BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2019-0132
In the Matter of KCP&L Greater Missouri Operations Company's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2019-0133

KANSAS CITY POWER & LIGHT COMPANY'S
AND KCP&L GREATER MISSOURI OPERATIONS COMPANY'S
REPLY TO RESPONSES OF STAFF AND OPC

COMES NOW Kansas City Power & Light Company and Greater Missouri Operations ("KCP&L" and "GMO" or collectively, "the Company") [1], and for its reply to both Staff ("Staff") of the Missouri Public Service Commission ("Commission") Response ("Staff Response") and the Office of the Public Counsel ("OPC") Response ("OPC Response") to the Company's *Application for Clarification and/or Rehearing* ("Rehearing Application") filed in this docket on December 31, 2019, states as follows:

I. RESPONSE TO STAFF

1. Staff has taken a very narrow view of the Commission MEEIA 3 order and record with respect to the PAYS program. Staff contends that no party put forward a proposal that reflected the Company's Rehearing Application. Staff ignores that both OPC and Renew Missouri (the two parties which advanced the PAYS program during the MEEIA 3 hearing) proposed that the PAYS program be part of the Company's MEEIA 3 program.[2] Staff is correct, however, that

[1] Effective October 7, 2019, Evergy Metro Inc. d/b/a Evergy Missouri Metro adopted the service territory and tariffs of KCP&L and Evergy Missouri West, Inc. d/b/a Evergy Missouri West adopted the service territory and tariffs of GMO. However, since the above MEEIA cases were filed using the KCP&L and GMO names, those names will be used in this pleading.
[2] Ex. 200, Marke Rebuttal, p. 43; Ex. 451, Owen Rebuttal, p. 10.

no PAYS proposal contemplated all of the intricacies of the cost recovery mechanism. This is why the Company filed its Rehearing Application. Moreover, OPC's January 7 response indicated that it appears the Commission's intent is that certain PAYS costs are to be recovered from all customers, just like any other MEEIA program. OPC witness Marke indicates that "MEEIA cost recovery should include the PAYS rebate amount, PAYS administrative costs, the throughput disincentive and an earnings opportunity, just like every other MEEIA program." (OPC memo, p. 1). OPC witness Marke goes on to say that it would be administratively difficult and needlessly complicated to allocate all of these costs through a single PAYS surcharge. (OPC memo, p. 2).

2. Staff is correct that the example introduced at hearing by OPC and Renew Missouri of the Arkansas cooperative's PAYS program did not include a payment of certain costs (such as a throughput disincentive or earnings opportunity) by anyone other than the participant. This is because the Arkansas cooperative is owned by its member customers and any earnings opportunity would just be paid back to its member customers. The Commission is not bound by the Arkansas electric cooperative's PAYS program when designing the Company's MEEIA program. The Commission can authorize the Company to use the MEEIA surcharge for recovery of administrative, throughput disincentive (including PAYS electric savings not rebated or recovered under MEEIA energy efficiency programs) and earnings opportunity costs of the PAYS program.

3. The Commission indicated in its Report and Order that "the PAYS program offers unique opportunities to broaden participation in MEEIA programs to customers who might not otherwise engage in energy efficiency programs" and that "the Commission wants to give Evergy Missouri an appropriate earnings opportunity for offering the program."[3] The Commission indicates in these two separate references that it wants both the utility and the customer to realize the respective benefits of offering and utilizing the PAYS program. Assuming that all costs are

[3] Report and Order, p. 22 (December 11 ,2019).

borne by the PAYS participants is counter to the above language in the Commission's Report and Order.

4. In fact, if the above costs are not recovered through the MEEIA surcharge as proposed by the Company then it is very unlikely that any PAYS pilot will be successful. To ensure that participants benefit, the recommended PAYS upgrades are limited to those where the annual charges are not greater than 80% of the estimated annual benefit from reduction to the participating customers' annual utility charges. [4] To the best of the Company's knowledge, if all the administrative, throughput incentive and earnings opportunity costs are added to the PAYS surcharge amount, the 80% threshhold would be exceeded and no upgrades would qualify under the PAYS pilot.

5. The Rehearing Application seeks to make the PAYS program successful by clarifying that the Company can recover administrative costs, earnings opportunity and throughput disincentives (including PAYS electric savings not rebated or recovered under MEEIA energy efficiency programs) in the same way it recovers these MEEIA 3 costs from other programs. Without Commission clarification that this cost recovery is permitted, the PAYS pilot is doomed to fail.

II. RESPONSE TO OPC

6. OPC recognizes it is reasonable that certain costs of the PAYS program be recovered from other customers. However, OPC's attempt at mandating a maximum 5% cost of capital does not make sense. The Company has not issued any vendor request for proposals to get an indication of what capital cost may be needed by those vendors that will have funds at risk. OPC states that third party capital will be available to fund PAYS but then seeks to cap what those third-party providers are allowed to charge based on its unsupported statement that 5% is

[4] Fracica Rebuttal, Ex. 453, p. 6.

"reasonable and consistent with other PAYS programs" (OPC memo, p. 2). The Commission should reject OPC's attempt to distort the market by capping what 3rd party providers can bid on the Company's request for proposals.

7. While OPC has proposed how an Earnings Opportunity for the PAYS program would fit neatly into the Company's approved filing as an extension to the "pre-set" targets approved by the Commission, the Company filed those Earning Opportunity targets absent a PAYS program. At this point, the Company is only seeking clarification on how the earnings opportunity would be recovered – not the amount. The Commission states in its Report and Order that "The pilot program shall have an appropriate earnings opportunity component for the Companies **to be agreed upon by the parties"** (emphasis added)[5]. The Company appreciates OPC's suggestion on how the earnings opportunity for the PAYS program could be determined, however, the Company will follow the Commission's Order and will seek input from all parties following clarification from the Commission on the matter at hand.

[5] EO-2019-0132, Report and Order, p. 27 (December 11, 2019).

WHEREFORE, KCP&L and GMO requests the Commission clarify its *Report and Order* or, in the alternative, grant rehearing on the issue discussed above, as requested in its Rehearing Application.

Respectfully submitted,

/s/ Roger W. Steiner

Robert J. Hack, MBN 36496
Roger W. Steiner, MBN 39586
Evergy, Inc.
1200 Main Street, 16th Floor
Kansas City, MO 64105
Telephone: (816) 556-2314
Facsimile: (816) 556-2110
E-Mail: Rob.Hack@evergy.com
E-Mail: Roger.Steiner@evergy.com

Attorneys for Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, to all counsel of record in this case on this 13th day of January 2020.

/s/ Roger W. Steiner

Counsel for Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company