

Exhibit No. 104P

Exhibit No.:
Issue: Demand Response Programs
Witness: J Luebbert
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: EO-2020-0227 (Consolidated
with EO-2020-0228)
Date Testimony Prepared: August 12, 2020

MISSOURI PUBLIC SERVICE COMMISSION
INDUSTRY ANALYSIS DIVISION
ENGINEERING ANALYSIS DEPARTMENT

DIRECT TESTIMONY

OF

J LUEBBERT

**EVERGY METRO, INC. and EVERGY MISSOURI WEST, INC.,
d/b/a EVERGY MISSOURI METRO and EVERGY MISSOURI WEST**

CASE NO. EO-2020-0227 (Consolidated with Case No. EO-2020-0228)

Jefferson City, Missouri
August 2020

1 Q. What is the purpose of your direct testimony?

2 A. I am sponsoring the recommended disallowances related to the demand response
3 programs in the *Staff's Reports of Second Prudence Review of Cycle 2 Costs Related to the*
4 *Missouri Energy Efficiency Investment Act* ("Staff Reports"), which were originally filed on
5 June 30, 2020, in Case Nos. EO-2020-0227 and EO-2020-0228.¹ My section of the reports
6 describes the imprudent decisions made by Evergy as well as Staff's recommended ordered
7 adjustments based on those decisions. My review during the prudence audit focused primarily
8 on the demand response programs costs, performance, missed opportunities to derive benefits
9 for ratepayers, and decision making regarding the implementation of the programs.

10 Q. Do you have any corrections to the Staff Reports?

11 A. Yes. Page 31 of the Staff Report for Evergy Missouri Metro includes a
12 typographical error. Staff's total recommended disallowance related to demand response
13 programs is \$2,114,052 as opposed to \$2,014,052.

14 Q. Can you briefly describe the disallowances that you recommended in the
15 Staff Reports?

16 A. Yes. Following is a brief description for each of the disallowances I am
17 recommending. A more detailed explanation can be found in Section VII.I. of the Staff Reports.

18 Evergy could have avoided the additional cost of Direct Installations of thermostats and
19 lowered the incentive amount of the Residential Programmable Thermostat program by simply
20 not giving thermostats away free of charge; therefore, Staff recommends that the Commission
21 disallow \$179,600 for Evergy Missouri Metro and \$461,200 for Evergy Missouri West.

¹ These cases were consolidated into Case No. EO-2020-0227 on August 5, 2020, in the Commission's *Order Consolidating Cases and Setting Procedural Schedule*.

1 Providing smart-thermostats at no cost to customers who do not participate in demand
2 response events is contrary to the stated purpose of the program tariff and provides minimal
3 benefits to customers as a whole; therefore, Staff recommends that the Commission disallow
4 \$108,080 for Evergy Missouri Metro and \$116,665 for Evergy Missouri West.

5 Evergy entered into contracts for the Demand Response Incentive program that did not
6 incentivize meaningful participation, financially rewarded customers that did not participate
7 meaningfully, and harmed customers that did not sign up but had to pay the DSIM charge;
8 therefore, Staff recommends that the Commission disallow \$111,363 for Evergy Missouri
9 Metro and \$990,137 for Evergy Missouri West.

10 Evergy decision makers chose not to attempt to avoid Southwest Power Pool (“SPP”)
11 expenses by targeting demand response events and attempting to call events to reduce the
12 monthly peak load; therefore, Staff recommends that the Commission disallow \$499,308 for
13 Evergy Missouri Metro and \$697,784 Evergy Missouri West.

14 Evergy chose not to target demand response events in an attempt to reduce load during
15 some of the highest Day Ahead Locational Marginal Pricing (“DA LMPs”) despite minimal, if
16 any, incremental costs; therefore, Staff recommends that the Commission disallow \$54,227 for
17 Evergy Missouri Metro and \$86,303 Evergy Missouri West.

