BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

STAFF'S STATEMENT OF POSITIONS

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through the undersigned counsel, and for its *Statement of Positions* respectfully states as follows:

1. **Benefits: Is the proposed Evergy demand-side management portfolio plan expected to provide benefits to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers as required by § 393.1075.4 RSMo.?**

No. The concept behind the Missouri Energy Efficiency Investment Act ("MEEIA") is that all customers pay certain amounts today with an expectation that all customers will avoid potential costs in the future.[1] In order for all customers to benefit, what customers pay through MEEIA rates should be lower than the increase to general rates otherwise would be due to new supply-side investment, absent MEEIA programs. A package of programs is only eligible under MEEIA if the programs are (1) approved by the Commission, (2) result in energy or demand savings and, (3) are beneficial to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers.[2],[3]

Essentially, the challenge is to optimize programs that create high enough avoided costs and low enough program costs so all customers are better off socializing the program costs to create collective benefits for all rate payers. Complicating this analysis,

[1] Direct Testimony of Sarah Lange, page 2.
[2] 393.1075.4., RSMo.
[3] Direct Testimony of Sarah Lange, page 5.

the upfront program costs are borne immediately by ratepayers, by class, while the benefits are less certain, and are spread over a longer period of time and across classes.[4]

Historically, the statute language has been interpreted to mean an earnings opportunity should be based on a foregone earnings opportunity from avoiding or deferring a supply-side investment.[5],[6] The Company has not done the analysis, and therefore cannot show its work identifying the specific supply-side generation investment that will be avoided or deferred if its MEEIA Cycle 4 authorization request is approved.[7] The Company has not provided "the impacts from all demand-side programs included in the application on any postponement or new supply-side resources and the early retirement of existing supply-side resources, including annual and net present value of any lost utility earnings related thereto" as required by 20 CSR 4240-20.094(4)(C)4 for its current request, or for any past MEEIA cycle for that matter.[8]

A. Are the avoided cost assumptions in Evergy's MEEIA Cycle 4 Application reasonable estimations of ratepayer benefits of avoided energy and demand?

No. If a high cost kWh is avoided, all ratepayers benefit without waiting years for an avoided plant. If a demand-side measure reduces a vertically integrated utility's capacity requirements, all ratepayers benefit through additional capacity revenues. However, if a low-cost kWh is avoided, the average cost of fuel and purchased power increases, and ratepayers will bear that cost. Measure-by-measure analysis is needed to determine if the fuel adjustment clause ("FAC") operation results in current additional costs to a MEEIA cycle to weigh against potential future benefits, or if the result is an additional current benefit to ratepayers of a potential MEEIA cycle. Additionally, the Commission must consider which ratepayers pay the costs of MEEIA, and which ratepayers receive the benefits of MEEIA that are passed through the FAC, to ensure that fairness is expected.[9]

If an avoided capacity cost is to be used when a capacity cost is not actually being avoided, it should not exceed the market-based equivalent of avoided costs as ordered by the Commission in the Company's MEEIA Cycle 3.[10]

i. If not, how should avoided costs be determined?

It may be reasonable to use the market-based equivalent of avoided costs, whether it be in a scenario of positive or negative reserve margin.[11] However, it is not

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[4] Direct Testimony of Sarah Lange, page 10.
[5] Rebuttal Testimony of Brad Fortson, page 9.
[6] Report and Order issued on October 22, 2015, in Case No. EO-2015-0055, pg. 18.
[7] Rebuttal Testimony of Brad Fortson, page 11.
[8] Rebuttal Testimony of Brad Fortson, page 12.
[9] Direct Testimony of Sarah Lange, pages 3 - 4
[10] Rebuttal Testimony of Brad Fortson, page 8.
[11] The Commission determined that, for Evergy's MEEIA Cycle 3, a market-based approach was the most appropriate way to calculate avoided costs and that a market-based approach best valued demand-side

reasonable to assume that absent incremental demand-side management ("DSM') that the Company would need new generation resources, especially if those new generation resources are not being avoided by the inclusion of DSM.[12] Using a combustion turbine ("CT") as the cost-of-new-entry ("CONE") assumption may be a reasonable way to quantify the value of DSM when DSM is actually avoiding the cost of a new CT. However, the use of new solar as CONE is something Staff has not seen before.

To Staff's knowledge, the timing of when certain new generation can be built is not something that has been taken into consideration from a Regional Transmission Operator ("RTO") when determining a CONE value. Further, new solar is a high-cost capacity resource with a relatively low capacity accreditation. It is approximately three times the cost of a CT on a $/kW-year basis, and six times the cost of the market-based equivalent of avoided costs on a $/kW-year basis. Therefore, the use of new solar as CONE in 2026 and 2027 is unreasonable because it overstates the avoided capacity costs. Further, the use of a CT as CONE from 2028 through 2043 is unreasonable. If an avoided capacity cost is to be used when a capacity cost is not actually being avoided, it should not exceed the market-based equivalent of avoided costs as ordered by the Commission in the Company's MEEIA Cycle 3.[13]

B. Does Evergy's Fuel Adjustment Clause ("FAC") affect the distribution of potential benefits projected from its MEEIA Cycle 4 Application?

Yes. Through the operation of the Fuel Adjustment Clause (FAC), even if the avoided energy sales reduce (rather than increase) the FAC rates, those benefits are socialized across all customers. Analysis of whether a demand-side program is cost-beneficial must include consideration of the extent to which avoided costs (or facilitated capacity revenues) flow through the respective Evergy FACs, which complicates the Commission's statutory directive to fairly apportion the costs and benefits of MEEIA among classes.[14]

At a high level, the FAC distorts the allocation of potential benefits to customer classes in a manner that is not consistent with the recovery of the cost of demand-side programs. To the extent that a significant source of benefits is derived from avoided energy costs, the interaction of the FAC with the assumed benefits must be considered. This is particularly important for the statutory requirement under Section 393.1075.5, RSMo. that "In setting rates the commission shall fairly apportion the costs and benefits of demand-side programs to each customer class except as provided for in subsection 6 of this section."[15]

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investments equal to traditional investments in supply and delivery infrastructure. Case No. EO-2019-0132, Amended Report and Order, pg. 26, issued on March 11, 2020.

