

Exhibit:
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Witness: Brian A. File
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Sponsoring Party: Evergy Missouri Metro and
Evergy Missouri West
Case No. EO-2021-0416 / 0417
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2021-0416 / 0417

DIRECT TESTIMONY

OF

BRIAN A. FILE

ON BEHALF OF

EVERGY MISSOURI METRO and EVERGY MISSOURI WEST

**Kansas City, Missouri
January 2022**

DIRECT TESTIMONY

OF

BRIAN A. FILE

Case No. EO-2021-0416 / 0417

1 **Q: Please state your name and business address.**

2 A: My name is Brian A. File. My business address is 1200 Main, Kansas City, Missouri
3 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Evergy Metro, Inc. and serve as Director, Demand-Side Management
6 for Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy MO Metro”) and Evergy
7 Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy MO West”).

8 **Q: Who are you testifying for?**

9 A: I am testifying on behalf of Evergy MO Metro and Evergy MO West (collectively,
10 “Evergy” or “the Company”).

11 **Q: What are your responsibilities?**

12 A: My responsibilities include leading the demand-side management group (including energy
13 efficiency (“EE”) and demand response (“DR”)) at Evergy for all jurisdictions. This
14 function includes the Commission approved Missouri Energy Efficiency Investment Act
15 (“MEEIA”) programs. Additionally, I have responsibility for a team focused on customer
16 renewable energy programs and customer facing rates implementation (e.g. Time of Use).

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

18 A: I earned a Bachelor of Science degree in Chemical Engineering from the University of
19 Kansas and a Master of Business Administration from the University of Missouri-Kansas

1 City. Prior to Evergy, I worked in the petrochemical industry with Chevron Phillips
2 Chemical Company in marketing and technical field sales roles. I have been employed at
3 Evergy (and formerly KCP&L) since 2007 in roles varying from product management, key
4 account relationships and economic development. I have held responsibility over the
5 demand-side management team since 2013.

6 **Q: Have you previously testified in a proceeding at the Missouri Public Service
7 Commission (“MPSC” or “Commission”)?**

8 A: Yes.

9 **Q: What is the purpose of your Direct testimony?**

10 A: The purpose of my testimony is to address MPSC Staff’s (“Staff”) prudence review
11 concerns related to Evergy’s MEEIA Cycle 3 Home Energy Report (“HER”) program in
12 both MO West and MO Metro jurisdictions. Specifically, I will respond to the Staff’s three
13 areas of concern with the HER program Savings, Evaluation and Throughput Disincentive
14 (“TD”) Impacts. Those areas of concern identified in Staff’s reports¹ are:

15 **Concern #1** - The Company’s model does not account for rate case timing.

16 **Concern #2** - The Company’s model does not account for customer participation in
17 other EE programs.

18 **Concern #3** - The HER program is assumed to have a net-to-gross of 1 in evaluation,
19 measurement and verification (“EM&V”).

20 Additionally, I will address a fourth topic of Staff’s misunderstanding of total treatment
21 and control recipients of the HER program in both jurisdictions.

¹ Case No. EO-2021-0416 – First prudence review of Cycle 3 costs related to MEEIA and Cycle 2 long lead projects for electric operations of Evergy Missouri West (1/1/20 – 3/31/21), pgs. 33-34, filed October 28, 2021 & EO-2021-0417– First prudence review of Cycle 3 costs related to MEEIA and Cycle 2 long lead projects for electric operations of Evergy Missouri Metro (1/1/20 – 3/31/21), pg. 34, filed October 28, 2021

1 **Q: Does Staff recommend a prudence disallowance as a result of these concerns?**

2 A: Staff's recommendation for prudence disallowance (\$) is solely related to Concern #1,
3 regarding the HER rate case timing and HER TD treatment. The total amounts that Staff
4 recommended for disallowance from Concern #1 are:

5 MO West: \$1,577,602, plus interest

6 MO Metro: \$1,771,159, plus interest

7 My testimony provides substantiation that Staff's disallowance does not follow
8 Commission approved tariffs and Stipulation and Agreements ("S&As").