18 Evergy Missouri Metro chose not to enter into a capacity sale contract with a non-
19 affiliate for ** _____ ** despite being very long on capacity; therefore,
20 Staff recommends that the Commission disallow \$1,161,474.

21 Q. The Staff Reports discuss how Evergy failed to implement the demand response
22 programs in a way that promotes meaningful ratepayer benefits. At a very high level, how do
23 demand response programs function?

1 A. Demand response programs financially incentivize ratepayers to participate in
2 the program with the expectation that those participants will reduce a specified portion of their
3 load at specific times identified by the utility. Those times specified by the utility can be
4 characterized as “demand response events” or “events.” Events can be called for a variety of
5 reasons including reducing congestion, reducing SPP fees, reducing purchased power costs,
6 reducing resource adequacy needs, and participation in SPP markets.

7 Q. Are the Staff Reports the first time that Staff has raised an issue with Evergy’s
8 lack of called demand response events?

9 A. No. After reviewing the results of the first two years of Evergy’s MEEIA
10 Cycle 2 demand response programs, Staff negotiated a minimum number of Residential
11 Programmable Thermostat program events for 2019 as part of the agreement to continue
12 MEEIA Cycle 2 while continuing negotiations for MEEIA Cycle 3. Subsequently, Evergy did
13 not fulfill the ordered requirement to call a minimum of five events for the programmable
14 thermostat program.²

15 Q. Can you briefly describe the recent trend for the number of demand response
16 events called by Evergy?

17 A. Evergy began MEEIA Cycle 2 by calling several events in program year one,
18 several of which were in September and during mild weather days. Following year one, Evergy
19 has consistently called a minimal number of demand response events despite the front-loaded
20 approach to demand response incentivizes.

² Paragraph 7.b. of the Stipulation and Agreement ordered on February 27, 2019 in Case No. EO-2019-0132.

1 Q. Why do you describe the approach to demand response incentives as
2 “front loaded?”

3 A. Evergy’s approach for the Demand Response Incentive program and the
4 Residential Programmable Thermostat program focused on signing customers up for
5 participation rather than performance during called events. For example, the Residential
6 Programmable Thermostat program offered a Nest thermostat to ratepayers free of charge and
7 a flat annual bill credit in exchange for participation in called events.³ Ratepayers were neither
8 penalized nor incentivized based on performance during called events. Another example is the
9 structure of the Demand Response Incentive program incentives. Participants received a large
10 bill credit for enrolling in the program and minimal incentives and penalties based upon
11 customer performance during called events.

12 Q. Why is the lack of called demand response events so concerning to Staff given
13 the incentive structure employed by Evergy for the demand response programs?

14 A. The way that Evergy designed the incentive structure for both programs would
15 have allowed Evergy to utilize numerous events each year to maximize the benefits realized by
16 all ratepayers. Instead, Evergy chose to call only three events for the Demand Response
17 Incentive program of a potential 20 events in 2018 and 2019 and four events of a potential
18 168 Residential Programmable Thermostat events in 2018 and 2019. Under this approach,
19 ratepayers paid the same amount of program costs regardless of the number of events called.
20 If Evergy had called more events ratepayers may have received much greater benefits from the
21 program. In the instance of the Demand Response Incentive program, targeted events could

³ As noted the in the Staff Report, several ratepayers were provided thermostats without participating which conflicts with the Evergy tariffs.

1 have provided further benefits with minimal incremental costs. Furthermore, customers that
2 enrolled in the Demand Response Incentive program, but did not participate meaningfully
3 during called events, should have had their incentive reduced. By calling so few demand
4 response events, Evergy failed to maximize ratepayer benefits and incentivized customers to
5 enroll regardless of their intent to participate meaningfully in demand response events. If it
6 was Evergy's intent to call minimal events, Evergy could have designed the incentive structures
7 to focus on performance during called events; thus reducing program costs by not providing
8 substantial incentives to customers that do not participate in called events.