[12] Rebuttal Testimony of Brad Fortson, page 7.

[13] Rebuttal Testimony of Brad Fortson, page 8.

[14] Direct Testimony of J Luebbert, page 3 and pages 17 through 26.

[15] Direct Testimony of J Luebbert, page 24.

C. Does Evergy's demand-side management ("DSM") portfolio plan value demand-side investments equal to traditional investments in supply and delivery infrastructure?

No. Evergy's MEEIA Cycle 4 request needs to demonstrate "The impacts from all demand-side programs included in the application on any postponement or new supply-side resources."[16] If new supply-side is actually avoided as far out as the mid- to late-2030's, it is not just from the proposed MEEIA Cycle 4, but would be from MEEIA Cycle 4 (maybe) coupled with many multiple year future cycles. To assume that a MEEIA cycle implemented from 2025 – 2028 is solely responsible for avoiding new supply-side investments in the mid- to late-2030s is unreasonable, especially given that the Company has not demonstrated such. The only analysis provided is that from the IRP, which does not include a scenario for only four years of DSM (like MEEIA Cycle 4) but includes some level of DSM for an entire 20-year period. It is nearly impossible for an analysis that includes DSM for 20 years to be any indication of what a 4-year, near-term, MEEIA cycle achieves as far as avoided supply-side investments.[17]

Further, the Company invests no shareholder dollars in MEEIA. Ratepayers are the sole funder of any MEEIA program. However, if one wanted to consider MEEIA program budget as an "investment" by the Company, the return or earnings opportunity should be commensurate with the return that the utility receives on actual shareholder investments.

D. Do the programs in the demand-side management portfolio plan, and associated incremental energy and demand savings, demonstrate progress toward the goal of achieving all cost-effective demand-side savings?

No. Staff demonstrated in its rebuttal testimony in this case that no supply-side resources have been avoided by MEEIA and no supply-side resources will be avoided with Evergy's MEEIA Cycle 4 request.[18] With no avoided supply-side generation, the previous MEEIA cycle programs were very likely not cost-effective. Further, with no anticipated actual avoided supply-side generation in the current MEEIA Cycle 4 request, the programs are more than likely not cost-effective.[19]

2. Does Evergy's Integrated Resource Plan ("IRP") support MEEIA Cycle 4, as proposed in the Application?

Evergy's IRP does not provide a transparent view of the impact of Evergy's request for authority to implement MEEIA Cycle 4. The modeling performed in the IRP includes:

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[16] 20 CSR 4240-20.094(4)(C)4.
[17] Rebuttal Testimony of Brad Fortson, pages 18 – 19.
[18] Rebuttal Testimony of Brad Fortson, pages 13-16.
[19] Rebuttal Testimony of Brad Fortson, pages 20 – 21.

1. Assumed levels of demand-side load reductions over a 20-year planning horizon which would include six to seven MEEIA program cycles;
2. Projected energy and demand reductions based on baseline energy usage assumptions and energy efficiency standards which will change over time.
3. Assumed levels of demand-side load reductions that will not coincide with the characteristics of efficiency measures that are actually installed over time.
4. A predetermined "level" of demand-side management for the entire planning horizon as opposed to allowing the model to optimize the magnitude and timing of demand-side program implementation. [20]

The IRP analysis is largely based on assumptions, so if the assumptions are accepted as relatively accurate, one can get an idea of what may or may not be deferred or avoided by comparing a plan that includes DSM to a plan that does not. The capacity balances[21] of those plans filed within the IRP can also help with the comparison. However, one thing that needs to be made very clear is that the IRP analysis includes a RAP portfolio,[22] MAP portfolio,[23] or some variation of those portfolios over the entirety of the planning horizon[24] as opposed to just the inclusion of the next potential three- or four-year cycle. A plan that includes DSM, and indicates future supply-side deferral or avoidance, does not necessarily mean that a one near-term three-year cycle is causing that deferral or avoidance. If you take the IRP analysis and its assumptions to be relatively accurate, any deferral or avoidance of supply-side resources by the inclusion of DSM could be based on multiple, even many multiple, three- or four-year or future cycles. Commission Rule 20 CSR 4240-20.094(4)(C)4. states a MEEIA application shall include:

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

Evergy has not done the analysis, and therefore cannot show its work identifying the specific supply-side generation investment that will be avoided or deferred through implementation of its MEEIA Cycle 4.[25]

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[20] Direct Testimony of J Luebbert, pages 15-17.
[21] Capacity balance sheets illustrate the Company's capacity balance for each plan.
[22] Realistic Achievable Potential represents a forecast of likely customer behavior and penetration rates of efficient technologies is the amount of energy use that efficiency can be expected to displace, assuming the most aggressive program scenario possible (e.g. providing end users with incentive payments for the entire incremental cost of more efficient equipment).
[23] Maximum Achievable Potential.
[24] 20 CSR 4240-22.020(43). Planning horizon means a future time period of at least twenty (20) years' duration over which the costs and benefits of alternative resource plans are evaluated.
[25] Rebuttal Testimony of Brad Fortson, pages 9 – 11.

3. **Inflation Reduction Act ("IRA")/Market Dynamics: Does Evergy's MEEIA Cycle 4 Application sufficiently address the interaction of the IRA and other market dynamics with MEEIA?**

While Evergy acknowledges that the impacts of the IRA will need to be accounted for,[26] nowhere in its application does it outline or describe how Evergy's Cycle 4 programs are going to account for IRA participants.[27] By acknowledging that the IRA needs to be accounted for and then not having a plan that accounts for it, this illustrates Evergy's willingness to take credit for energy efficient upgrades that are not driven by its MEEIA programs. Unfortunately, it is the ratepayers who are paying for it, and it is costing them millions of dollars while Evergy is collecting millions of additional dollars through its MEEIA programs that are not providing benefits to all ratepayers.[28]

4. **Administrative Costs: Should there be a cap on administrative costs?**
   i. **If yes, what should the cap be?**

Staff agrees with the Office of the Public Counsel (the "OPC") witness Dr. Geoff Marke that 20% seems like a much more appropriate percentage to use for administration costs compared to 35% and 45% caps that Evergy has stipulated to in recent years, and the much higher administrative cost percentages Evergy previously reached. Staff believes if the Missouri Division of Energy can administer its programs with 20% administrative costs, then the electric utilities should be able to do the same, if not better, as the utilities have experience in running these programs. [29]

   ii. **What is the definition of administrative costs that should be applied to MEEIA programs?**

Staff does not have a position on this issue at this time, but reserves the right to modify or take additional positions as the case proceeds.

