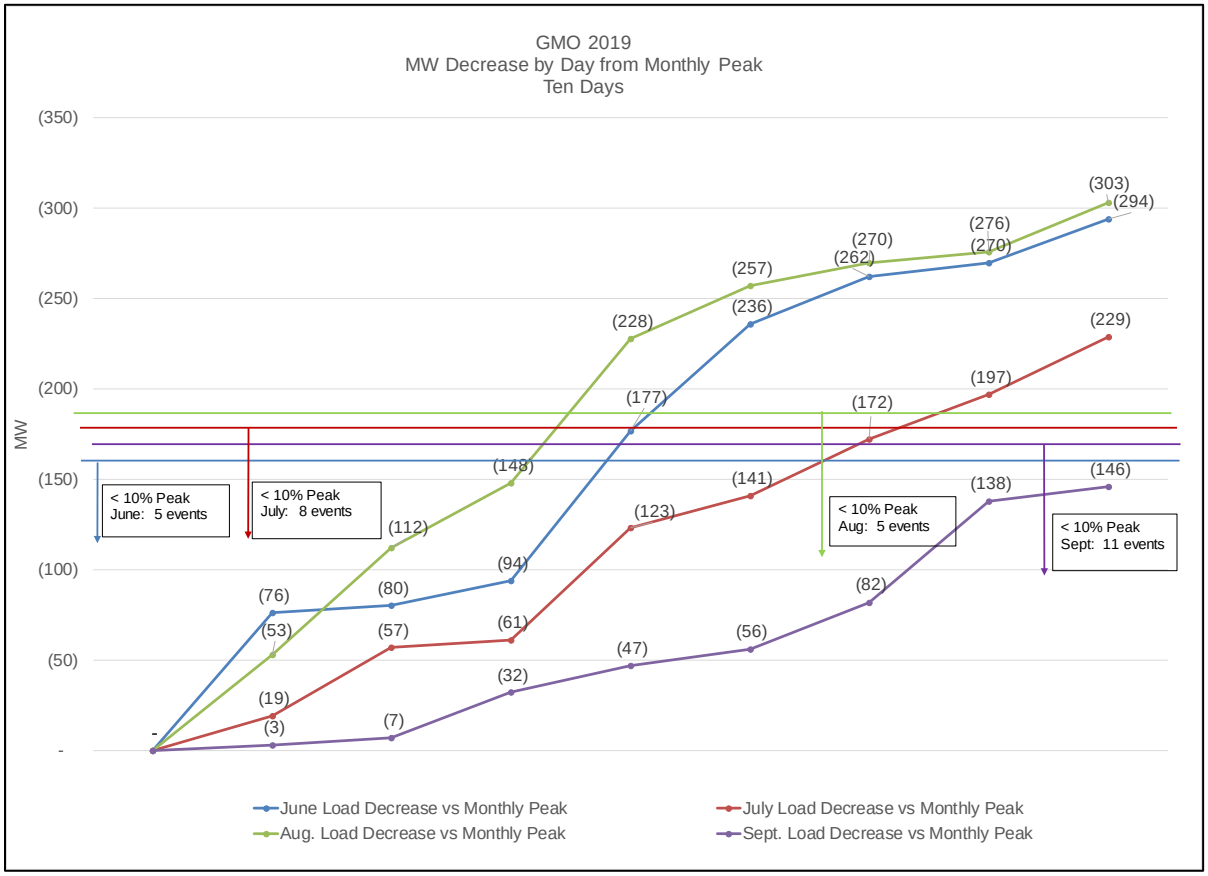
NEO = Net Earnings Opportunity for the applicable EP as defined below,

NEO = EO + EOR

EO = Earnings Opportunity is equal to the Earnings Opportunity Award monthly amortization multiplied by the number of billing months in the applicable EP.

The monthly amortization shall be determined by dividing the Earnings Opportunity Award by the number of billing months from the billing month of the first DSIM after the determination of the Earnings Opportunity Award and 24 calendar months following that first billing month.


KCP&L 2019
MW Decrease by Day from Monthly Peak
Ten Days
MW
(600)
(500)
(400)
(300)
(200)
(100)
-
< 10% Peak
June: 4 events
< 10 % Peak
July : 5 events
< 10% Peak
Aug: 5 events
< 10% Peak
Sept: 11 events
June Load Decrease vs Monthly Peak
July Load Decrease vs Monthly Peak
Aug. Load Decrease vs Monthly Peak
Sept. Load Decrease vs Monthly Peak


GMO 2019
MW Decrease by Day from Monthly Peak
Ten Days
MW
(350)
(300)
(250)
(200)
(150)
(100)
(50)
-
< 10% Peak
June: 5 events
< 10% Peak
July: 8 events
< 10% Peak
Aug: 5 events
< 10% Peak
Sept: 11 events
June Load Decrease vs Monthly Peak
July Load Decrease vs Monthly Peak
Aug. Load Decrease vs Monthly Peak
Sept. Load Decrease vs Monthly Peak

When describing the difficulty of calling events to mitigate monthly SPP Schedule 11 and 1-A fees, a graph of 2019 daily system peaks can illustrate how many events might need to be called each month. These Missouri Metro (KCP&L) and Missouri West (GMO) system load graphs compare daily peak loads to monthly peak loads. The four bars in the middle of the graph represent 10% of the monthly peak load (MW) for June, July, August and September. The four lines cutting across the graph are daily peaks loads for the same months. The graph demonstrates that a significant number of days hit within a threshold of 10% of the monthly peak load. In other words, these graphs show: 1) there is relatively minor deviation to peak load on a day-to-day basis, 2) monthly peak load is not reached in a predictable, linear way and 3) a substantial variation exists between jurisdictions and between months in order to find the exact event call to mitigate monthly peaks.

Exhibit No.:	
Issue:	MEEIA program design and operation
Witness:	Brian A. File
Type of Exhibit:	Sur-Surrebuttal Testimony
Sponsoring Party:	Evergy Metro, Inc. and Evergy Missouri West, Inc.
Case No.:	EO-2020-0227 / 0228
Date Testimony Prepared:	October 21, 2020

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: EO-2020-0227 / 0228

SUR- SURREBUTTAL TESTIMONY

OF

BRIAN A. FILE

ON BEHALF OF

EVERGY METRO, INC. and EVERGY MISSOURI WEST, INC.