9 Q. Why is it important for Evergy to implement the programs prudently and in a
10 manner that maximizes benefits to customers at least cost?

11 A. Ratepayers that pay the Demand Side Investment Mechanism have little, if any,
12 control over the implementation of the demand response programs, yet they fully fund the
13 programs with the hope of reduced bills. Evergy ratepayers rely on Evergy to maximize the
14 ratepayer benefits that may result from the implementation of MEEIA programs. Through the
15 DSIM, ratepayers have paid and will continue to pay a substantial amount for the
16 demand response programs and they should reasonably expect Evergy decision makers to
17 maximize ratepayer benefits that could result from the implementation of the programs.
18 The decision making that occurred during the implementation of the demand response
19 programs resulted in a lack of realized ratepayer benefits and additional costs to ratepayers.
20 Given the incentive structure employed by Evergy for the demand response programs, Evergy
21 could have derived far greater benefits for ratepayers with minimal, if any, increases to the
22 demand response program costs. Evergy's failure to implement the demand response programs
23 in a manner that would maximize benefits at least cost resulted in a lack of benefits to ratepayers

1 through reduced SPP fees, lack of revenue from a bilateral contract, and additional program
2 costs. Each of my recommended disallowances is further addressed in the Staff Reports
3 attached to the direct testimony of Staff witness Brad J. Fortson.

4 Q. Are you providing any additional information with your direct testimony?

5 A. Yes attached to my testimony as Schedule JL-d2, which is confidential in its
6 entirety, is a copy of the work paper used to calculate the recommended disallowances
7 associated with the demand response programs.

8 Q. Does this conclude your direct testimony?

9 A. Yes.

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)

Case No. EO-2020-0227

AFFIDAVIT OF J LUEBBERT

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW J LUEBBERT and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of J Luebbert*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ J Luebbert _____
J LUEBBERT

J Luebbert Case Summary

Case Number	Company	Issues
EO-2015-0055	Ameren Missouri	Evaluation, Measurement, and Verification
EO-2016-0223	Empire District Electric Company	Supply-Side Resource Analysis, Transmission and Distribution Analysis, Demand-Side Resource Analysis, Integrated Resource Analysis
EO-2016-0228	Ameren Missouri	Utilization of Generation Capacity, Plant Outages, and Demand Response Program
ER-2016-0179	Ameren Missouri	Heat Rate Testing
ER-2016-0285	Kansas City Power & Light Company	Heat Rate Testing
EO-2017-0065	Empire District Electric Company	Utilization of Generation Capacity and Station Outages
EO-2017-0231	Kansas City Power & Light Company	Utilization of Generation Capacity, Heat Rates, and Plant Outages
EO-2017-0232	KCP&L Greater Missouri Operations Company	Utilization of Generation Capacity, Heat Rates, and Plant Outages
EO-2018-0038	Ameren Missouri	Supply-Side Resource Analysis, Transmission and Distribution Analysis, Demand-Side Resource Analysis, Integrated Resource Analysis
EO-2018-0067	Ameren Missouri	Utilization of Generation Capacity, Heat Rates, and Plant Outages
EO-2018-0211	Ameren Missouri	Avoided Costs and Demand Response Programs
EA-2019-0010	Empire District Electric Company	Market Protection Provision
GO-2019-0115	Spire East	Policy
GO-2019-0116	Spire West	Policy
EO-2019-0132	Kansas City Power & Light Company	Avoided Cost, SPP resource adequacy requirements, and Demand Response Programs
ER-2019-0335	Ameren Missouri	Unregulated Competition Waivers and Class Cost Of Service
ER-2019-0374	Empire District Electric Company	SPP resource adequacy
EO-2020-0280	Evergy Missouri Metro	Integrated Resource Planning Requirements
EO-2020-0281	Evergy Missouri West	Integrated Resource Planning Requirements

SCHEDULE JL-d2

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY