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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2019/0132 / 0133

SURREBUTTAL TESTIMONY

OF

CHARLES A. CAISLEY

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY and KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri September 2019

SURREBUTTAL TESTIMONY

OF

CHARLES A. CAISLEY

Case No. EO-2019-0132 / 0133

- Q: Please state your name and business address.
 A: My name is Charles A. Caisley. My business address is 1200 Main, Kansas City, Missouri
 64105.
 Q: By whom and in what capacity are you employed?
 A: I am employed by Kansas City Power & Light Company ("KCP&L") and serve as Chief
- Customer Officer and Senior Vice President Marketing and Public Affairs for KCP&L,
 KCP&L Greater Missouri Operations Company and Westar Energy, Inc., operating utility
 subsidiaries of Evergy, Inc.
- 9 Q: On whose behalf are you testifying?
- 10 A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations Company
 11 ("GMO") (collectively, KCP&L or the Company).
- 12 Q: What are your responsibilities?

A: My responsibilities include customer-facing functions such as the contact center and meterto-cash functions as well as small-scale distributed and renewable generation projects,
energy products and services platforms, energy efficiency and demand response portfolio,
community and customer strategy and communications, marketing, economic
development, governmental affairs and public relations functions. Many of these areas are
responsible for direct interaction with customers and stakeholders. These areas of direct
customer interaction include: our customer care call centers, our billing department, all

field service personnel, online/electronic transactions and portals, social media, community
affairs, business customers, customer complaints, city franchises and regulated and nonregulated products and services. In addition to having responsibility for multiple areas
with direct customer interaction, I am also responsible for leading a cross-functional team
of individuals with responsibility for our overall customer experience and strategy. This
includes customer research and segmentation as well as customer data analytics.

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

8 A: I graduated from the University of Illinois in Urbana-Champaign with a Bachelor's degree 9 in political science. I earned a Juris Doctorate degree from St. Louis University School of 10 Law and a Master of Business Administration from Washington University in St. Louis. I 11 joined KCP&L in 2007 as Director of Government Affairs. Prior to joining KCP&L, I was 12 employed by the Missouri Energy Development Association (MEDA), the Missouri 13 Industry Association for Missouri investor-owned utilities, as President. Prior to that I was 14 employed as the Chief of Staff to the Speaker of the Missouri House. In both positions, I 15 dealt extensively with Missouri utility law and energy policy.

16 Q: Have you previously testified in a proceeding before the Missouri Public Service 17 Commission ("Commission" or "MPSC") or before any other utility regulatory 18 agency?

19 A: Yes, I have previously testified before the MPSC and the Kansas Corporation Commission.

- 20 Q: What is the purpose of your Surrebuttal testimony?
- A: The purpose of my testimony is to introduce the Company's Surrebuttal Report ("Report")
 that is being filed concurrently with this testimony and provide an overview of KCP&L's
 overarching concerns with positions taken by Commission Staff ("Staff") and the Office

of Public Counsel ("OPC") in rebuttal testimony in this proceeding regarding KCP&L's
 Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 3 filing.

3 Q: Can you outline KCP&L's concerns with positions taken by Commission Staff in 4 rebuttal testimony?

5 A: Yes. The Company has presented a MEEIA Cycle 3 portfolio that is very similar to 6 successful programs in the previous two MEEIA cycles. In presenting our MEEIA Cycle 7 3 portfolio, we sought continuity for customers—putting forward similar programs and a 8 similar overall budget. We took into account our experience from the previous two MEEIA 9 cycles, what worked well and what needed improved. We also, sought input from Staff 10 and stakeholders at every single step of preparing our MEEIA Cycle 3 portfolio. The 11 operating environment and capacity positions of the Company are largely unchanged from 12 previous cycles. Once we made our filing, Staff applied the MEEIA statute language, rules 13 and prior Commission orders differently in its review of the Company's proposed MEEIA 14 Cycle 3 program. Staff's application presents a significant departure from the successful 15 past of MEEIA programs in the state. Staff argues that the Company's MEEIA Cycle 3 16 application should not be approved because 1) the programs do not provide benefits to all 17 customers in the customer class, regardless of participation; and 2) the programs do not 18 value demand-side investments equal to traditional investments in supply and delivery 19 infrastructure in delivering cost-effective demand-side programs. Staff's position does not 20 represent tweaks to their previous positions in MEEIA Cycle 1 and MEEIA Cycle 2. 21 Staff's position is a complete and total departure from what made the first two MEEIA 22 cycles successful. It threatens to destroy the hard-won benefits, vendor network and

installed capacity that the Company has developed throughout our Missouri service territories over the last seven years.

