Exhibit No. 105P

Staff – Exhibit 105P
J. Luebbert
Surrebuttal Testimony
File No. EO-2020-0227

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MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

SURREBUTTAL TESTIMONY

OF

J LUEBBERT

EVERGY METRO, INC.,
d/b/a EVERGY MISSOURI METRO

CASE NO. EO-2020-0227

Jefferson City, Missouri
October 2020

****** Denotes Confidential Information ******

SURREBUTTAL TESTIMONY OF

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EVERGY METRO, INC.,
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CASE NO. EO-2020-0227

Q. Please state your name and business address.

A. My name is J Luebbert, and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission ("Commission") as an Associate Engineer in the Engineering Analysis Department of the Industry Analysis Division.

Q. Are you the same J Luebbert that provided direct testimony in this case?

A. Yes, I am.

Q. What is the purpose of your testimony?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimonies of Evergy Metro, Inc. d/b/a Evergy Missouri Metro witnesses Brian A. File and John R. Carlson. My testimony will be organized by the following topics:

1. Staff's recommended disallowances are appropriate to address through a MEEIA prudence review
2. Staff's recommended disallowances are not based on hindsight
3. Evergy must derive financial benefits for ratepayers through implementation of the programs
4. Brief Summary

Staff's recommended disallowances are appropriate to address through a MEEIA prudence review

Q. Why are the disallowances that you recommended in the Staff Report and your Direct Testimony appropriately addressed through the context of a MEEIA prudence review?

A. The disallowances that I recommended are the result of Evergy's decision-making associated with the implementation of its MEEIA Cycle 2 programs. The MEEIA program costs including incentives, program administration, and employee salaries are recovered through the respective company's Demand Side Programs Investment Mechanism ("DSIM"). Furthermore, Evergy is incentivized to implement the programs through the approved Earnings Opportunity ("EO") which is also funded through the DSIM. Evergy's decision makers failed to maximize the benefits of the approved demand response programs even after acknowledging several of those potential benefits prior to the 2019 program year as more fully explained below. Ratepayers paid for the demand response programs and the associated EO through the DSIM with the expectation that the Evergy decision makers would implement the programs in a manner that would maximize the benefits realized through those programs. The programs were funded through the DSIM despite the decisions not to target potential ratepayer benefits during the implementation of the programs. Ratepayers should not be required to fully fund programs, much less pay Evergy shareholders a substantial earnings opportunity, for programs that underperform and fail to maximize ratepayer benefits due to Evergy's managerial decision making.

Q. You mentioned that Evergy decision makers acknowledged several potential benefits prior to the 2019 program year. What information supports that statement?

A. In response to a data request regarding Evergy's incentive to call demand response events, Evergy witness Brian A. File provided the following response on January 15, 2019:[1]

** ____ **

Furthermore, Evergy recognized the opportunity for Evergy Metro increasing its capacity sales arising from the MEEIA Cycle 2 programs in a response to a Staff data request which was dated January 3, 2019.[2] These responses indicate that Evergy employees were aware of potential benefits that could be derived from the demand response programs prior to the 2019 program year.

Staff's recommended disallowances are not based on hindsight

Q. Mr. File asserted that "Staff's argument that Evergy acted imprudently is not based on evidence regarding a reasonable decision" at the time, under all the circumstances "in which Evergy's management made decisions within the context of MEEIA Cycle 2, but is based entirely on a backward looking analysis, and Staff's apparent dislike of the

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[1] Evergy response to Staff data request 0123 in Case No. EO-2019-0132.
[2] Evergy response to Staff data request 0121 in Case No. EO-2019-0132.

Commission-approved MEEIA Cycle 2 programs." Can you explain why Staff's recommendations regarding disallowances for the demand response programs are consistent with the "reasonableness standard" and are not based upon hindsight?

A. Evergy designed the demand response programs with most of the incentives being provided upon enrollment within the program instead of basing the incentives on customer performance during events. Due to the incentive structure of the programs, the costs of the incentives were largely sunk costs meaning additional events could have been called with minimal incremental program costs. Evergy's decision makers acted imprudently by not attempting to minimize costs and maximize benefits to ratepayers through the implementation of the demand response programs despite the ability to do so with minimal incremental program costs. At the time of implementation, Evergy managers and decision makers should have been aware of the real costs that the Company incurs due to its membership in the Southwest Power Pool and the ways to minimize those costs. **

[3] ** While the impact analysis of the failure to call additional events may have utilized historical data, the decision to limit the number of events and failure to attempt to maximize the benefits of the demand response programs was based on information the decision makers knew at the time. My recommended disallowances for the demand response programs are based on opportunities that were missed that a reasonable person would have attempted to achieve given the potential ratepayer benefits and the incentive structure in place at the time of implementation.

[3] Evergy response to Staff data request 0123 in Case No. EO-2019-0132 dated January 15, 2019.

Q. Mr. File also commented that Staff's recommended disallowances were a result of "Staff's apparent dislike of the Commission-approved MEEIA Cycle 2 programs". Do you agree?

A. No. Staff supports properly implemented Commission-approved MEEIA Cycle 2 demand response programs. Demand response programs can be an extremely valuable asset when implemented in a manner that derives tangible ratepayer benefits[4]. However, as I explain, Evergy did not properly implement what was approved.

Q. Mr. Carlson criticized Staff's recommended disallowance regarding SPP savings based on targeting reduced load during high Day-Ahead Locational Marginal Prices. Why did Staff assume that Evergy could reduce the fees associated with the DA LMP by targeting load reduction during periods of high prices?

A. Evergy indicated in response to several data requests that part of the review process to call events included review of hourly forecast, Day Ahead market prices, real time market prices, SPP load forecast, SPP load and pricing trends, weather forecasts, and SPP congestion or generation issues.[5, 6] Furthermore, ** ______________________________ ____[7] ** My analysis of the benefits that Evergy could have targeted, but failed to attempt to do so, included the highest DA LMP prices, as those were the types of hours that a reasonable person would review and analyze as part of the attempt to leverage ** " ______________________ ________ ." ** Staff limited the number of event days that would have been called in a

[4] Staff acknowledges there are also system benefits, but for the purposes of this discussion has focused on ratepayer benefits.
[5] Evergy response to Staff data request 0031 of this case.
[6] Evergy response to Staff data request 0146 in Case No. EO-2019-0132.
[7] Evergy response to Staff data request 0123 in Case No. EO-2019-0132.

given season recognizing that Evergy would not be able to correctly predict all of the days with relatively high LMPs.

Evergy must derive financial benefits for ratepayers through implementation of the programs

Q. Mr. File asserted that the only benefit claimed in the cost effectiveness testing is the reduction of system peak demand across the territory in the summer.[8] Are the financial benefits of reduced system peak demand claimed in the cost-effectiveness testing automatically realized by ratepayers?

A. No. In its application for approval of the MEEIA Cycle 2 programs Evergy analyzed the programs utilizing the levelized "cost of new entry (CONE) of a representative simple-cycle natural gas combustion turbine (CT) as a proxy for the avoided capacity cost."[9] That option was the highest value of avoided capacity costs contemplated by Evergy within the filing. Simply multiplying the demand savings from a program by a "proxy avoided capacity cost" does not derive benefits for ratepayers. Due to Evergy's capacity position, the company is not currently avoiding any costs associated with SPP resource adequacy requirements through the implementation of the demand response programs. It is up to the Evergy decision makers to implement the programs in a way that derives and maximizes the actual financial benefits from the demand reductions that may result from the programs, particularly given the lack of a transparent capacity market in SPP. Evergy claimed substantial benefits of the demand reductions associated with the demand response programs prior to approval of the programs and the Evaluation, Measurement & Verification ("EM&V") evaluators ("evaluator") have

[8] Page 6 of the rebuttal testimony Evergy witness Brian A. File in this case.
[9] Page 46 of the Kansas City Power & Light Company - Missouri MEEIA Cycle 2 2016-2018 Filing which was filed in Case No. EO-2015-0240 on August 28, 2015.

continued to multiply the demand reductions by the “proxy avoided capacity costs” to evaluate the cost effectiveness of the programs. However, the Evergy decision makers have not fulfilled their responsibility to derive tangible financial benefits that mirror the claimed avoided capacity costs value. A simple-cycle natural gas combustion turbine (“CT”) can do more than just meet system peak demand across the territory in the summer. A CT may be dispatched by SPP throughout the year when market prices are sufficiently high to outweigh the costs of generation. The generation capacity of a CT can also be sold to other entities in need of capacity. Absent additional effort by the Evergy decision makers, the demand response programs have not provided ratepayer benefits similar to those of a CT.

Q. Mr. File devotes a large portion of his rebuttal testimony discussing the “cost effectiveness” of the demand response programs and the “evaluated benefits” of the program. Please briefly describe what benefits of the demand response programs are determined through the EM&V process and how those benefits factor into the cost effectiveness tests.

A. At a very high level, the evaluator seeks to determine the energy and demand savings that occur from the implementation of the programs. Once the energy and demand savings of a given program are determined, those savings are multiplied by “avoided energy costs” and “avoided capacity costs” which are both provided by Evergy. The results are then compared to the costs of programs.

Q. Does the evaluator review the avoided energy costs or avoided capacity costs?

A. No. The evaluator relies on Evergy to provide meaningful estimates of avoided costs. It is the responsibility of Evergy to ensure that ratepayers can actually realize financial benefits from the programs. As I stated within my direct testimony, Evergy missed several opportunities to achieve benefits of the demand response programs that would have provided ratepayer benefits. Similar to a traditional supply-side resource, Evergy ratepayers rely on Evergy to maximize the ratepayer benefits of a given asset. Evergy derives benefits for ratepayers from traditional supply-side resources by bidding assets into the SPP Integrated Marketplace ("SPP IM"). The same cannot be said of the demand response programs of Evergy's MEEIA Cycle 2 because Evergy did not bid the demand reductions of the programs into the SPP IM and did not utilize the demand reduction capabilities of the programs to minimize SPP fees.

Q. Are the avoided capacity costs that Evergy provides the evaluator based upon costs savings that are realized by ratepayers in a given year?

A. No, they are not. The "avoided capacity costs" that are multiplied by the verified demand savings for the cost effectiveness tests are the "proxy avoided costs" developed by Evergy for its MEEIA Cycle 2 application. Evergy ratepayers will not realize the benefits of demand reduction that result from the demand response programs absent additional effort by Evergy decision makers to derive actual financial benefits for ratepayers. Absent a resource adequacy short-fall or the additional actions necessary by the Evergy decision makers to derive ratepayer benefits from the demand reductions, the "avoided capacity costs" assumed by the evaluator severely inflate the value of demand-side resources deemed "benefits" and make programs appear to be cost-effective, based upon savings that do not exist and will not be realized by customers. If Evergy needed to build supply-side resources to meet SPP resource adequacy needs in the near term, ratepayers would likely realize something close to the proxy "avoided capacity costs" provided by Evergy for demand reductions to the system peak. That is not the case in this given instance as Evergy is and will be long on capacity for several years according to Evergy's Integrated Resource Plan.

Q. Mr. File discussed in his rebuttal testimony that the demand response programs "were not designed to reduce SPP fees or mitigate locational marginal prices." Do the Evergy tariff sheets approved by the Commission contradict Mr. File's assertion?

A. Yes, the tariff sheets for the Demand Response Incentive contain several references that indicate that Evergy may call events for more than just reducing the annual system peak. The Evergy Missouri Metro Tariff sheet no. 2.09 states that the purpose of the program is to "reduce customer load during peak periods to help *defer future generation capacity additions and provide improvements in energy supply*." [Emphasis added.] Several of the disallowances that I recommended were the result of inaction on Evergy's part that could have improved energy supply for all customers by reducing SPP fees and purchased power costs.

The tariff describes the need for curtailment as follows:

> Curtailments can be requested for operational or economic reasons. Operational curtailments may occur when physical operating parameters approach becoming a constraint on the generation, transmission, or distribution systems, or to maintain the Company's capacity margin requirement. Economic curtailment may occur when the marginal cost to produce or procure energy, or the opportunity to sell the energy in the wholesale market, is greater than the Customer's retail price.

The description for the need for curtailment is consistent with the actions that could have been taken by Evergy decision makers regarding the implementation of the programs in a way that would have benefitted ratepayers with tangible financial benefits. The tariff also indicates that the Demand Response Incentive ("DRI") program events may be called up to 10 times or 80 hours per event season.

Q. Has Evergy's implementation of the Demand Response Incentive program deferred any generation capacity additions to date?

A. No. On the contrary, Evergy has decided to enter into Purchase Power Agreements for several hundred megawatts of wind projects since the start of MEEIA Cycle 2.

Q. How could Evergy have utilized the demand response programs to "improve the energy supply" for ratepayers?

A. As I discussed in my direct testimony and within the Staff Report, Evergy could have minimized SPP fees by calling events that targeted the monthly peak load during the event season. Additionally, Evergy could have attempted to minimize expenses by calling events that targeted hours with high Locational Marginal Prices.

Q. Mr. File discussed the changes to the demand response programs that would be necessary to implement more events. What is a reasonable number of called events for customers to expect in each program given the agreements between the customers and Evergy, the incentive structure, and the language contained within the Evergy tariffs?

A. The answer depends on the program for several reasons. As I discussed in my direct testimony in this case, the incentive structure of the DRI programs and Residential Programmable Thermostat ("RPT") program are front-loaded in nature albeit for different reasons.

The DRI incentive structure consisted of a large payment amount, which essentially became sunk costs in each year of the program, for the enrolled demand followed by small incentives/penalties based on performance during called events. The tariff and contracts clearly state that Evergy may call up to 10 events, each up to 8 hours. Given the relative monetary impact of called events compared to the enrollment incentive, the described need for curtailment, and the contracts between Evergy and the customers, it is reasonable to assume that Evergy would have called at or near the maximum number of events; yet it only called two events in 2018 and one event in 2019. Doing so would have provided an opportunity for ratepayers to realize some benefits from the demand response programs that Evergy designed with such high enrollment incentives.

The RPT incentive structure consisted of providing customers with a Nest thermostat free of charge, in many cases including professional installation, as well as annual incentives to remain in the program. Customers participating in the program were permitted to easily override any called events via their smart phone or the thermostat without any penalty. Tariff sheet no. 2.33 describes the need for curtailment of the RPT program with very similar language to the DRI language as previously quoted in my testimony while adding that,

> Economic reasons may include *any occasion* when the marginal cost to produce or procure energy or the price to sell the energy in the wholesale market is greater than a customer's retail price. [Emphasis added.]

The tariff states that Evergy "may call a curtailment event any weekday, Monday through Friday, excluding Independence Day and Labor Day, or any day officially designated as such." The tariff further explains that Evergy "may call a maximum of one curtailment event per day per Participant, lasting no longer than four (4) hours per Participant." Given the language contained in the tariff, the customer agreement, the ability for any customer to easily override the event, and the incentive structure of the RPT it is not unreasonable that customers could expect 15 or more events in a given curtailment season; yet, there were only two events called in 2018 and somewhere between two and five events called in 2019.[10]

Q. Mr. File indicated in his rebuttal testimony that "[i]n order to make sure the monthly peak is mitigated: events would likely need to be called more than five times per month

[10] It appears that Evergy has provided conflicting information regarding event call dates to Staff, the evaluator, and internally.

on average or 20 per year." Is it reasonable to assume that even if Evergy could not call events coincident with each monthly peak that the Company could have reduced at least a portion of the SPP fees?

A. Yes it is. According to Evergy's response to Staff data request 0064 in this case, Evergy's analysis of system peak data and event call dates "demonstrates Evergy's success in calling events on or near the annual system peaks." Consider that in 2018 Evergy could have called 8 additional DRI events and 13 RPT events, and in 2019 Evergy could have called 9 additional DRI events and 10[11] RPT events. Even if Evergy decision makers did not believe the programs would be able to mitigate the peak demand in each of the months during the event season, Evergy could have attempted to mitigate the peak demand in some of the months in order to limit SPP fees. Yet, Evergy called very few events in the program years since 2016. Mr. File's assertion that events would need to be called 5 times per month in order to mitigate the monthly peak indicates that Evergy may have been able to mitigate the monthly peaks in 2-3 of the event season months with the remaining events in 2018 and 2019. Depending on the accuracy of Evergy's called events, even more monthly peaks may have been mitigated. Instead, Evergy chose not to act on several event calls with minimal additional program spend required to call the events.[12]

Q. Given Mr. File's indication that events would likely need to be increased to 20 per year to mitigate the monthly peaks during the event season, could Evergy have increased the maximum number of potential demand response events in 2019?

[11] Assumes that Evergy called 5 RPT events in 2019, which is not clear given conflicting data.
[12] In the case of the RPT, additional event calls would not have required any additional incentives.

A. Yes, Evergy had the opportunity to renegotiate the contracts associated with the demand response programs. Even if Mr. File's assertion that up to 20 events per year would have been necessary to mitigate monthly peak, Evergy had the unique opportunity to modify the programs slightly in 2019 in order to realize those potential benefits. Cycle 2 was set to end in April of 2019 prior to the demand response event season. Therefore, the contracts for the participants of the DRI program would have expired prior to the 2019 season and it is my understanding Evergy could have modified those contracts to add to the maximum number of events. Furthermore, the customer agreement and the tariff for the RPT program do not explicitly state a maximum number of events for the program. The maximum number of events is contained in the agreement between Nest[13] and Evergy.[14] Similar to the DRI program, Evergy had the opportunity to renegotiate the contract with Nest to potentially raise the maximum number of events called if it felt more events were necessary in order to provide ratepayers with tangible financial benefits from the program.

Q. Can you address the inconsistencies in your estimation of SPP fees identified by Mr. Carlson in his rebuttal testimony?

A. Yes, I can. I developed the original spreadsheet during the pendency of Case No. EO-2019-0132, which would have looked at forecasting potential future benefits. Mr. Carlson is correct that the estimate in this case should have utilized the SPP data from 2018 and 2019. Additionally, my estimate inadvertently included a double counting of one of the smaller benefit estimates. Mr. Carlson's resulting corrections appear to accurately reflect these changes. With the corrections, my recommended disallowance for SPP expenses that Evergy

[13] Nest is the implementation contractor for the RPT program.
[14] Page 5, line 17 of my direct testimony incorrectly stated the maximum number of events based on a review of the tariff and customer agreements. That number should have been 30 as the agreement between Nest and Evergy indicates a maximum of 15 events annually.

decision makers chose not to attempt to avoid by targeting demand response events and attempting to call events to reduce the monthly peak load is $397,002.28 for Evergy Metro (from $499,308.04) and $666,008.23 for Evergy Missouri West (from $697,738.87).

Q. In his rebuttal testimony, Mr. File states that "[t]he Commission should not impose penalties on cost effective programs." Why is his suggestion concerning given Evergy's implementation of the demand response programs?

A. Mr. File's suggestion is concerning because the metric used to determine "cost effectiveness" of the programs assumes substantial ratepayer benefits of reducing peak demand regardless of whether or not those benefits are ever actually realized by ratepayers. Evergy chose not to target tangible benefits by targeting demand response events through the implementation of the Cycle 2 demand response programs. Mr. File's suggestion would essentially excuse Evergy from deriving realizable benefits for ratepayers so long as the initial "proxy avoided cost estimates" are high enough. The Commission should reject this recommendation outright as it is important for Evergy to be held accountable for deriving tangible financial benefits from the implementation of programs that are designed and implemented by the Company. Only the Company has the ability to derive meaningful ratepayer benefits from the MEEIA programs.

Q. Mr. File discusses that Evergy "operated its program as it was designed and described in its approved tariff" throughout his rebuttal testimony. Are the tariffs and program designs within Evergy's application prescriptive and inflexible?

A. No, they are not. The tariffs contain information regarding the nature of reasons for calling events, but they do not contain the incentive structure for the DRI program. The tariffs and the program design included by Evergy within the MEEIA Cycle 2 provide Evergy with a great deal of leeway on how the programs will ultimately be designed and implemented. Staff's recommended disallowances, based upon missed opportunities of Evergy's decision makers, align with the approved tariff as well as the brief descriptions of the programs within Evergy's MEEIA application. Mr. File discussed the "carrot and stick" analogy as it pertains to the DRI program. The problem with his analogy is that Evergy provided disproportionate amounts for the upfront incentive when compared to the incentive/penalty that resulted from actual performance during called events. The penalty for non-performance was so small that it did not provide the customers that were enrolled a proper incentive to participate meaningfully. Furthermore, the lack of called events led to several customers that underperformed being heavily incentivized for signing up for the program. The "carrot" ended up being more similar to a sign-up bonus while the "stick" was simply a reduction in bill credits and was not a large enough financial motivator to drive meaningful customer participation for some customers. The incentive structure designed by Evergy was included in the contracts between Evergy and the customers that enrolled.

Q. How does the criticism from Mr. File and Mr. Carlson of Staff's recommended disallowance based on sales of unused capacity conflict with previous representations from Evergy?