Kansas City, Missouri
October 21, 2020

SUR- SURREBUTTAL TESTIMONY

OF

BRIAN A. FILE

Case Nos. EO-2020-0227 / 0228

Q: Please state your name and business address.

A: My name is Brian A. File. My business address is 1200 Main St., 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 for 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").

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West.

Q: Are you the same Brian A. File who previously filed rebuttal testimony in these dockets?

A: Yes.

Q: What is the purpose of your sur-surrebuttal testimony?

A: The purpose of my sur- surrebuttal testimony is to respond to OPC's case-in-chief filed in its rebuttal testimony in this case. I will also respond to the surrebuttal testimony of Staff and OPC.

I: RESPONSE TO MARKE REBUTTAL TESTIMONY

Q: First, what is the Commission's prudence standard?

A: As stated in my rebuttal testimony on pages 9-10, the Commission's prudence standard is a "reasonableness" standard to be judged not based on hindsight but what was reasonable at the time.

Q: Has OPC's rebuttal testimony created a serious doubt as to the prudence of Evergy's management of its MEEIA programs based on ratios of incentive vs. non-incentive costs?

A: No. OPC's flawed critique is a quintessential hindsight analysis that makes no attempt to satisfy the actual legal standard for a prudency case. OPC rests its argument on a simplistic and deeply flawed analysis of ratios that Mr. Marke created.

Q: Explain broadly why OPC's ratio analysis (Marke Rebuttal, pp. 3-7) does not show imprudence by Evergy in the management of its MEEIA programs.

A: OPC's incentive to non-incentive ratios are not appropriate to draw any conclusion with regard to Evergy's prudence of MEEIA program operations. OPC's ratios do not show imprudence by Evergy's management because OPC's ratios do not account for the following: (1) utilities categorize "incentive" and "non-incentive" costs differently, (2) OPC's methodology unjustifiably assumes that "incentive-costs" are directly linked to savings or cost effectiveness, (3) Evergy operated according to Commission approved-budgets for its MEEIA programs and (4) the size of the utility matters in a comparison of ratios involving administrative costs.

Q: Is it appropriate to compare "incentive costs" and "non-incentive costs" between utilities?

A: It depends. While it might seem appropriate to benchmark these costs with other utilities, if the utilities categorize their incentive and non-incentive costs differently, then it is not appropriate. Many times, benchmarking cannot be taken at face value unless a deeper understanding is pursued. Similarly, OPC's analysis is not an "apples to apples" comparison because of this.

The definition of "incentive" needs to be understood when making the comparison as there are various interpretations of the word incentive as defined in demand-side management. As noted in the foundational document describing energy efficiency benefit/cost tests, the California Standard Practice Manual, describes the following about incentives…

> Some difference of opinion exists as to what should be called an incentive. The term can be interpreted broadly to include almost anything. Direct rebates, interest payment subsidies, and even energy audits can be called incentives. Operationally, it is necessary to restrict the term to include only dollar benefits such as rebates or rate incentives (monthly bill credits). Information and services such as audits are not considered incentives for the purposes of these tests. If the incentive is to offset a specific participant cost, as in a rebate-type incentive, the full customer cost (before the rebate must be included in the PC_t term[1]

Evergy applies a conservative view in calling an incentive, a dollar benefit in terms of rebates or rate incentives. For example, for some of Evergy's programs (programmable thermostat, small business direct install, income eligible multi-family) that OPC takes

[1] California Standard Practice Manual - Economic Analysis of Demand-Side Programs and Projects; October 2001 – pg 11 Footnote 3 (https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy_-_Electricity_and_Natural_Gas/CPUC_STANDARD_PRACTICE_MANUAL.pdf)

specific issue with[2], Evergy calls the majority of the customer benefit a "delivery" cost as it relates to the California Standard Practice Manual benefit cost tests and reported to Energy Information Administration ("EIA") for the analysis used in this case. These "delivery" costs are categorized as a "non-incentive" in OPC's analysis. During Cycle 2, Evergy provided a free smart learning thermostat device (sometimes with free installation) to customers to curtailing its summer peak demand through its residential demand response program. In Evergy's evaluation of its cost effectiveness tests, that cost is included as a delivery cost because no rebate or cash exchanged hands with the customer. It was not included as an incentive cost. Other utilities may deem that cost an "incentive". The customer received a benefit that was the same as spending $170-$250 at a retail store for that device. However, as described by the California Standard Practice manual, neither of these approaches is inherently wrong, but how it is included within cost effectiveness testing can significantly impact a program and change the outcome of a simple incentive / non-incentive ratio comparison.

Q: What is a more appropriate ratio to analyze the per dollar effectiveness of different utilities' energy efficiency programs?

A: A more appropriate ratio is dollars per kilowatt hour or dollars per kilowatt saved for utilities of similar size (and administering similar programs). Using this methodology, Evergy is on par with its peer utilities. This ratio of $/kWh or $/kW shows that for every dollar the Evergy spends on its MEEIA programs, it is getting near or better than average kW or kWh savings as compared to other utilities with similar programs. If you utilize the same source of information provided by OPC in its testimony (EIA 2018 program data),

[2] Marke Rebuttal, pg 10-12 – Table 1 & 2

one could arrive at a very much different conclusion than OPC, but one would arrive at the right conclusion using the $/kWh or $/kW ratio that Evergy was prudently managing their programs. If one were to use a comparable set of utility DSM programs (spend between $1 million and $40 million per year), MO Metro and MO West rank 32nd and 44th, respectively, out of 159 utilities in $/kWh. This places Evergy at or near the top quartile in dollars spent per kWh saved. This means that 75% of the other utilities operate their programs more expensively than Evergy for every dollar spent to achieve energy reduction. In looking at the more appropriate ratios for utilities running MEEIA in Missouri, Table 1 below demonstrates that for PY 2019 Evergy Metro's and Missouri West's Total Resource Cost ("TRC") test total portfolio program costs were lower than that of Ameren Missouri. The costs used to calculate these figures are the program costs used by Ameren's and Evergy's EM&V contractors to calculate TRC cost effectiveness ratios.

Table 1

PY 2019 DSM Portfolio Cost Comparisons

	Program Costs $/per kW	Program Costs $/per kWh
Ameren PY 2019	**$ 537.84**	**$ 0.327**
Evergy Metro PY 2019	**$ 470.88**	**$ 0.293**
Missouri West PY 2019	**$ 349.05**	**$ 0.273**

Similarly, Table 2 below demonstrates that for PY2018, per the respective EM&V reports, that Evergy's TRC total portfolio program costs were lower than that of Ameren Missouri, and costs on a UCT incentive and TRC non-incentive costs were lower than that of Ameren Missouri on a per kW basis and comparable on a per kWh basis.

Table 2

PY 2018 DSM Portfolio Cost Comparisons

	TRC Program Costs $/per kW	TRC Program Costs $/per kWh
Ameren PY 2018	**$ 1,136.75**	**$ 3.940**
Evergy Metro PY 2018	**$ 716.97**	**$ 0.294**
Missouri West PY 2018	**$ 517.90**	**$ 0.560**

	UCT Incentive Costs / per kW	TRC Non-incentive Costs / per kW
Ameren PY 2018	**$ 355.62**	**$ 224.42**
Evergy Metro PY 2018	**$ 167.84**	**$ 195.52**
Missouri West PY 2018	**$ 112.61**	**$ 156.23**

	UCT Incentive Costs / per kWh	TRC Non-incentive Costs / per kWh
Ameren PY 2018	**$ 0.11**	**$ 0.07**
Evergy Metro PY 2018	**$ 0.07**	**$ 0.08**
Missouri West PY 2018	**$ 0.08**	**$ 0.11**

Tables 3, 4, 5, and 6 below, using EIA-861 data, also clearly demonstrate that on a total spend basis per MWh and/or per kW, that Evergy's costs are equivalent and more often are lower as compared to neighboring utilities and compared to an average of all US utilities reporting energy efficiency (EE) costs and energy savings.

Table 3

EIA-861 2019 EE MWh Cost Comparisons

	Total Costs / per MWh	Incentive Costs / per MWh	Other Costs / per MWh
EIA-861 Average	**$ 0.21**	**$ 0.13**	**$ 0.08**
Ameren MO	**$ 0.17**	**$ 0.10**	**$ 0.07**
Ameren IL	**$ 0.29**	**$ 0.18**	**$ 0.11**
Liberty Utilities	**$ 0.17**	**$ 0.15**	**$ 0.02**
Evergy Metro	**$ 0.14**	**$ 0.07**	**$ 0.07**
Missouri West	**$ 0.12**	**$ 0.05**	**$ 0.07**

Table 4

EIA-861 2019 EE MW Cost Comparisons

	Total Costs / per MW	Incentive Costs / per MW	Other Costs / per MW
EIA-861 Average	**$ 833.30**	**$ 512.62**	**$ 320.68**
Ameren MO	**$ 607.29**	**$ 367.24**	**$ 240.05**
Ameren IL	**$ 1,798.57**	**$ 1,137.92**	**$ 660.65**
Liberty Utilities	**$ 1,224.00**	**$ 1,108.00**	**$ 116.00**
Evergy Metro	**$ 688.63**	**$ 332.63**	**$ 356.01**
Missouri West	**$ 668.69**	**$ 367.24**	**$ 240.05**

Table 5

EIA-861 2018 EE MWh Cost Comparisons

	Total Costs / per MWh	Incentive Costs / per MWh	Other Costs / per MWh
EIA-861 Average	**$ 0.20**	**$ 0.20**	**$ 0.01**
Ameren MO	**$ 0.19**	**$ 0.11**	**$ 0.08**
Ameren IL	**$ 0.26**	**$ 0.16**	**$ 0.10**
Liberty Utilities	**$ 0.14**	**$ 0.12**	**$ 0.02**
Evergy Metro	**$ 0.12**	**$ 0.06**	**$ 0.07**
Missouri West	**$ 0.14**	**$ 0.06**	**$ 0.09**

Table 6

EIA-861 2018 EE MW Cost Comparisons

	Total Costs / per MW	Incentive Costs / per MW	Other Costs / per MW
EIA-861 Average	**$ 714.39**	**$ 691.85**	**$ 22.54**
Ameren MO	**$ 580.72**	**$ 335.51**	**$ 245.20**
Ameren IL	**$ 1,915.60**	**$ 1,171.66**	**$ 743.94**
Liberty Utilities	**$ 861.33**	**$ 742.67**	**$ 118.67**
Evergy Metro	**$ 714.66**	**$ 318.43**	**$ 396.23**
Missouri West	**$ 736.22**	**$ 297.46**	**$ 438.75**

Q: Does the size of a utility impact the comparative analysis of dollars per kWh/kW savings for different utilities?

A: Yes. Like virtually all utility economics, scale matters. The larger the utility the more "non-incentive" costs are spread out over a greater number of customers. For instance, the EIA data utilized by OPC in this case has a range of utility program size from $11,000 per year to $363 Million per year. Clearly the fixed administrative costs could be spread quite a bit differently across programs of those sizes. It is inappropriate to compare the administrative costs per total program spend for utilities of significantly different sizes. The comparison set used in the figures quoted in the previous question narrowed the comparison utilities to those spending in the range to $1 Million to $40 Million per year to give similar scale to each Evergy jurisdiction that spent $10 Million to $12 Million per year.

Q: Is this what OPC has done in its rebuttal testimony?

A: Yes. OPC's analysis rests on the flawed assumption that all utilities are the same in size with the same or similar energy efficiency programs. They included all utilities across the entire range of $11,000 per year to $363 Million per year.

Q: What about OPC's contention (Marke Rebuttal, p. 9) that non-profit community action agencies are held to a stricter standard than the utility?

A: OPC mischaracterizes the categorization of costs once again and therefore creates a conclusion not based in reality. The Low-Income Weatherization program is another perfect example of how the distinction between incentive and non-incentive is misunderstood by OPC. Evergy categorizes the costs for all the measures (insulation, lighting, weatherstripping, etc.) and the installation costs of those measures as "delivery" of the program because no cash, rebates or bill credits are provided to the customer. OPC's analysis makes this look like a negative in how the program is managed and the amount of benefits received by the customer. In other words, OPC's analysis mischaracterizes the delivery cost of the weatherization measures as an administrative cost "inefficiency" when it is actually the cost of installing the weatherization measure in the customers' home. I doubt that OPC would want less spent on the measures and installation of weatherization for our low-income customers just because Evergy calls it "delivery" and not "incentive". In the Commission approved budgets for MEEIA Cycle 2, Evergy actually has an "administration" category of costs (along with incentive, delivery, EM&V and marketing) that represent personnel and systems to accomplish the management of the programs from Evergy's standpoint. The final value of the administrative percentage of total spend for PY3 and PY4 was between 8 and 9 percent (lower than the 13% as identified above that is allowed non-profit community action agencies to run low-income weatherization assistance program under the operative tariff).