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3 As the Company will describe in the Report, Staff's positions are inconsistent with 4 the MEEIA statute, how the Commission's IRP and MEEIA rules have been previously 5 applied, are at odds with one another, and with previous Commission orders regarding 6 MEEIA. Staff's position will effectively prevent the Company from implementing several 7 of the least cost options from our IRP; Commission adoption of these Staff positions would 8 thwart the use of demand-side programs that would otherwise lower the overall cost of 9 providing retail electric service in the State of Missouri, leaving the Company no choice 10 but to rely exclusively on supply-side resources to meet the long-term electricity needs of 11 its Missouri customers. Staff is advocating for a less environmentally friendly and more 12 costly approach to providing Missouri customers with electricity. As one of the principal 13 participants in the discussions leading to the passage and enactment of MEEIA, such a 14 result would be inconsistent with the objectives policymakers in the legislative and 15 executive branches sought to obtain through MEEIA. It is inconsistent with the cost-16 effective success these programs have previously provided and it would start moving 17 demand-side management in Missouri on a regressive path back to where it started prior to 18 MEEIA.

19 Q: Please summarize the Company's positions responding to Rebuttal testimony in the 20 Report.

A: The Company Report is structured to follow the general outline of the Staff Report to
address concerns raised in Rebuttal testimony filed by different parties.

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1 <u>Customer Perspective</u>

2 In the section of Staff's Report on Customer Perspective, Staff claims that the 3 Company has not demonstrated that proposed demand-side programs are beneficial to all 4 of its customers or even preferred by its customers¹. KCP&L has over a 10-year history in 5 developing, implementing and providing successful demand-side management (DSM) 6 programs to its customers. During this time, the Company has demonstrated continued 7 success with its customers, and also developing innovative programs that are leading in the 8 industry. As explained by Company Witness Brian File, with each successive portfolio 9 filing, based on customer research and confirmed by evaluation, measurement and 10 verification (EMV) results, KCP&L has evolved its programs such that all customers may 11 save money and energy. Programs are designed such that all customers can participate in 12 some manner – whether they are low income, single family home owners, multi-family 13 dwellers, elderly or small or large businesses. While Staff is arguing that every individual 14 customer should benefit from DSM programs under MEEIA, the Company cautions that 15 imposition of this interpretation of the MEEIA statue by Staff may lead to a significant 16 detriment to customers as a whole by effectively precluding the ability to approve and 17 implement any meaningful DSM programs under MEEIA. Further, even if it were possible 18 to show that programs benefit customers at the individual level, it would create such 19 burdensome and costly regulatory requirements that KCP&L would spend more time trying 20 to comply with the imposition of numerous new measures and requirements and less time 21 developing, marketing and administering successful programs. Staff does not argue that 22 previous programs were not successful nor that they did not benefit participating and non-

¹ Staff Report, p. 5.

participating customers. Rather, Staff has supported this finding for the past seven years
for the very programs they now call suspect. Finally, we are not aware of one regulatory
framework in Missouri that has the requirement to show that every customer or citizen of
the state must benefit in order to approve a program or regulatory rule.

5 Avoided Costs

Company Witnesses Burton Crawford and Tim Nelson respond in detail to positions on
avoided costs. Based on page 6 of Staff Witness Dietrich's rebuttal testimony, I understand
Staff has taken the position that, for purposes of assessing the cost-effectiveness of
demand-side programs, avoided capacity costs should be valued at \$0 until the subject
utility has identified a future need for additional supply-side capacity.