5. **Earnings Opportunity ("EO"): If the Commission determines that Evergy may implement a MEEIA Cycle 4, should the Commission authorize an Earnings Opportunity?**

All avoidable costs for ratepayers are not accompanied by foregone earnings opportunities for shareholders. If future investment is not reduced, deferred, or avoided, then no foregone EO will have been achieved through the demand-side portfolio implementation. Variable avoided costs, including enabled capacity revenues, do not result in avoided earnings opportunities. [30] To the extent that a MEEIA cycle is not reducing, deferring, or avoiding future investment opportunities, then an EO is not appropriate. It is not reasonable for the Commission to order that ratepayers compensate

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[26] Evergy Missouri Metro and Evergy Missouri West MEEIA Cycle 4 Report, Conf, page 51.
[27] Rebuttal Testimony of Mark Kiesling, page 3, lines 17 thru 21.
[28] Rebuttal Testimony of Mark Kiesling, page 4, lines 1 thru 8.
[29] Rebuttal Testimony of Jordan Hull, page 4.
[30] Direct Testimony of J Luebbert, page 12.

Evergy shareholders for avoiding generation-related earnings opportunities if those investment opportunities are not actually being avoided.[31]

No new supply-side generation has been avoided to date by MEEIA programs. This trend will continue with Evergy's MEEIA Cycle 4 request. On April 5, 2024, Evergy Missouri West ("EMW") filed its Notice of Intended Case filing giving notice that it intends to file an application for certificates of public convenience and necessity ("CCN"). Previous MEEIA Cycles, and any approved MEEIA Cycle 4 that starts January 1, 2025, will obviously not avoid whatever new supply-side generation is applied for in the CCN(s). Further, EMW represents that its 2024 preferred resource plan ("PRP"), with DSM, will avoid a 325 MW CC in 2038, and Evergy Missouri Metro ("EMM") represents that its 2024 PRP, with DSM, may defer or avoid a 325 MW in the mid-2030s. "May" is used since it is not completely clear what, if any, dispatchable supply-side generation EMM may avoid since its PRP includes a 325 MW CC in 2036, 2038, 2039, and 2041, while the No-DSM plan includes a 325 MW CC in 2035, 2037, 2038, and 2039.

Evergy's MEEIA Cycle 4 request needs to demonstrate "The impacts from all demand-side programs included in the application on any postponement or new supply-side resources."[32] If new supply-side is actually avoided as far out as the mid- to late-2030's, it is not just from the proposed MEEIA Cycle 4, but would be from MEEIA Cycle 4 (maybe) coupled with many multiple year future cycles. To assume that a MEEIA cycle implemented from 2025 – 2028 is solely responsible for avoiding new supply-side investments in the mid- to late-2030s is unreasonable, especially given that the Company has not demonstrated such. The only analysis provided is that from the IRP, which does not include a scenario for only four years of DSM (like MEEIA Cycle 4) but includes some level of DSM for an entire 20-year period. It is nearly impossible for an analysis that includes DSM for 20 years to be any indication of what a 4-year, near-term, MEEIA cycle achieves as far as avoided supply-side investments.[33]

Further, the Company invests no shareholder dollars in MEEIA. Ratepayers are the sole funder of any MEEIA program. However, if one wanted to consider MEEIA program budget as an "investment" by the Company, the return or earnings opportunity should be commensurate with the return that the utility receives on actual shareholder investments. Further, the Company has proposed EO performance bonuses that are essentially a maximum EO above the targeted EO. If the Commission approved return that the utility receives on actual shareholder investments is exceeded, it is considered an over-earning of the utility. Therefore, any EO above that which is targeted is equivalent to an over-earnings.[34]

[31] Direct Testimony of J Luebbert, page 13.
[32] 20 CSR 4240-20.094(4)(C)4.
[33] Rebuttal Testimony of Brad Fortson, pages 18 – 19.
[34] Rebuttal Testimony of Brad Fortson, pages 19 – 20.

A. In valuing demand-side investments equal to supply-side investment as required by § 393.1075.3 RSMo.:

i. Who bears the risk of Evergy not achieving its projected energy and demand targets?

The basic premise of MEEIA is that it can make sense for a utility to facilitate programs where all customers pay the cost to help some customers reduce energy consumption, **if** that reduced energy consumption results in avoiding or delaying a costly supply-side resource, or by enabling additional revenue from existing supply-side resources.[35] As in past MEEIA cycles, Evergy invests no shareholder dollars in MEEIA, looking instead only to ratepayer funds.[36] The risk of Evergy not achieving its projected energy and demand targets falls only on ratepayers.

ii. Is Evergy's proposed EO appropriate?

No. The Company's proposed EO is not commensurate with the risk it bears. The Company's ratepayers have paid tens of millions of dollars in previous MEEIA cycles while the Company's shareholders have invested zero dollars in order to receive those millions of dollars of EO.[37]

B. Are any of the proposals regarding the Earnings Opportunity ((1) Evergy's proposal or (2) Dr. Marke's proposal in Surrebuttal Testimony) consistent with § 393.1075.3(3) RSMo.'s requirement that any earnings opportunity be "associated with cost-effective measurable and verifiable efficiency savings"?

i. If so, and if the Commission determines that Evergy may implement a MEEIA Cycle 4, which, if any, proposal should be used to calculate any earnings opportunity?

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

> We suggest that values for the buckets of EE MWh, EE MW, and thermostat MW remain at levels relatively consistent with MEEIA Cycle 3 to align with the Commission's prior directive and focus primarily on demand (kW) savings. These established EO values remain valid in Cycle 4 because they:
>
> • Benchmark EO as a percentage of net benefits and spend as compared 13 to prior Cycles.
>
> • Link to IRP minimization of revenue requirement.

[35] Direct Testimony of Sarah Lange, page 7.
[36] Rebuttal Testimony of Brad Fortson, pages 19 – 20.
[37] Rebuttal Testimony of Brad Fortson, page 16.

• Align with deferral and retirement of generation assets as demonstrated 16 in the IRP.[38]

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

Staff's position on EO is that there should be no EO for any MEEIA Cycle 4 since there is no foregone earnings opportunity. Past EOs have not been associated with foregone earnings or cost-effective, measurable and verifiable energy and demand savings. Further, the Company invests no shareholder dollars in MEEIA. Ratepayers are the sole funder of any MEEIA program. However, if one wanted to consider MEEIA program budget as an "investment" by the Company, the return or earnings opportunity should be commensurate with the return that the utility receives on actual shareholder investments. Further, and as mentioned earlier, the Company has proposed EO performance bonuses that are essentially a maximum EO above the targeted EO. If the Commission approved return that the utility receives on actual shareholder investments is exceeded, it is considered an over-earning of the utility. Therefore, any EO above that which is targeted is equivalent to an over-earnings.[39]

6. **Evaluation, Measurement, and Verification ("EM&V"): If the Commission approves Evergy's MEEIA Cycle 4 Application, should the Commission approve Evergy's EM&V plans?**

No. As part of Staff's overall recommendation, the Commission should reject the EM&V plans requested by Evergy.[40]

A. **In addressing this question, should the results of the EM&V of Evergy's MEEIA Cycle 4 be applied on a prospective or retrospective basis?**

On the front-end of the EM&V process, the EM&V contractor(s) will utilize the Company's Technical Resource Manual ("TRM"). As stated in the rebuttal testimony of Staff witness Mark Kiesling, Staff has a number of concerns with the Company's TRM and its assumptions and citations. Staff witnesses Mr. Justin Tevie and Dr. Hari K. Poudel, as well as OPC witness Dr. Geoff Marke, discuss in their rebuttal testimony other aspects not currently considered in the EM&V process that influence savings and benefits. Further, the savings "verified" through the annual EM&V process are multiplied by the Company's avoided costs to calculate the annual "benefits." After the annual EM&V "benefits" are determined, there has historically been a "set-it-and-forget-it" sort of view on those benefits. The avoided costs used in the calculation and the deemed deferred

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[38] Rebuttal Testimony of Brad Fortson, page 17.
[39] Rebuttal Testimony of Brad Fortson, pages 19 – 20.
[40] Rebuttal Testimony of Brad Fortson, page 6.

and/or avoided supply-side generation is never verified to have ever actually happened. This is exactly why Staff has raised concerns in this case that while MEEIA costs are borne immediately by ratepayers, the benefits are only deemed, not verified, to have ever happened.[41] EM&V should thus be applied on a retrospective basis, as put forward by OPC witness Dr. Geoff Marke.

B. Should EM&V consider:

i. the rebound effect;

The rebound effect is generally understood as a response to improved energy efficiency, in which potential energy savings from efficiency improvements are partially offset by increased consumption of energy services.[42] In general, rebound effects have been neglected when assessing the potential impact of energy efficiency policies. The existing literature demonstrates that the failure to take account of rebound effects could contribute to shortfalls in the assessment of the contribution that energy efficiency can realistically make. Any MEEIA approval should include a requirement that the energy efficiency impact evaluation be well planned and evaluate the effects on energy savings accounted for in the upfront estimated energy savings and evaluated energy savings. The exclusion of analysis of the rebound effect will result in a substantial overestimation of the net benefits and lost margins.[43] The importance lies in the fact that neglecting rebound effects can lead to significantly inflated net benefits and lost margins. Hence, Evergy should take into account the influence of the rebound effect on energy savings in the MEEIA application. Staff recommends using 10% reduction in energy savings estimations in the TRM.[44]

ii. interactive effects;

Staff does not have a position on this issue at this time, but reserves the right to modify or take additional approaches as the case proceeds.

iii. the principal/agent issue;

The principal-agent problem occurs when one of the parties to a contract, the Principal (rate payers), cannot directly observe the actions or effort of the other party, the Agent (Evergy), but can only observe the outcome of the Agent’s actions. One particular area where this principal-agent problem manifests is in the very nature of the business that Evergy is engaged in. The traditional business of Evergy is to sell more electricity to customers for higher profits through its rates. The concept of energy efficiency does not align with its objectives. Simply put, Evergy will make more profits if customers use more electricity and vice versa. Promoting energy efficiency will not be in its best interest so there is a misalignment of interests between Evergy and ratepayers. Since the actions of the Agent cannot be observed the Principal cannot coerce the Agent to pursue the

[41] Surrebuttal Testimony of Brad Fortson, page 7.
[42] Direct Testimony of Hari Poudel, page 4, lines 22-23 and page 5, line 1.
[43] Rebuttal Testimony of Hari Poudel, page 7, lines 2-5.
[44] Rebuttal Testimony of Hari Poudel, page 7, lines 9-10.

optimal action. The real issue at stake here is that rate payers cannot see the intent of Evergy because it is intangible and hence cannot tell if Evergy is acting in its own self-interest or in the interest of rate payers.[45]

iv. the IRA;

The rebates offered through the IRA may very well be the driving force that will lead individuals and businesses to make energy efficiency upgrades and not the rebates offered by Evergy through its MEEIA programs. This could lead to a dramatic increase in the amount of free ridership within the Evergy MEEIA programs. While Evergy's filing does acknowledge that the impacts of the IRA will need to be accounted for,[46] nowhere in its application does it outline or describe how Evergy's Cycle 4 programs are going to account for IRA participants.[47]

v. operational inefficiencies;

Staff does not have a position on this issue at this time, but reserves the right to modify or take additional positions as the case proceeds.

vi. free ridership;