Q: Even comparing utility companies of similar size that use similar cost descriptions are there other problems with such a comparison?

A: Yes. Such an analysis would need to be conducted on a per device basis. Take for example, two utilities with HVAC rebate programs: If one utility gives a rebate of $500 and the other utility gives a rebate of $1000 for the same device, under OPC's analysis the utility that gave the $1000 rebate would be better according to OPC's ratio. This is because the "incentive" part of the equation would increase in relative size to the "non-incentive" portion. OPC's ratio methodology could easily incentivize inefficient management of incentives. As described above, a much better evaluation is the total dollars spent per kWh saved to measure effectiveness of a program relative to peers with similar measures/programs.

Q: Are Evergy's MEEIA budgets approved by the Commission?

A: Yes. OPC's allegation that Evergy's allocation of dollars to non-incentives costs is akin to an unregulated non-profit organization siphoning revenue from its cause to bloated administrative costs ignores the fact that Evergy's MEEIA budgets are filed and approved by the Commission[3]. OPC does not allege that Evergy violated or disregarded its Commission approved MEEIA budgets.

Q: How does Evergy's MEEIA performance in this period compare to the Commission approved budgets and incentive / non-incentive ratios?

A: On top of being near the top quartile of comparable utility programs and better than neighboring utilities, Evergy also performed in savings ratios ($/kWh and $/kW) within close tolerance with the original MEEIA filings approved by the Commission and operated

[3] EO-2015-0240 & EO-2015-0241

within the MEEIA rules. The table below shows that in 5 out of the 8 categories (PY3 & PY4 for each $/kW, $/kWh), Evergy operated at a better ratio than anticipated. The three categories that performed below anticipated included adjustments to realization rate after the fact but were still deemed cost effective.

Figure 1

$/kW comparison Filed to Actual				
MO West	**Filed**	**Filed**	**Actual**	**Actual**
	$/kW	**$/kW**	**$/kW**	**$/kW**
	PY3	**PY4**	**PY3**	**PY4**
Total EE	$ 957	$ 879	$ 771	$ 757
Total DR	$ 85	$ 81	$ 135	$ 112
Total	$ 258	$ 212	$ 320	$ 296
MO Metro	**Filed**	**Filed**	**Actual**	**Actual**
	$/kW	**$/kW**	**$/kW**	**$/kW**
	PY3	**PY4**	**PY3**	**PY4**
Total EE	$ 955	$ 917	$ 669	$ 835
Total DR	$ 127	$ 92	$ 151	$ 96
Total	$ 506	$ 427	$ 430	$ 356

$/kWh comparison Filed to Actual				
MO West	**Filed**	**Filed**	**Actual**	**Actual**
	$/kWh	**$/kWh**	**$/kWh**	**$/kWh**
	PY3	**PY4**	**PY3**	**PY4**
Total EE	$ 0.18	$ 0.17	$ 0.15	$ 0.17
Total DR	$ 2.49	$ 3.09	$ 8.59	$ 5.48
Total	$ 0.24	$ 0.24	$ 0.22	$ 0.23
MO Metro	**Filed**	**Filed**	**Actual**	**Actual**
	$/kWh	**$/kWh**	**$/kWh**	**$/kWh**
	PY3	**PY4**	**PY3**	**PY4**
Total EE	$ 0.19	$ 0.19	$ 0.15	$ 0.18
Total DR	$ 1.62	$ 1.48	$ (82.90)	$ 3.78
Total	$ 0.22	$ 0.21	$ 0.18	$ 0.22

Q: Please respond to OPC's allegation (Marke Rebuttal, p. 14) that Evergy does not account for participation in demand response programs.

A: This allegation is incorrect. Evergy has and always will measure demand reduction associated with participation in the demand response programs. The simplest example is that our programs are evaluated by a third-party every year to determine the impact on peak

demand savings associated with devices and customers *that participate* in annual demand response events. OPC seems to forget that the entire utility earnings opportunity framework for MEEIA Cycle 2 agreed upon by parties was identified as the measure of success. The earnings opportunity for these programs is based on the demand reduction measured and achieved by *participating* residential and business customers during actual peak reduction events. For Witness Marke to say that the "Company has never measured success by how much demand savings were achieved or how many customers actually participated[4]" is flat wrong and frankly, disingenuous. OPC is part of the stakeholder group who reviews and participates in the EM&V approval process that sets the earnings opportunity final value every year.

Q: Lastly, please respond to OPC's contention (Marke Rebuttal, p. 15) that the Company has zero intention of utilizing thermostats to produce benefits for customers?

A: Dr. Marke forgets the purpose of the MEEIA demand response programs as they are designed is to reduce the annual system peak. The most important number (and measure of success as noted previously) to this program is how much system annual peak the programs can reduce. This reduction value impacts system planning and generation capacity build/purchase decisions along with SPP capacity plus reserve requirements. He throws out that the infrastructure "goes unused" and it "could shave off expensive peak demand" with no supporting evidence or data to the point. Instead, the third-party EM&V studies from this period show the amount of kW peak reduction created by the thermostat program to be 24.6 MW for MO Metro and 29.9 MW for MO West in total for Cycle 2 (at

[4] Marke Rebuttal Testimony pg 14 ln 22-24.

end of PY2019). These MW values are 164% and 143%, respectively, of the targets set aside by the Commission.

Q. Do OPC's adjustments (Marke Rebuttal, pp. 12-13) have any merit?

A. No. Not at all. As shown above, his dollar disallowances are based upon a fundamental misunderstanding of the costs of the programs. OPC uses a flawed analysis to come to the incorrect conclusion that Missouri West was imprudent in spending incentives and non-incentives. On top of the flawed analysis Witness Marke uses an arbitrary ratio of 50/50 for disallowance. As a reminder, many of the administrative costs that he rails against are actually direct customer energy and demand savings benefits in terms of devices (e.g. thermostats) or measures (e.g. air sealing) which are part of these Commission approved programs.

II. RESPONSE TO MARKE SURREBUTTAL

Q: Should OPC witness Marke's recommended disallowance and policy suggestion of a 50/50 ratio of program overhead costs to energy efficiency measures (pp. 2-4, Marke surrebuttal) be adopted by the Commission?

A; No. As explained above, his assumptions are not sound nor are his calculations accurate. The Company's programs do not have excessive overhead as compared to similarly sized utilities and are more efficient than most utilities in terms of dollars per kWh saved. In addition, the Company's programs were in line with Commission approved levels of spend by category, with better values in most categories.

Q: Do you agree with witness Marke's assertion on p. 5 of his surrebuttal that the residential and business programable thermostat programs have been placed on "minimal use auto-pilot"?

A: No. Evergy has and continues to use the thermostat program as designed to mitigate annual system peak (which, by definition, only happens once per year). There is an active process to identify potential demand response event days that will help meet the objective of the program that include looking at a variety of input variables and information (such as SPP load and pricing trends, weather forecasts, etc.). In one way, maybe Dr. Marke's comment is a compliment since it appears that we do our work to mitigate peaks so well that it looks like "auto-pilot".

Q: How many programable thermostat events and DRI events were called during the prudence period (April 1, 2018 – December 31, 2019)?

A: The company called five thermostat events in 2019 to meet the Stipulation and Agreement requirements. The confusion around the source and the number of thermostat demand response events called in PY2019 seems to be based on an issue with the first version of PY2019 EM&V reports provided by the third-party evaluator, Guidehouse (formerly Navigant). Guidehouse originally sent via email to stakeholders (including PSC Staff) a final databook for PY2019 (on date 9/11/2020) that incorrectly listed two events called despite the actual full EMV PY2019 Appendix pdf report (section N.1.1. page 104 (Evergy MO West)), and page 116 (Evergy Metro) stating the correct value of five events. The databook was later updated and it was uploaded to EFIS in case numbers EO-2019-0240 and E0-2019-0241 on October 19, 2020. As the final takeaway, the data request responses

and testimony in this case are correct and Evergy did comply with the stipulation in calling five thermostat events in PY2019.

Q: Witness Marke alleges in his surrebuttal testimony (p. 7) that there is "literally no downside and only upside to calling events" and that there "is no reason that demand events could not be called every day". Do you agree?

A: Absolutely not. Witness Marke doesn't understand that customers do not want events called every day and would likely not participate if this was the case. Staff raises a similar issue in its Surrebuttal and I respond to this issue in my response to Staff below.

Q: Witness Marke appears to argue that the Commission's MEEIA 3 order somehow dictates how the Company should have operated its MEEIA 2 programs (p. 9-10 surrebuttal). Do you agree?

A: No, the MEEIA 3 Order occurred after the MEEIA 2 programs were complete. Witness Marke states that the Commission approved MEEIA 3 "based in large part on the argument of lower SPP fees and overall savings that must necessarily exist…". The Commission indicated that SPP member costs are a source of *potential* **s**avings and in the Company's September 2019 testimony the Company did agree with that potential if substantial changes were made to the programs. While Evergy may have recognized the potential ancillary benefits of reduced SPP fees, it entirely untrue that the Commission's MEEIA 3 decision was "based" on such benefits.

Q: Do you agree with witness Marke's opinion that a MEEIA program's cost effectiveness test results are irrelevant to this prudence review (p. 10-11 surrebuttal)?

A: No. Witness Marke opines on a vague "working definition" of cost-effectiveness as simply "something that is good value". In fact, the MEEIA rules clearly define the cost-effectiveness tests[5] to be used for demand-side programs. They are not just for market potential studies as Witness Marke claims. Witness Marke is confused when he indicates that cost effectiveness ratios are without merit in a prudence review and the Commission needs to look at actual program implementation, managerial competence and reasonableness instead. But these are the very things that are measured and included in the cost-effectiveness tests. All programs costs; administration, incentive, delivery, EM&V and marketing are factored into the cost-effectiveness tests[6].

Q: Do you agree with witness Marke's contention on. P. 11 of his surrebuttal that the Company elected not to use its MEEIA 2 programs to lower rates and reduce emissions for customers?

A: No. There was no "decision" by the Company not to utilize the programs to their full extent to provide the benefits that they were designed to provide. The MEEIA 2 programs, including demand response programs, operated as they were designed. Customers as a whole benefited from the reduction of system annual peak demand and individual participating customers enjoyed the additional benefits of a connected thermostat that drives energy and demand savings. Witness Marke's example of an EnergyStar HVAC is off base and not applicable here as he insinuates that all of the program incented thermostats are sitting in boxes not installed. They are in actuality verified to be installed.

[5] 20 CSR 4240-20.093(8)(D)(1)(B)(II)
[6] 20 CSR 4240.092(1) (JJ) & (NN) & (PP) & (WW) & (XX)

We have an EM&V process that validates the installation (bolstered in this case by knowing if the thermostat is connected to Wi-Fi) of the devices and validates when the thermostats are called to reduce load that the meter data reflects that they did. The Energy Star HVAC example holds no relevance to this situation.

III. RESPONSE TO STAFF

Q: Please respond to Staff Witness Tandy's surrebuttal testimony.

A: The Company agrees with Ms. Tandy's assessment on p. 3 of her testimony that OPC's prudence adjustment is simply an arbitrary reduction of costs that should be rejected by the Commission. Witness Tandy's treatment of administrative costs recognizes additional costs that the Company incurred are related to the provision of MEEIA programs but still does not recommend recovery of all the costs. The Company continues to recommend that the Commission recognize the level of administrative costs that is contained in my Rebuttal Testimony.

PREDICTING PEAKS

Q: Please respond to witness Luebbert's reference to Evergy's response to Staff's data request 0123 and 0121 in Case No. E0-2019-0132.

A: Witness Luebbert points to Evergy's data responses in EO-2019-0132 as showing "Evergy employees were aware of potential benefits" with SPP fees and market pricing opportunities. Evergy does not now -- nor has it ever -- denied the potential small incremental benefits of avoiding SPP fees. But this does not equate to Staff's or OPC's position that a reasonable person would have called more events than Evergy did.

The potential benefits derived from reduction in SPP fees and day-ahead market pricing opportunities are minimal compared to the value of the long-term reduction of

system annual peaks. Evergy's demand response programs were designed to maximize reducing the annual system peak demand because that is where the greatest value is derived. Additional SPP benefits would only be realized if Evergy successfully predicted the peak day of not one, but two or more months. Staff's original disallowance is based on hitting all four demand response season monthly peaks (Jun-Sept). Calling more events does not automatically mean that additional SPP benefits will be realized.

In fact, reducing the focus on the annual system peak and increasing the focus on SPP fees could reduce the total overall benefit achieved if the annual system peak was missed.

Q: Witness Luebbert asserted at p. 12 that it is "reasonable to assume… that the Company could have reduced at least a portion of the SPP fees". Does that mean that it is easy to achieve an additional reduction in SPP fees?

A: It is not a reasonable assumption nor are reductions easy to achieve. In fact, no matter how many events are called in a month, unless an event is called on the peak day of the month, no additional SPP fees would be avoided. Predicting the day of the annual system peak is somewhat challenging, but attainable. Predicting the peak for any other month, however, is considerably harder, even harder is accurately predicting the peak day for multiple months. The primary driver for this is, of course, the uncertainty of weather. Weather forecasts are not 100% accurate for day ahead weather let alone for the next month or the whole summer. For example, if you have an unseasonably warm day in the first few days of June, should you call an event or should you wait? June is likely to get warmer later in the month, but it might not. However, it is easy in hindsight to know which day is the peak day, which is how Staff did its analysis of SPP fees. When Staff performed its calculation

of SPP fees, it did not base it "on the circumstances and information known at the time the decision was made, i.e., without the benefit of hindsight"[7]. Staff did not make its own prediction of daily peaks based on the information the Company had at the time. Staff used hindsight knowledge of what days the monthly peaks occurred to perform their calculations.

Q: Are LMP prices only determined by the weather?

A: No. LMP prices can be affected by any number of external events like transmission congestion or generation outages. Calling events solely for the purpose of arbitraging DA LMP market prices has many risks and is not consistent with sound business decision-making as described in John Carlson's rebuttal testimony. Additionally, the relative value (as discussed below) as a trade-off for that risk is quite small.

MEEIA 2 PROGRAM DESIGN

Q: Are Staff and OPC falling into a short-term thinking trap?

A: Yes. Evergy's Cycle 2 Demand Response programs were designed to create long term value for customers in terms of capacity planning which is evaluated in the integrated resource planning process. Staff and OPC have fallen into a short-term thinking trap that happens regularly with demand response or capacity in general. The short-term thinking trap (sometimes called the "cycle of denial") tries to optimize for short-term incentives (e.g. current year's capacity price or small energy price incentives) that will result in significant risk to long term supply and capacity availability. As a public utility, Evergy is charged with looking at the long-term viability of supply and reliability for our customers. As an example, energy capacity supply curves typically operate in a "contango" style curve

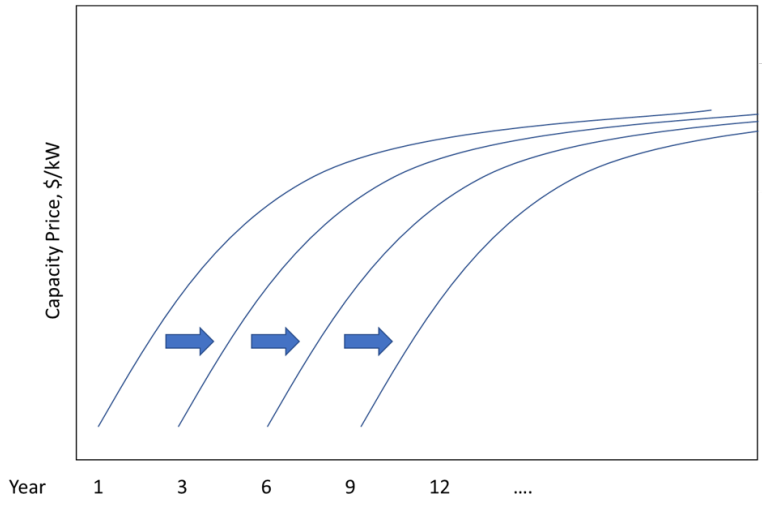
[7] Staff Report, pg. 5 ln. 5-6

that starts with prices low in current times and higher in future times (see Figure 2 below). The short-term thinking would dictate prices are low now so let's not build and/or only buy on the market. Over time, if a utility keeps acting on this short-term thinking of current prices it will not be prepared for when the inevitable price increases. Such short-term thinking will result in significant financial and system reliability implications. Many co-ops and municipals are forced to operate in this short-term environment with only market availability and prices mentality because they don't have the scale (financial or overall load) to build capacity on their own. And to combat that risk, municipals and co-ops end up procuring long term contracts (10-20 years) to help solidify their supply and avoid reliability issues. This is evidenced by most purchase power agreements being based on 20-year time horizons.

Figure 2

Short Term Thinking:
"We don't need it for 5-7 years"

Long Term Thinking:
"We should start to build now for our future need"



Despite Staff's and OPC's assertions, MEEIA programs do not need to create some short-term huge financial benefit to be valuable to customers and rate payers. To further explain, just because the company doesn't build (or avoid building) a combustion turbine every year doesn't mean that there is not value every year in building the demand-side resource. In

effect, the building of MEEIA programs over time create a resource that has value over the long term as evidenced in the IRP and is the right thing for customers and the community.

Q: Is Staff and OPC's assertion that calling more events would be at zero or very minimal incremental costs accurate? Please explain.

A: While potentially a small impact to the MEEIA budget for incremental event calls, both Staff and OPC ignore significant and substantial impact to customers, peak load reduction potential and overall program effectiveness for calling superfluous events "because you can." I'll explain more on the impact to customers first. Signing up for a demand response program like the programmable thermostat program means that you are allowing a utility to make changes to your air conditioning load during typically the hottest days of the summer. This requires a significant amount of trust (as well as financial incentives) to manage through the inconvenience. If a customer were to start having their air conditioning adjusted regularly during the hottest times of the day, like 20 times a summer or even every day as suggested by OPC, the entirety of the program would change.

First, the customer will likely require a different compensation and second, the potential participant pool will decrease significantly as the number of customers willing to cede that much control of their equipment would likely be a small percentage of the population. Just think about your own personal situation, would you allow the utility to change your temperature every day all summer even if you were getting a free thermostat and $25? My educated guess is that most people would answer "no". There is a threshold of trust and interactivity and that level of control and calling 20 - 50 events would surpass it by far.

Second, the negative impact to peak load reduction efforts by calling an increased number of events. Building on the above customer points, there is a known correlation with the number of events called and the number of customers that will opt-out. In this case, opt-out means an individual customer changes the temperature setting during a demand response event to a "more comfortable" setting thereby stopping the peak load reduction. In fact, the Company answered a data request in this regard in the MEEIA Cycle 3 case. The total amount of participation (length of time in events) was lower by 6% in PY2016 when 8 events were called as compared to PY2017 and PY2018 when 3 and 2 events, respectively were called. While this is a small sample set, the trend is important to note: The more events called leads to a diminishing return in event performance as more customers "opt-out" of the event. While this might seem harmless, the degradation is such that the impact to the most important time (the system annual peak usually in July/August) will be diminished. As I'll explain later, reducing the impact that system annual peak is the primary and large majority of the value of demand response that will now be impacted.

Q: But couldn't Evergy have tried to maximize the benefits by implementing the MEEIA programs in way that those programs were not designed?

A: It is possible that Evergy, in a quest to obtain a relatively insignificant amount of potential benefit, could have operated its MEEIA programs incongruently with those programs' design or purpose. However, like the potential benefits of such change-up, operating those programs outside of their design and intended purpose would also have downsides in terms of customer participation and expectations. Seeking short-term and relatively minor benefits would cause a net-loss for the long-term benefit of the MEEIA programs. Let's talk a little about the alignment of value with the event frequency. First and foremost, the

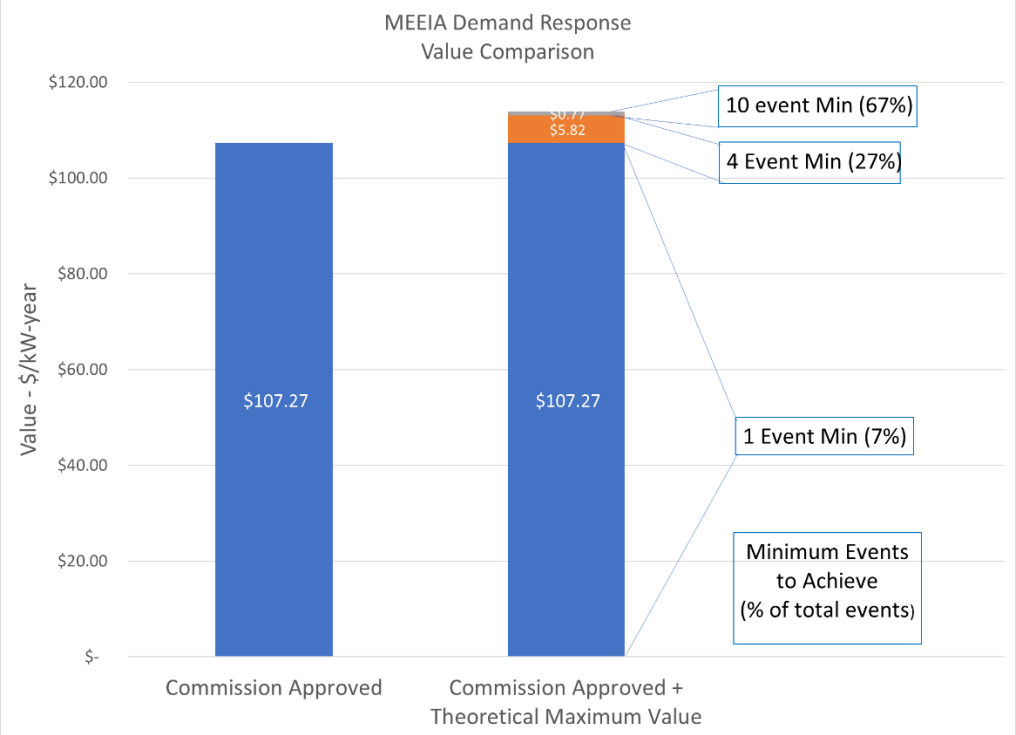
demand response program participant capacity (or the amount of load or kW all assets can reduce when called) is available to use for local or regional system reliability requirements. Evergy coordinates with the internal system operators with insight from SPP communications about generation/load balances to be "on-call" for any potential system reliability events. In fact, for the regional system, SPP has "alert levels" that are monitored to help guide if a situation is tenuous enough to warrant a reliability event call. These reliability calls would likely not have a direct financial benefit to customers, but all would likely argue are highly valuable. Second, the Company, Staff and OPC agreed[8] and the Commission approved to focus the earnings opportunity matrix (or success metrics) on kW reduction for system annual peak derived from energy efficiency and demand response. Reducing the system annual peak is the primary objective and where the value lies in terms of customer benefit and utility measurement. The value associated with the peak reduction is guided by the avoided capacity ($/kW-year) cost agreed upon in the case. Avoided cost is meant to best represent what the Company would have done or had to do in the absence of the program accomplishment. While Staff and OPC seem to have ongoing issues with the specific dollars per kW-year value used for avoided capacity cost, the fact remains that in MEEIA Cycle 2 the value for avoided cost was agreed upon with parties in the Stipulation and approved by the Commission at $107.27/kW-year. Additionally, in MEEIA Cycle 3 for Evergy, the Commission ordered what avoided cost to utilize. So, there is absolutely no reason to re-litigate the application or methodology for determining avoided cost in the context of MEEIA Cycle 2. It is the largest value associated with demand reduction and the prescribed success metric for the program.

[8] EO-2015-0240/0241 – Non-Unanimous Stipulation & Agreement – 11/23/15

Q: Please elaborate on the system annual peak reduction compared to the other value streams claimed by Staff and OPC?

A. In this case, Staff attempted to quantify the value of SPP fee reduction if Evergy was able to reduce the monthly peaks. If Evergy was to perform perfectly as analyzed in hindsight by Staff, the value of the reduction would be a theoretical hindsight maximum of $5.82/kW-year. The assumption is that Evergy would hit one monthly peak already based on the need to hit system annual peak and the three other months of the season hitting the monthly peak perfectly. This is dubious theoretical maximum that almost certainly would not be achieved in reality but we use the number in this case for illustrative purposes. Next, if we look at the value of the day ahead locational marginal price (DA-LMP) mitigation by calling events, Staff provided a value of a potential arbitrary ability to obtain day ahead arbitrage (without contemplating the downside risk as explained by Witness Carlson in rebuttal testimony). This value could be converted to hindsight theoretical maximum value of $0.77/kW-year. Again, the Company has shown that Staff's analysis of DA LMP value creation is fraught with hindsight bias, but in this case we'll also use it as an illustrative value of theoretical maximum to prove the point. Figure 3 below shows the comparison of the Commission approved value of demand response (avoided capacity cost) with the value of the 2 other streams described by Staff and OPC, SPP Schedule 11 fees and DA LMP pricing.

Figure 3



Even to achieve theoretical hindsight maximum values used by Staff, the Company would be spending 90% of the event calls to achieve less than 6% of the value. When charted, this is the very definition of the law of diminishing returns. And it's worth reminding the Commission that to achieve these theoretical maximums of value and perfect event calling, Evergy would need a perfect forecast and a differently designed program with different customer parameters to achieve these values. Both of which did not exist in the prudency review period. No reasonable or effective businessperson would spend time chasing this minimal value but would instead focus time and resources on the most valuable efforts for customers, the Company and the community as Evergy did and continues to do.

Q: Do witness Luebbert ever suggest that the MEEIA programs in question were designed to call a high frequency of events?

A: No, he does not.

Q: Please respond to Witness Luebbert's assertion that Evergy could have renegotiated DRI contracts in 2019 in order to call more events? (Luebbert surrebuttal Pg. 13)

A: Similar to the prior discussion that Evergy recognized that there was value in mitigating monthly peaks for SPP fees, it did not quantify them and commit to targeting those monthly peaks with the DRI program in PY2019. The broader point here is that the PY2019 MEEIA program extension was agreed upon and approved[9] with exact tariffs as the prior years and very similar parameters (with only a small exception for income eligible program changes). At the point realization of PY2019 program approval (March 2019), the Company was focused on recruiting participants and signing agreements in a very condensed time period (3 months) to achieve the total capacity target. The normal period of recruitment starts in the fall prior Oct/Nov for the following summer period, typically 7-8 months.

REASONABLENESS STANDARD

Q: What is Evergy position on "reasonableness" given the allegations of imprudence in this case?

A: In the proceeding authorizing Evergy's MEEIA Cycle 2 programs[10], the Commission explicitly found that the "Amended MEEIA Plan meets the requirements of MEEIA and the Commission's rules and is *just and reasonable*." The "reasonableness" conclusion of the Commission was specifically based on a finding that the *design* of the MEEIA Cycle 2 programs were cost-effective and "expected to provide benefits to all customers." *Id. at* 13.

[9] EO 2019-0132/0133 – Order approved Stipulation and Agreement

[10] *In the Matter of Kansas City Power & Light Company's Filing for Approval of Demand-Side Programs and for Authority to Establish a Demand-Side Programs Investment Mechanism and In the Matter of KCP&L Greater Missouri Operations Company's Filing for Approval of Demand-Side, File No. EO-2015-0241 Programs and for Authority to Establish a Demand-Side Programs Investment Mechanism, File No. EO-2015-0240 (consolidated).*

Evergy implemented its MEEIA Cycle 2 programs within the design parameters of those programs.

Staff's position that Evergy acted imprudently by implementing the MEEIA Cycle 2 programs within the parameters of those programs design, but not to the satisfaction of Staff, is an attack on the Commission's findings that the design of the MEEIA Cycle 2 programs were reasonable. "The Company's proposed Custom Rebate Program in the Amended MEEIA Plan is designed to both increase net benefits and lower program costs." Id. at 8.

Evergy's position is simple: A reasonable person would have operated the MEEIA programs as designed and approved-by Commission, within the budget set by the Commission, achieving cost-effectiveness as defined by the Commission. This is what Evergy did. Staff's position is that reasonableness required Evergy to scrap the underlying purpose of the MEEIA Cycle 2 programs of reducing system-wide annual peak to chase marginal ancillary objectives by betting on the weather.

Q: Is Staff (Luebbert surrebuttal Pg. 10) clear about the number of events it believes a reasonable person would have called?

A: No. Witness Luebbert seems to recognize the Goldilocks' dilemma with Staff's recommendation when he generously provides, "Staff limited the number of event days that would have been called in a given season recognizing that Evergy would not be able to correctly predict all of the days with relatively high LMPs." Unfortunately witness Luebbert does not provide any basis as to the predictive powers he ascribes to Evergy or a "reasonable person". The number of events deemed "just right" by Staff is arbitrary and based solely on its hindsight analysis of historical data.

Q: Is it appropriate to judge the effectiveness of MEEIA 2 programs on deferred capacity at this point? (Luebbert surrebuttal Pg. 9-10)

A: No. As discussed above, the investment in demand response programs have benefits over many years and there has never been a requirement to defer capacity in the short three to four-year time horizon of each MEEIA cycle.

Q: Do Evergy's customers derive financial benefit from Evergy's implementation of these programs?

A: Yes. the MEEIA program offerings continually show cost effectiveness. This is both in pre-implementation in the approval process as well as in post-implementation in the evaluation process. Additionally, the portfolio of programs reduces the net present value of revenue requirements in the Chapter 22 Integrated Resource Planning process.

Q: Has Evergy's incentive structure for its Residential Programmable Thermostat program and DRI program provided improvements in energy supply?

A: Yes, the demand response programs are an asset that is utilized in the resource planning process to identify the best ways to serve customers' needs now and in the future.

IV. CONCLUSION

Q: How would summarize the points of this sur-surrebuttal and the allegations of Staff and OPC?

A: The commission should not adopt any of the Staff's or OPC's prudence adjustments. Here are a few key items that I would like to summarize in relation to specific demand response allegations.

1) Staff and OPC have unreasonably created a new standard for prudence by using hindsight analysis. Included in this unreasonableness is their claim that the company

should have changed programs to chase new standards that weren't in place all the while with perfect foresight.

2) Staff and OPC fall into the short-term thinking trap about demand response and capacity. Instead, the MEEIA statute and rules dictate the long-term value of demand response and kW reduction.

3) The relative value of chasing the SPP fee reduction and DA-LMP arbitrage is quite small and risky especially when compared to hitting annual peaks associated with approved avoided capacity costs.

4) Even with the small value, calling multiple events to hit SPP fee reduction and DA-LMP arbitrage is very difficult and has other negative impacts.

As shown above, the Company's programs were prudently managed.

Q: Does that conclude your testimony?

A: Yes, it does.

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**

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. and serve as Director, Demand-Side Management for 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").

2. Attached hereto and made a part hereof for all purposes is my Sur-Surrebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of twenty-nine (29) 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 21st day of October 2020.

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021