A. In Case No. EO-2019-0132 Evergy indicated that the Commission could consider a "market-based approach to valuing capacity" which averaged several supply offers that were provided in response to a request for proposal. The average of the offers analyzed by Evergy in that case was ** ____________ . ** One of the offers included in Evergy's average of the offers, and ** ____

____ . **

Since none of the other responses were ultimately agreed upon by Evergy's decision makers, I based my recommendation to disallow $1,161,474 of program costs on the ** ________ ____ ** and Evergy's portrayal that the average value of the responses represents a "market based approach to valuing capacity." Furthermore, Staff used the ** ____

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Evergy portrayed to the Commission that the demand reductions for MEEIA Cycle 3 could be valued at ** __________ **, yet Mr. Carlson states that "Staff is under the mistaken impression that a ready market exists for unused capacity." Evergy justified the Cycle 3 programs by implying that each MW reduced as a result of the program will produce a substantial amount of benefits to ratepayers and now states that "having excess capacity does not create a cause and effect relationship. Just because we have excess capacity doesn't mean we can always sell it."[15] This direct contradiction is deeply concerning as Evergy's Cycle 3 programs will be tested for "cost-effectiveness" using the ** __________ ** value for avoided capacity costs, but Evergy witnesses now refute the ability of the Company to enter

[15] Carlson rebuttal page 6, lines 15 and 16.

into a contract at a value of ** ___________ . ** The "proxy avoided capacity costs" Evergy claimed for Cycle 2 were even higher than those which were ultimately approved in Cycle 3.

Q. Mr. File discussed the measures Evergy took to increase the activation rate of thermostats within the RPT. Does the fact that Evergy encouraged customers to finish the process of installing thermostats change the fact that providing thermostats to customers that did not participate in the demand response program conflicts with the Evergy tariff?

A. No, it does not. It does not appear that Evergy required payment for those thermostats that were not enrolled in the program. As a point of reference, a recent news article regarding Ameren Missouri's Peak Time Savings Program indicated that "Not installing or activating the thermostat could result in the $50 rebate being charged back to your account."[16] Evergy's tariffs clearly state that the purpose of the program is to reduce system peak load and that will be accomplished by cycling the participants' air conditioning units. Thermostats that are not enrolled cannot be cycled by Evergy and ratepayers within the rate class should not be required to pay for those thermostats through the DSIM. Furthermore, the availability section of the tariff states, "Customers must also have adequate paging and/or radio coverage or constantly connected, Wi-Fi enabled internet service and have a working, central air conditioning system of suitable size and technology to be controlled by the programmable thermostat."

Q. As part of his refutation of Staff's disallowance recommendation regarding the exclusive use of Directly Installed thermostats, Mr. File states, "changing program rules, delivery options, or adding co-payment requirements mid cycle causes discontinuity and

[16] "Ameren, Emerson to give away 7,000 smart thermostats," Jefferson City News Tribune, October 8, 2020.

customer confusion." If Evergy decided to change the tariff language associated with the program would it have been unprecedented within the context of changes to the program?

A. No, it would not. The Commission's rules allow Evergy to request Commission approval for modifications to the approved programs. Mr. File goes on to state that such changes "[were] not necessary since the Company was able to manage the budget within the MEEIA rules for Commission approved amounts by emphasizing DIY and BYO installations." Mr. File seems to miss the point that if Evergy could have implemented the program at a lower cost, it had the responsibility to do so. Just because the Commission has approved a budget does not mean that Evergy is not tasked with minimizing the costs of the programs and maximizing the ratepayer benefits. Again, Mr. File seems to rely on cost-effectiveness of the TRC results being greater than 1.0 as reasoning to dismiss Staff's recommended disallowances.

Q. Mr. File refuted Staff's allegation that Evergy did not abide by the EO-2019-0132 Stipulation and Agreement requirement to call five events in each jurisdiction.[17] What information did you rely on prior to stating that Evergy failed to meet that requirement?

A. I relied upon several sources of information prior to stating that Evergy failed to meet the aforementioned condition. First, in response to Staff data request 0143 of Case No. EO-2019-0132, Evergy committed to providing a weekly report indicating the date and duration of each DRI event and RPT event called during 2019. Staff received one notice that indicated an event was called for the RPT program and DRI program on July 18, 2019 and another RPT event was called on July 19, 2019. Staff did not receive another notice to update Staff data request 0143 of Case No. EO-2019-0132. Second, as early as April of 2020, Staff began to

[17] Brian A. File rebuttal testimony page 11, lines 8-20.

receive draft EM&V reports and appendices[18] from Guidehouse[19] that indicated that two RPT events were called for each jurisdiction in 2019. On September 11, 2020, Guidehouse provided the final version of its EM&V report and appendices that continued to indicate that two RPT events were called for each jurisdiction in 2019.[20] Upon further review and after reading Mr. File's rebuttal testimony, I noticed that one of the dates mentioned in the DATABOOK does not correspond with any of the dates that Mr. File provided, and the other date does not correspond with the aforementioned response to data request 0143. It appears there are inconsistencies in the data Staff was provided. Staff did not recommend any disallowances in the Staff MEEIA prudence review report based upon the lack of called events, but it is concerning that Evergy's reporting of called events is inconsistent among stakeholders, the EM&V auditor, and Evergy internal communication channels.

Q. Is the hypothetical example regarding DA LMP cited by Mr. Carlson in his rebuttal testimony a fair representation of the "potential results" due to a change in weather?

A. No, it is not. As recognized by the parameters that Evergy's decision makers review to determine event calls, weather is a major driver in the dynamic SPP market prices. If weather changed enough for Evergy to cancel a given event, it is highly likely that the real time LMP would also change substantially, which would mitigate the accuracy of the hypothetical example.

Brief Summary

Q. How would you briefly summarize your surrebuttal testimony?

[18] Staff relied on the files that ended with EMV PY 2019 DATABOOK that were provided by Guidehouse.
[19] Guidehouse (formerly Navigant) is Evergy's EM&V auditor.
[20] Guidehouse notes the source of the information as "Program Tracking Database and Guidehouse analysis".

A. Evergy's decision makers failed to maximize the benefits of the approved demand response programs even after acknowledging several of those potential benefits prior to the 2019 program year. Ratepayers paid for the demand response programs and the associated EO through the DSIM with the expectation that the Evergy decision makers would implement the program in a manner that would maximize the benefits realized through the program. The implementation of the programs and the decisions not to target potential ratepayer benefits were the result of the MEEIA Cycle 2 approval and subsequent funding through the DSIM. Ratepayers should not be required to fully fund programs, much less pay Evergy shareholders a substantial earnings opportunity, for programs that underperform and fail to maximize ratepayer benefits due to Evergy's managerial decision making.

Evergy claimed substantial benefits of the demand reductions associated with the demand response programs prior to approval of the programs and the EM&V evaluators have continued to multiply the demand reductions by the "proxy avoided capacity costs" to evaluate the cost effectiveness of the programs. However, the Evergy decision makers have not fulfilled their responsibility to derive tangible financial benefits that mirror the claimed avoided capacity costs value. It is concerning that Evergy is suggesting that the Commission should not address disallowances for programs that are deemed "cost effective" through the EM&V process because that process does not recognize the fact that the "benefits" are deemed savings multiplied by a hypothetical "proxy avoided capacity cost" that was developed by Evergy. Evergy is incentivized to inflate this "proxy avoided cost" because it artificially inflates the "benefits" of the programs. Evergy's employees acknowledged many of the benefits that Evergy failed to attempt to achieve. Evergy designed the programs in a manner that would have allowed many more called events with minimal incremental costs. However, Evergy did not call anywhere near the maximum number of demand response events which left a large portion of the program budget as a sunk cost with minimal tangible ratepayer benefits. Absent additional actions by Evergy's decision makers, ratepayers may never realize tangible financial benefits of the programs. Other stakeholders in the MEEIA process do not have the capability to derive the types of ratepayer benefits that Evergy is capable of, but apparently reluctant to, deriving.

Evergy ratepayers should not be required to pay for thermostats that Evergy provided to customers that did not complete the enrollment process. The provision of those thermostats conflicts with Evergy's Commission approved tariff sheets regarding the RPT.

At the time of implementation, Evergy managers and decision makers should have been aware of the real costs that the Company incurs due to its membership in the Southwest Power Pool and the ways minimize those costs. Evergy's decision makers acted imprudently by not attempting to minimize costs and maximize benefits to ratepayers through the implementation of the demand response programs despite the ability to do so with minimal incremental program costs.

Q. Does that conclude your surrebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

n 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)
) ss.
COUNTY OF COLE)

COME NOW J LUEBBERT and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal 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 Affiants sayeth not.

*/s/ J Luebbert*______________
J LUEBBERT