Evergy witness Brian File states in his rebuttal testimony that Evergy expects the independent, third-party program evaluator to develop questions that will account for attribution.[48] Staff does not feel that this will be an accurate way to account for free ridership. Often, these surveys are conducted several months after the incentives are sent to the customer. It is hard to verify if the information collected is an accurate assessment of what was really the driving factor for the energy efficiency upgrade. Staff agrees with the Commission's independent EM&V contractor on how to potentially account for free-ridership which is to exclude all IRA projects from savings claims. If they are to be included, Staff recommends a net-to-gross that is more reasonable.[49] Based on conversations with Staff's independent EM&V contractor, Staff recommends, for the IRA, free-ridership, etc., a more reasonable net-to-gross would be around 10%. While Evergy proposes "braiding" the MEEIA and IRA incentives,[50] Staff vehemently disagrees with this concept. If the IRA funds were blended with MEEIA programs there would practically be no way to account for free-ridership. There would be no way to identify what the driving force was for any energy efficiency upgrades, and ratepayers would be on the hook for millions of dollars of MEEIA incentives that may not be the main driving force for the upgrades.[51]

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[45] Rebuttal Testimony of Justin Tevie, page 4, lines 6-17.
[46] Evergy Missouri Metro and Evergy Missouri West MEEIA Cycle 4 Report, Conf, page 51.
[47] Rebuttal Testimony of Mark Kiesling, page 3, lines 1 thru 21.
[48] Rebuttal Testimony of Brian File, page 20, lines 3 thru 6.
[49] Surrebuttal Testimony of Mark Kiesling, page 8, lines 14 thru 19.
[50] Rebuttal Testimony of Brian File, page 21, lines 3 thru 5.
[51] Surrebuttal Testimony of Mark Kiesling, page 9, lines 1 thru 18.

vii. spillover;

Staff does not have a position on this issue at this time, but reserves the right to modify or take additional approaches as the case proceeds.

viii. time-based rates; and

To the extent that time-based rates impact energy usage behavior, EM&V should consider the timing impacts of load reductions that may result from implementation of MEEIA programs including, but not limited to, differences in benefits based on timing and attribution of load reductions. Staff witness Hari Poudel details the lack of accuracy and precision associated with Net Throughput Disincentive ("NTD").[52]

ix. any other issues.

Staff does not have a position on this issue at this time, but reserves the right to modify or take additional approaches as the case proceeds.

C. Should MEEIA programs continue to be evaluated by an independent, third party EM&V consultant with a Staff auditor , or should the EM&V be completed by a single independent, Commission-approved consultant with no utility oversight?

Yes. The independence of EM&V is crucial to its value to the Commission. Commission Rule 20 CSR 4240-20.093(8) states in part that, "The utility shall provide oversight and guidance to the independent EM&V contractor, but shall not influence the independent EM&V contractor's report(s)." It is hard, if not impossible, for EM&V to not be influenced by the utility when the utility is providing most of the inputs the EM&V contractor is relying on for final EM&V results.[53]

The EM&V process to date has relied on assumptions, and the verification has occurred for a relatively small sample size of measures. Further, after final EM&V reports are filed for any given program year, there is not a process in place to ensure those evaluated savings actually occurred as they were deemed to have.[54]

D. Should the TRM and deemed savings tables included in Evergy's MEEIA Cycle 4 Application be approved, approved with modifications, or rejected?

No – it unreasonably relies on a percentage of estimated energy sales, not estimated avoided energy. See issue 7B regarding air conditioner compressors.

Further, Staff performed a limited review of the TRM and identified assumed values that do not appear reasonable, are reliant on studies that are likely outdated, and many of which did not provide clear citation to justification for the deemed savings. Staff has

[52] Surrebuttal Testimony of Hari Poudel, pages 2-3.
[53] Direct Testimony of Brad Fortson, page 6.
[54] Direct Testimony of Brad Fortson, page 7.

concerns with the incremental measure cost, energy savings, demand savings, and useful life sources that Evergy provides because these are just referenced sources and not links to the exact data. This creates a very burdensome task trying to find the referenced cost measure to allow Staff to verify the deemed measure(s) and subsequently verify that the measure found is the correct one. Another concern with the incremental measure cost sources is there are several listed measures that do not have any source linked measure sources, so the deemed savings for these measures cannot be verified. Staff recommends the rejection of Evergy's proposed TRM filed in this case. If the Commission approves a MEEIA Cycle 4 for Evergy, Staff recommends the Commission order Evergy to file a revised TRM with sourced data links and deemed savings links to savings information, and that only non-load building energy efficient measures be listed. All measures that are not in the approved MEEIA Cycle 4 should be removed from the TRM.[55]

i. To what extent should AMI metered data be used in the EM&V?

AMI data should be relied upon to inform EM&V studies based upon pre implementation and post implementation usage analyses while also accounting for additional factors that change energy usage behavior, including those listed in the issues list for this case.

ii. To what extent should AMI metered data be used to recover TD?

Any TD using the existing mechanism must account for actual avoided energy sales and the actual rate plan on which a customer is served. This increasing complexity is among the reasons to move away from the existing mechanism. Evergy's proposal fails to track the avoided energy sales to the rate plan on which customers are served. Admittedly, doing so would be overwhelmingly complex. This inoperable complexity is among Staff's considerations in recommending removing Evergy's financial disincentive to facilitating programs to reduce energy consumption by tracking actual net variable revenue for each applicable class at each utility against the rate case level, and reconciling the difference through the MEEIA rate charged to these customers.[56]

Delayed meter read reporting and rebills for faulty reads should essentially be a thing of the past, enabling reliance on reported monthly billing without significant concern for substantial future revisions. More significantly, essentially all of both Evergy utilities' residential customers take service on a time-based rate schedule, and have the ability to switch among time-based rate schedules. The mechanism Staff proposes in this case eliminates the need to create dozens or hundreds of time-and measure-specific margin rates to continue to limp the 2014 mechanism along, and recognizes the difficulty that Evergy has experienced on tracking the quantity of customers on each rate plan,

[55] Rebuttal Testimony of Mark Kiesling, page 5.
[56] Rebuttal Testimony of Sarah Lange, pages 4-5.

much less tracking the current rate plan of customers who have participated in a MEEIA program.[57]

iii. Prior to approval, should the Commission require Evergy to submit a TRM and deemed savings table with serviceable links and page-specific citations of the assumptions underlying the TRM and deemed savings table themselves?

a. If not prior to approval, when must Evergy submit these items?