9 **Staff Concern #1 – The Company's model does not account for rate case timing.**

10 **Q: Please restate Staff's Concern #1 to your understanding.**

11 A: Staff raises a concern that Evergy MO Metro and MO West use a model relying on pre-
12 participation usage to determine energy savings attributable to the HER program, which is
13 then used directly to calculate HER TD. As a reminder, some customers started
14 participating in the Company's HER program as early as 2014 when the program was
15 launched in the Company's MEEIA Cycle 1. Staff's concern with this approach is it does
16 not account for rate case timing as the Company has had general rate cases since customers
17 have begun participating in the HER program. Staff believes this leads to the Company
18 "double counting" TD for the HER program.

19 **Q: How does the Company respond to Staff's concern that the Company's model doesn't**
20 **account for rate case timing?**

21 A: To provide context for my answer, I first point out the prudence standard under Missouri
22 case law.² The Associated case holds that a utility's costs are presumed to be prudently

² See, State ex rel. Associated Natural Gas v. Public Serv. Comm'n, 954 S.W.2d 520, 528-529 (Mo. App. W.D. 1997).

1 incurred. When another party creates a serious doubt as to the prudence of an expenditure,
2 the utility has the burden of proving it was prudent. The test of prudence is not hindsight
3 but a reasonableness standard. The utility should be judged by asking whether the conduct
4 was reasonable at the time, under all the circumstances, considering that the utility had to
5 solve its problem prospectively rather than in reliance on hindsight.

6 At the time that the HER related costs were incurred and recovered from customers,
7 the Company reasonably relied on existing MPSC orders and tariffs. Staff's prudence
8 adjustment in this case is based on hindsight since none of Staff's concerns with rate case
9 timing, customer participation or net to gross ratio are reflected in an MPSC order or tariff.
10 Moreover, specifically related to the issue of rate case timing and HER TD calculation in
11 the DSIM, I will reiterate two points:

- 12 1. The Company complied with the 2018 general rate case S&A³, including Staff's
13 schedule for agreed upon kWh billing determinants used for setting rates.
- 14 2. The Company also complied with the MPSC approved MEEIA Cycle 3 DSIM
15 rider tariffs⁴ for HER recovery of TD.

16 **Q: First, describe how the Company complied with its 2018 general rate case S&A in**
17 **terms of billing determinants.**

18 A: The 2018 rate case S&A provided for an agreement of the billing determinants (kWh) to
19 be used for effective go-forward rates. These billing determinants were to be used for all
20 new rates effective 12/6/2018. These billing determinants were based on Staff's
21 calculations for kWh adjustments as evidenced in their "true-up" workpapers in the case.

³ ER-0218-0145/0146 – Non-Unanimous Stipulation & Agreement – dated 9/19/18 – Agreement #2 page 2

⁴ EO-2019-0132/0133 – Metro Tariff Sheet No. 49 and West Tariff Sheet No. 138

1 **Q: Second, did the Company calculate its DSIM rates based on Commission approved**
2 **tariffs?**

3 A: Yes, the Company followed the calculations as provided for in the approved DSIM tariffs.

4 **Q: How do the DSIM rider tariffs define the calculation of TD with regard to the HER**
5 **program?**

6 A: In summary, the DSIM tariffs provide for the calculation of the monthly TD related to the
7 HER program as the monthly kWh savings from the HER program as reported by the
8 program implementer, (“Oracle”)⁵, times the net margin rate for the month.

9 Following are excerpts of the relevant portions of tariff sheets 138.13-138.15
10 (Evergy MO West) and 49U-49W (Evergy MO Metro) that define the TD calculation as
11 follows:

12 **TD\$ = MS x NMR x NTGF**

13 Where:

14 **TD\$** = Throughput Disincentive Dollars to be collected for a given calendar month,
15 for a given class.

16 **NMR** = Net Margin Revenue. Net Margin revenue values for each class are
17 provided on Tariff Sheet No. 49Z.

18 **NTGF** = Net to Gross Factors by MEEIA Cycle 3 programs are as follows:

19 **MS** = The sum of all Programs’ Monthly Savings in kWh, for a given month, for a
20 given class. The Monthly Savings in kWh for each Program shall be determined
21 by the formula:

22 **MS = (MAS_{CM} + CASPM – RB) x LS + HER**

⁵ Oracle is the Company’s third-party implementer of the HER program during the review period. Oracle provides the Company with initial calculations of energy savings from recipients of the HER treatment cohort.

1 **HER** = Monthly kWh savings for the Home Energy Reports programs measured
2 and reported monthly by the program implementer.

3 **Q: In the MEEIA prudence review at issue, did Staff calculate its disallowance**
4 **adjustment related to Concern #1 in accordance with the Commission approved**
5 **DSIM tariff?**

6 A: No, Staff did not. Staff’s disallowance is a result of removing HER energy savings from
7 the TD calculation. The HER program’s savings is not distinguished any differently than
8 any other programs in the tariff formula above.

9 **Q: For clarity, do the DSIM rider tariffs require the Company to adjust for any level of**
10 **HER savings that may already be reflected in currently effective rates per Staff’s**
11 **disallowance?**

12 A: No. An adjustment of this nature is not required in the approved tariffs in effect in either
13 jurisdiction. Staff ignored the tariff and prior S&A agreements in their disallowance
14 recommendation.

15 **Staff Concern #2 – The Company’s model does not account for customer participation in**
16 **other EE programs.**

17 **Q: Please restate Staff’s Concern #2 to your understanding.**

18 A: Staff raises a concern that the energy savings (kWh) calculated from HER recipients does
19 not account for those customers who receive the HER likely participating in other energy
20 efficiency programs offered by the Company. Based on this assumption, Staff concludes
21 that the actual savings from the HER program were not calculated correctly. Staff did not
22 recommend a specific and separate disallowance on this concern #2.

1 **Q: How does the Company respond to Staff’s concern that the Company’s model does**
2 **not account for customer participation in its other EE programs?**

3 A: First, Evergy conferred with its MEEIA Cycle 3 third-party evaluator, ADM Associates,
4 to verify its approach to HER EM&V for the review period in question. Based on this
5 feedback from ADM, I will provide Company’s responses to Staff Concerns #2, #3 and
6 fourth participation misinterpretation issue.

7 For Concern #2, the Company confirmed with ADM that ADM did indeed adjust
8 HER savings and removed savings for customers participating in other programs occurring
9 in 2020. For further explanation, it is necessary to discuss how the HER program is
10 evaluated.

11 In the development of the HER program, a control and treatment group are
12 determined. The treatment group are those customers receiving the HER. A control group
13 is a group of customers who look very similar to those customers receiving an HER but are
14 in fact not receiving a report. For the purposes of an EM&V, cohorts are developed for
15 both the control and treatment groups. When a treatment cohort is developed for the
16 purposes of an EM&V, it is based on random assignment to the treatment and control
17 cohorts followed with an equivalency check, which is a validation that each month in the
18 pre-period is a statistically significant match between the treatment and control group for
19 each cohort. As a result of this randomization, unobserved exogenous factors - including
20 other programs’ participation - are accounted for. This is standard EM&V practice.

21 Subsequent savings are therefore above and beyond savings impacts from pre-
22 treatment participation in other Evergy programs. ADM agreed that this adjustment would

1 be necessary and valuable if the program employed a quasi-experimental design⁶, such as
2 an opt-in program, however, as a randomized control trial, such an adjustment is not
3 required so long as the treatment and control cohorts maintain statistical equivalency. This
4 equivalency is retested annually to account for program attrition and the study cohorts in
5 question to-date still pass equivalency testing.

6 **Staff Concern #3 – The HER program is assumed to have a net-to-gross (“NTG”) of 1 in the**
7 **EM&V.**

8 **Q: Please restate Staff’s Concern #3 to your understanding.**

9 A: Staff states that the kWh savings provided by the HER third-party program implementer
10 Oracle are deemed to be 100% correct and that no effort made to remove savings from
11 other EE programs (tied to Staff’s Concern #2). Staff states by not removing the other
12 program savings, the HER NTG value may be affected. Staff does not attribute any
13 disallowance associated with Concern #3. For further justification of its Concern #3, Staff
14 states Ameren’s EM&V implementer, Opinion Dynamics, does not use a NTG of 1 in their
15 evaluation of a similar HER program.

16 **Q: How does the Company respond to Staff’s concern that the HER program is assumed**
17 **to have a NTG of 1 in EM&V?**

18 A: First, ADM clarified that the verified impact evaluation savings used in the final EM&V
19 reports are not defined by Oracle’s models. The Company uses Oracle’s models and
20 resulting kWh savings to calculate the initial TD in accordance with the DSIM tariff. The
21 TD is then trued up in an adjustment at the end of the EM&V process with the final
22 evaluated savings from ADM. The savings reported in Evergy MO Metro and MO West’s

⁶ A quasi-experimental design lacks random assignment.

1 latest EM&V⁷ for the HER program are determined by ADM's impact analysis of the
2 program. As stated in the Company's response to Staff Concern #2, ADM's analysis
3 accounts for the removal of double counted savings from other programs. In addition,
4 ADM's analysis of estimated savings for the HER program includes a control group and
5 regression analysis requiring no further NTG adjustment. Therefore, the HER Program
6 has a NTG ratio of 1.

7 Staff characterizes Ameren's HER NTG approach as being different than Evergy's
8 when it is in fact the same. Ameren Missouri's evaluator, Opinion Dynamics, defines the
9 NTG as the double counted savings adjustment for each cohort. ADM included the same
10 double counted savings adjustment for each of Evergy's cohort; however, ADM does not
11 define the double counted savings adjustment as the NTG ratio. Instead, ADM includes
12 the adjustment in its analysis prior to NTG ratio adjustment. In other words, the difference
13 between Ameren's EM&V approach and the Company's EM&V approach for this concern
14 is only a matter of terms. Both ADM (Evergy) and Opinion Dynamics (Ameren) are
15 treating the analysis the same but calling the adjustment different terms.

16 In its prudence recommendation, Staff commented on ADM's observation that
17 fewer than 10% of Evergy MO customers have accessed the Home Energy Analyzer
18 program. This detail was provided by ADM as an informative point to help improve future
19 HER program implementation and marketing. ADM verified this detail does not impact
20 the verified energy savings for the HER program.

⁷ EO-2019-0132/0133 – Evergy MEEIA Cycle 3 – Residential & Demand Response EMV PY1 CONDENSED FINAL REPORT

1 **Staff's Misunderstanding of HER Participants**

2 **Q: Please restate Staff's issue with participation in the HER program.**

3 A: Based on data provided in Company responses to data requests, Staff reported that the
4 number of customers in HER cohorts meets or exceeds total monthly residential customer
5 count in the MO West service territory. This simply is not possible. Staff did not
6 recommend any disallowance on this issue. However, the Company does take issue with
7 Staff's subsequent recommendation to suspend MO West's program "until the program
8 can be re-evaluated and structured to fit within its current residential customer base." The
9 following testimony discusses Staff's unfounded recommendation.

10 **Q: What is the Company's response to Staff's assertion that there are more reported**
11 **HER participants than there are customers in the MO West service territory?**

12 A: ADM clarified that Table 10 in the MPSC Staff Reports details the number of recipient and
13 control customers at the outset of each HER cohort since the launch of the program in
14 MEEIA Cycle 1. That is, the number of customers randomly assigned to the recipient or
15 control group when the cohort was first defined in MEEIA Cycle 1, seven to eight years
16 prior to this prudence review.