Staff performed a limited review of the TRM and identified 5 assumed values that do not appear reasonable, are reliant on studies that are likely outdated, and many of which did not provide clear citation to justification for the deemed savings. Staff has concerns with the incremental measure cost, energy savings, demand savings, and useful life sources that Evergy provides because these are just referenced sources and not links to the exact data. This creates a very burdensome task trying to find the referenced cost measure to allow Staff to verify the deemed measure(s) and subsequently verify that the measure found is the correct one. Another concern with the incremental measure cost sources is there are several listed measures that do not have any source linked measure sources, so the deemed savings for these measures cannot be verified. Staff recommends the rejection of Evergy's proposed TRM filed in this case. If the Commission approves a MEEIA Cycle 4 for Evergy, Staff recommends the Commission order Evergy to file a revised TRM with sourced data links and deemed savings links to savings information, and that only non-load building energy efficient measures be listed. All measures that are not in the approved MEEIA Cycle 4 should be removed from the TRM.[58]

7. Throughput Disincentive Mechanism: If Evergy's MEEIA Cycle 4 Application is approved, should it include a Net Throughput Disincentive Mechanism as requested by Evergy, or a Net Variable Revenue Mechanism as proposed by Staff?

For Residential and Small General Service (SGS) customers, Staff recommends creation of a new avoided revenues mechanism based on the net variable revenues established in File Nos. ER-2022-0129 and ER-2022-0130, to be updated in future general rate cases. Staff's proposed mechanism tracks actual net variable revenue for each of these classes against the rate case level, and reconciles the difference through the MEEIA rate charged to these classes. For other classes, Staff recommends continued use of the Net Throughput Disincentive mechanism, with refinements.[59]

A. If a Net Throughput Disincentive Mechanism ("NTD") is authorized, what, if any, modifications are necessary for the residential and

[57] Direct Testimony of Sarah Lange, page 29.
[58] Rebuttal Testimony of Mark Kiesling, page 5.
[59] Direct Testimony of Sarah Lange, pages 5-6.

non-residential customer classes to address the changes in circumstances associated with the proliferation of time-based rates and the passage of the federal Inflation Reduction Act ("IRA")?

Given the adoption of time-based rates, the variance in customers taking service under time-based rates with high variation and low variation, and the variance in timing of energy savings, the existing NTD calculation mechanism cannot strike the dartboard accurately or precisely. The current NTD calculation assumes that all customers in a class take service under the same (or essentially the same) rate plan and that the time of energy consumption is irrelevant to the revenue recovery experienced by the utility. Therefore, the current NTD as applied to customers with rate options and time-variant rates will produce results that are neither precise nor accurate because all customers in class are not necessarily taking service under the same (or essentially the same) rate plan. Rate schedules with rate differentials that occur during the course of a single day (and that vary by the day of the week) will affect the actual avoided marginal revenues more than those assumed in the traditional block structure.[60] The mechanism currently in use requires dozens of margin rate calculations which might be more complex and tedious.

In the negotiation of the 2nd MEEIA cycles, utilities represented to Staff that for purposes of SEC accounting and certain taxing provisions, it was important that any net margin revenues collected through the NTD not be subject to refund. Therefore, the NTD collects margin revenues at a preliminary net to gross level, and if the actual net to gross level is less than the level of collection, the revenues due from customers under the EO are offset by the shortfall. While Staff does not recommend use of an NTD mechanism for the residential and SGS customers in this case, due to the high likelihood of free ridership occasioned by the Inflation Reduction Act, a very low NtG floor should be used.[61]

B. If a Net Throughput Disincentive Mechanism is authorized, is the proposed Technical Resource Manual and planned Evaluation, Measurement, and Verification reasonable for its administration?

No. It is not reasonable to rely on the load shape, as opposed to the avoided energy shape, for estimating the timing of avoided energy sales.[62] Many MEEIA measures will result in the compressor running less during many hours, but few, if any, measures will result in the compressor running less during hours when the compressor is running non-stop. Generally, those hours when the compressor is running non-stop will tend to be during the summer on-peak period established for time-based rates. In other words, during that 4:00 hour when the compressor ran 100% of the time, it will almost

[60] Rebuttal Testimony of Hari Poudel, page 7, lines 16-18.
[61] Rebuttal Testimony of Sarah Lange, page 9.
[62] Rebuttal Testimony of Sarah Lange, page 4.

certainly still run 100% of the time, even if the thermal envelope of the home is improved. Thus, no revenue will actually be avoided in that hour.[63]

C. Does § 386.266.3 RSMo., which authorizes Plant in Service Accounting ("PISA"), prohibit the Commission from authorizing a Net Throughput Disincentive Mechanism under § 393.1075, RSMo?

Yes.[64]

8. Programs: Should the Commission approve, approve with modifications, or reject Evergy's proposed tariff programs?

A. In regards to programs, specifically:

i. Residential DSM

a. Whole Home Efficiency Program

Staff is opposed to the Whole Home Efficiency Program for a couple of reasons. Staff believes that multiple components within this program are simply not needed. The Home Products program proposes hiring a third party contractor to provide marketing materials in retail stores and training retail sales staff. This does not seem like a good use of ratepayer funds. It is not Evergy's job to use ratepayer funds to train a sales associate at a local Wal-Mart or any other retail store. The proposed Appliance Recycling program has been included in past MEEIA Cycles and was discontinued or stopped because it proved to continuously be ineffective and not cost effective. Evergy's own analysis in this case shows this program is not cost effective. Evergy is trying to show this program as cost effective by bundling it with other programs. The Home Comfort program that is being proposed sounds like something Evergy should already be doing on its own. Evergy is proposing hiring a third-party to provide customer support, engage local contractors, process rebates and review applications and pay out the rebates. Again, this sounds like a waste of ratepayer funds.[65] If the Commission approves a MEEIA Cycle 4, Staff recommends the Commission not approve the residential Whole Home Efficiency Program. There is nothing that is proposed in this program that is beneficial to Evergy's ratepayers.[66] Instead, three of the five programs requested by Evergy are not cost-effective:

[63] Rebuttal Testimony of Sarah Lange, pages 8-9.
[64] Direct Testimony of Sarah Lange, page 27.
[65] Rebuttal of Mark Kiesling, page 6, lines 1 thru 21.
[66] Rebuttal of Mark Kiesling, page 7, lines 1 thru 3.

Sector	Program	Component	TRC Ratio	TRC Ratio	TRC Ratio	TRC Ratio
Sector	Program		2025	2026	2027	2028
Sector_Sector	Program_Program	Component_	TRC Ratio_20	TRC Ratio_20	TRC Ratio_20	TRC Ratio_20
Residential	Whole Home Efficiency Program	Home Products	0.64	0.79	0.68	0.74
Residential	Whole Home Efficiency Program	Appliance Recycling	0.90	0.97	0.84	0.70
Residential	Whole Home Efficiency Program	Home Comfort	1.77	1.88	1.68	1.47
Residential	Whole Home Efficiency Program	Single Family New Constructio	0.75	0.78	0.74	0.70
Residential	Whole Home Efficiency Program	Multi-Family New Construction	1.49	2.95	2.79	2.62

Sector	Program	Component	TRC Ratio	TRC Ratio	TRC Ratio	TRC Ratio
Sector	Program		2025	2026	2027	2028
Sector_Sector	Program_Program	Component_	TRC Ratio_2025	TRC Ratio_2026	TRC Ratio_2027	TRC Ratio_2028
Residential	Whole Home Efficiency Program	Home Products	0.52	0.59	0.56	0.64
Residential	Whole Home Efficiency Program	Appliance Recycling	0.90	0.97	0.84	0.70
Residential	Whole Home Efficiency Program	Home Comfort	1.95	2.07	1.85	1.63
Residential	Whole Home Efficiency Program	Single Family New Construction	0.67	0.70	0.67	0.64
Residential	Whole Home Efficiency Program	Multi-Family New Construction	1.37	1.44	1.36	1.29

[67]

b. Home Demand Response Program

Staff is opposed to the education component the Company is wanting to add to its demand response program in its MEEIA Cycle 4 filing. Staff is under the impression that this is what the implementer should already be doing with ratepayer dollars. Staff believes that educating customers about the programs should already be part of what the third party implementer is providing. Staff believes Evergy should hire a competent enough third party implementer that provides education as part of its services, without having to spend additional ratepayer funds to educate ratepayers about what they are already paying for.[68]

c. Home Energy Education Program

Staff is recommending rejection of the Home Energy Education Program for the following reasons: 1. Staff believes that it is not Evergy's place to be establishing building codes. The building codes are different for every County and Municipality in Evergy's service territory so there is no need to be trying to establish a standard building code. 2. The IRA offers money that can be used to accomplish what Evergy is proposing with these programs. It is free money that can accomplish the same goals that Evergy is proposing. Staff believes that instead of using ratepayer money, communities in Evergy's service territory could take advantage of the IRA funding and still accomplish the same things without costing ratepayers money.[69]

[67] Surrebuttal Testimony of Mark Kiesling, page 3, lines 18 thru 20.
[68] Rebuttal Testimony of Jordan Hull, pages 4 – 5.
[69] Rebuttal Testimony of Mark Kiesling, page 7, lines 8 thru 18.

d. Moderate Income Single Family On-Bill Financing Program

This program is considered a Hard-to-Reach program. Staff is opposed to the Hard-to-Reach Programs due to all of the other non-MEEIA funding available for income eligible assistance such as:

- Inflation Reduction Act ("IRA") which is a federally funded program that is funneling millions of dollars into Missouri to offer rebates to help promote nine (9) energy efficiency upgrades to residents and businesses of Missouri.
- Weatherization, a voluntary program that is intended to assist qualified residential customers in reducing their use of energy through weatherization and conservation.
- Rehousing, a low-income Pilot Program used to provide additional resources to electric customers meeting the eligibility requirements while assessing the delivery methods used in the Program and the impacts on revenues and costs.[70]

ii. Hard-to-Reach

a. Hard-to-Reach Homes (EE)

Evergy is purposing a Hard-to-Reach Program encouraging income-eligible customers to incorporate energy efficiency into their homes and increasing access to information about how to lower energy costs. There are two different programs available under the Hard-to Reach Program: the Income-Eligible Program and the Hard-to-Reach Energy Education Program.[71] Staff is opposed to the Hard-to-Reach Programs due to all of the other non-MEEIA funding available for income-eligible assistance.

b. Hard-to-Reach Home Energy Education Program

Please see Staff's position on Hard-to-Reach Homes (EE).

c. Hard-to-Reach Businesses Program

Staff is opposed to the lighting incentive that is being offered in The Hard-to-Reach Businesses Program. With EISA standard for light bulbs being LED, Staff believes there is no need to incentivize lighting projects. If the Commission approves a MEEIA Cycle 4, Staff recommends the removal of the lighting incentive from the Hard-to-Reach Businesses Program.

iii. Business DSM

a. Whole Business Efficiency Program (EE)

Staff is opposed to the lighting incentive that is being offered in the business products portion of the Whole Business Efficiency Program. With The Energy Independence and Security Act ("EISA") standard for light bulbs being LED, Staff believes there is no need to incentivize lighting projects. If the Commission approves a

[70] Rebuttal Testimony of Amy Eichholz, page 3.
[71] Rebuttal Testimony of Amy Eichholz, page 2, lines 1 thru 5.