17 In Missouri West, the 2013 cohort encompassed 40,464 HER recipients and 26,373
18 HER control customers when the cohort was created. At present, the number of 2013
19 cohort customers have decreased significantly due to moveouts or account closeouts. The
20 number of moveout customers and the number of account closeouts in the program
21 represent program attrition. Table 1 details the number of customers in each cohort with
22 currently active accounts, accounting for attrition:

1

Table 1 Evergy MO West Current HER Participation

Cohort	Treatment Start Date	Current Recipients	Current Controls
201308_E	Sep 2013	29,337	14,749
201503_E_GMO	Mar 2015	8,246	5,988
201604_E_GMO	Apr 2016	45,541	5,736
201706_E_GMO	Jun 2017	14,629	6,823
201904_E_GMO	Apr 2019	32,616	12,854
202002_E_GMO	Mar 2020	4,930	1,953
Total		135,299	48,103

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The 135,299 active treatment customers and the 48,103 active control customers at the end of 2020 comprise 63% of MO West’s 291,448 monthly residential customers. Therefore, the number of customers participating in the HER Program clearly does not meet or exceed the current residential customer base in Evergy MO West.

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Table 2 details the number of customers in each cohort with currently active accounts, after removing attrition for the MO Metro service territory:

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Table 2 Evergy MO Metro Current HER Participation

Cohort	Treatment Start Date	Current Recipients	Current Controls
201407_E_High_Users	Jul-14	6,700	14,749
201503_E_KMO	Mar-15	2,539	5,988
201607_E	Jul-16	4,546	5,736
202002_E_KMO	Mar-20	7,146	6,823
201407_E_Low_Income	Jul-14	5,162	12,854
Total		83,363	26,093

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The 83,363 active treatment customers and the 26,093 active control customers at the end of 2020 comprise 42% of MO Metro’s 262,690 monthly residential customers. Therefore, the number of customers participating in the HER Program clearly does not meet or exceed the current residential customer base in Evergy MO Metro.

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1 **Q: Does Staff have an opportunity to engage in the evaluation approach of the HER**
2 **program in addition to its prudence reviews?**

3 A: Yes, Staff had an opportunity to engage in the evaluation approach of the HER program
4 via review of ADM's EM&V Plan filed on 2/2/2021 which was approved by the MPSC on
5 2/24/2021, and via review of ADM's PY2020 EM&V report draft. In addition, Staff has
6 an independent third-party evaluator, Evergreen Economics, as provided for in the MEEIA
7 rules that can weigh in as a subject matter expert on the evaluation of DSM programs
8 including HER.

9 **Q: Did the Staff or its independent third-party evaluator raise these HER evaluation**
10 **concerns in the annual EM&V process?**

11 A: In the Program Year ("PY") 2017 EM&V audit report from Staff's independent auditor,
12 Concern #2 was identified as a potential concern. The Company believed that this issue
13 was resolved in a meeting conducted with the Company's evaluator at the time
14 (Guidehouse) and Staff's independent auditor to resolve the approach.

15 **Q: Did the Staff or its independent third-party evaluator raise these HER evaluation**
16 **concerns in the annual EM&V process related to this review period?**

17 A: No, the Staff and its independent third-party evaluator did not mention these HER concerns
18 in comments in the Evaluator's PY2020 EM&V report draft, nor was this mentioned as a
19 concern by the independent third-party evaluator in its PY2020 EM&V audit report.

1 **SUMMARY**

2 **Q: Does the Company believe there should be any disallowance related to the HER**
3 **program?**

4 A: No. My testimony explains the Company's approach, demonstrates that its actions were
5 prudent, EM&V standard industry practice was followed, and that the Company calculated
6 the HER TD in accordance with Commission approved tariffs and S&As. Staff's
7 disallowance is not supported by the Commission approved tariffs and S&As.

8 **Q: Does this conclude your direct testimony?**

9 A: Yes.