MEEIA Cycle 4, Staff recommends the removal of the lighting incentive from the Whole Business Efficiency Program.[72]

b. Business Demand Response Program

Staff recommend rejection of the Business Demand Response Program. Staff expects some business customers to move from utility BDR programs to ARCs.[73] Staff would expect the BDR budgets to decrease over time as businesses start recognizing this new emerging market with more opportunities. From a fair competition perspective, Staff would also expect the utility company's BDR incentives to not be higher than the ARCs. [74]

c. Business Energy Education Program

Staff is recommending rejection of the Business Energy Education Program for the following reasons.[75] Staff believes that it is not Evergy's place to be establishing building codes. The building codes are different for every county and municipality in Evergy's service territory so there is no need to be trying to establish a standard building code. The IRA offers money that can be used to accomplish what Evergy is proposing with these programs. Staff believes that instead of using ratepayer money to train contactors and builders on energy efficiency codes in communities, the communities in Evergy's service territory could take advantage of the IRA funding and still accomplish the same things without costing ratepayers money.[76]

Staff further believes that educating customers about the programs should already be part of what the third-party implementer is providing. Staff believes Evergy should hire a competent enough third-party implementer that provides education as part of its services, without having to spend additional ratepayer funds to educate ratepayers about what they are already paying for. Evergy wants to spent $400,000 over the 4 years on the Demand Response Education program in each jurisdiction (West and Metro) for a total of $800,000 on educating its customers about the Demand Response programs that have been in place since 2013. [77]

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[72] Rebuttal Testimony of Mark Kiesling, page 2, lines 1 thru 5.
[73] An ARC is defined as a Market Participant (MP) that represents demand response on behalf of one or more eligible retail customers, for which the participant is not such customers' Load Serving Entity (LSE), and intends to offer demand response directly into the Transmission Provider's Energy and Operating Reserve Markets as a Demand Response Resource (DRR), as a Planning Resource such as a Load Modifying Resource (LMR) or an Emergency Demand Response (EDR) resource.
[74] Direct Testimony of Jordan Hull, page 3.
[75] Rebuttal Testimony of Mark Kiesling, page 8, lines 1 thru 23.
[76] Kiesling Rebuttal Testimony of Mark Kiesling, page 9, lines 1 thru 9.
[77] Rebuttal Testimony of Jordan Hull, pages 5 and 6.

iv. Urban Heat Island Program ("UHI")

Staff would recommend that UHI be removed from MEEIA altogether. UHI is something that can be done outside of MEEIA. There are plenty of funding sources like Urban USDA and Community Forestry Grant that can help move UHI along. Another reason Staff would like to see UHI removed from MEEIA is UHI is only a program that will benefit the customers that live in the Kansas City area (Evergy Missouri Metro Customers). Evergy Missouri West customers will not benefit from an UHI. They are paying for something that has zero impact on their energy consumption. This is not a benefit for all customers as the programs under MEEIA are supposed to provide.[78]

v. Research and Pilot

Staff does not have a position on this issue at this time, but reserves the right to modify or take additional positions as the case proceeds.

B. If the Commission approves the demand-side management portfolio program plan, should the Commission adopt or modify the form of Evergy's DSM programs' exemplar tariff sheets which were attached as Appendices 8.6 and 8.7?

If the Commission approves any of the programs included in Evergy's request, Staff recommends that the Commission order Evergy to file tariff sheets that:

1. include program specific budgets by year;
2. include specific measures available for each program, and the specific incentive amount(s) that will be offered for those measures;
3. that the terms of each program, and for each involved entity, be well defined within the tariff sheets without reliance on non-tariff language from the Evergy website for details governing the implementation of each program;
4. clearly delineate the functions and responsibilities of Evergy employees, Program Administrators, Program partners and program evaluators;
5. Clearly identify who can participate in which programs, which measures are available for each proposed program, who will receive incentives for those measures, or the level of incentives that will be offered to program participants; and
6. Include the level of detail included on pages 33-35 of J Luebbert's direct testimony.

Evergy's request for approval, at a high level, is a request for approval to spend ratepayer dollars based upon conceptual ideas of programs that are not fully developed,

[78] Surrebuttal Testimony of Mark Kiesling, page 10, lines 7 thru 16.

with Evergy retaining the ability to create and modify details of those programs after receiving approval from the Commission.

Currently, most of the program tariff sheets make references to the TRM and the list of incentive ranges for measures that may be offered at some point during the MEEIA 4 Cycle. However, the TRM includes hundreds of measures and many of the assumptions that feed into the calculations of energy and demand savings are either poorly cited or lack citations completely. Allowing this level of flexibility for each program is unnecessary, and more importantly, is unclear to the ratepayer, the Commission, and Staff what incentive and measures are actually being offered at a given point in time. All measures included in the TRM are not appropriate for all of the proposed programs. Furthermore, Evergy's analysis provided in support of its MEEIA Cycle 4 programs do not account for the range of incentives for which Evergy has requested approval.[79]

The level of utility discretion offered by the proposed tariff sheets is unreasonable, especially considering the magnitude of costs related to the MEEIA 4 Plan and Evergy's disincentive to implement programs that meaningfully benefit ratepayers.[80]

Including detailed requirements within the tariff provides a clear and legally binding framework for reviewing compliance with the approved portfolio. Doing so provides clear expectations for ratepayers, Evergy, implementers, the Commission, and Staff. Furthermore, tariff sheets provide a clear timeframe when conditions should be applied. Staff recommends that if the Commission approves Evergy programs for Cycle 4, that the terms of each program, and for each involved entity, be well defined within the tariff sheets, without reliance on the Evergy website for details that will govern the implementation of each program.[81]

9. **Should the Commission approve, approve with modifications, or reject an Alternative Plan for MEEIA Cycle 4?**

Based on the information currently available, the Commission should reject the Alternative Plans for MEEIA Cycle 4 included by various parties in this case. None of the alternatives are supported by reasonable evidence that the programs will be beneficial to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers.

The alternatives lack the detail necessary to reasonably review and approve a MEEIA portfolio that will cost Evergy ratepayers tens of millions of dollars. Staff reserves the right to modify or take additional positions on this issue as the case proceeds.

[79] Rebuttal Testimony of J Luebbert, pages 7 and 8.
[80] Rebuttal Testimony of J Luebbert, page 4.
[81] Rebuttal Testimony of J Luebbert, page 8.

WHEREFORE, the Staff respectfully requests that the Commission accept Staff's Statement of Positions.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the forgoing have been mailed, emailed, or hand-delivered to all parties and/or counsel of record this 27th day of August 2024.

/s/ Travis J. Pringle