11 Staff's use of \$0 for avoided capacity costs to value DSM is at odds with MEEIA. 12 Section 393.1075.3 provides in relevant part that "[I]t shall be the policy of the state to 13 value demand-side investments equal to traditional investments in supply and delivery 14 infrastructure" Utilizing a value of \$0 for avoided capacity cost when assessing the 15 cost-effectiveness of DSM programs producing capacity savings virtually guarantees that 16 the number of programs that would be cost-effective would greatly diminish. This is 17 because all demand-side programs producing capacity savings will have costs greater than 18 \$0. Staff may argue that its position recognizes avoided capacity costs at a value greater 19 than \$0 for a utility that is short of capacity, but this places too much emphasis on whether 20 a utility is short or long of capacity in the relative near-term. When a resource reduces the 21 present value of long-run utility costs, the benefits of choosing that resource are 22 independent of whether the utility is long or short of capacity. It should also be noted that 23 the Company's current capacity position is similar to what it has been for the previous two

cycles in that the KCP&L/GMO system is long capacity. The Company's programs in
these previous cycles were supported by Staff and approved by the Commission. In
addition, as pointed out in the Company's Application² there are potential scenarios where
capacity will be needed sooner than what is in the preferred resource plan which would
benefit from having demand-side management implemented now.

6 Staff's use of a value of \$0 for avoided capacity costs virtually guarantees that no 7 demand-side measure targeting demand savings, such as demand response and HVAC, will 8 pass the cost-effectiveness test. And Staff's requirement that all non-participants must 9 benefit from a program for it to be approved under MEEIA virtually guarantees that 10 demand-side programs targeting energy savings cannot be approved. Company Witness 11 Nelson describes this "Cycle of Denial" in more detail. These Staff positions, if adopted 12 by the Commission, will preclude approval of demand-side programs whether they target 13 either demand or energy savings.

14 <u>Benefits to All Customers</u>

15 Staff has concerns that non-participating customers receive no net benefit from 16 MEEIA Cycle 3³. As the Company's report will detail there are a number of benefits that 17 all customers receive as part of the proposed programs. As Company Witness File 18 describes, EM&V has continually shown net energy benefits to customers, second Cycle 3 19 programs are designed with all customers in mind and there are environmental benefits. 20 Additionally, Company Witness Crawford describes that the IRP shows there is a reduction 21 in the NPVRR, energy market price benefits, and reduction in SPP fees. Lastly, Company

² Application, Schedule 8.11.

³ Staff Report, p. 31.

Witness Nelson discusses the rate design implications of MEEIA as it affects nonparticipants.

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A third-party evaluator has evaluated MEEIA programs that have been verified by a Commission Staff auditor for 6 years detailing the benefits to all customers. An additional way to ensure that a MEEIA portfolio is beneficial to all customers is to have programs that everyone can participate. Company Witness File describes how the Company has carefully designed a suite of programs to provide options for different types of customers be participate. In contrast, OPC is suggesting a very limited portfolio of programs be approved, which would significantly limit the ability for all customers to participate.

10 Yet another way that Company Witness Crawford explains customers as a whole 11 benefit is because the MEEIA programs will avoid costs by reducing the long-term revenue 12 requirement of the utility whether or not supply-side resources are avoided. The IRP 13 analysis has continually shown that demand-side management investment is best for 14 customers by having lower long-term revenue requirements.

In addition to customers benefiting from lower long-term revenue requirements, participating customers will enjoy the benefit in the form of near term reductions to their electric bill. Despite this, Staff now raises concerns with this filing regarding customer average rate impacts given Staff's new interpretation DSM programs cannot be approved under the MEEIA statute unless "beneficial to all customers in a class, whether or not they participate." Effectively, Staff's interpretation requires that every individual customer must benefit.

However, as Company Witness Nelson describes this is not a new issue with this
 MEEIA Cycle 3 filing, but is simply a function of the current retail rate structure and is not

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1 a reasonable basis to reject the Company's MEEIA Cycle 3 filing. It is a fact that the 2 reduction of energy usage will lead to the recovery of fixed costs over fewer sold kWhs, 3 and thus create higher rates for all customers. This reduction in energy usage and kWh 4 billing determinants occurs regardless of the avoided capacity cost used to screen the DSM 5 programs. A resulting fact is that average customer bills go down even though average 6 rates may go up. It has always been this way with energy efficiency programs and this 7 scenario has existed in previous cycles approved by the Commission as well. The only 8 way that non-participating customers may receive net benefits (and participating customers 9 continue to benefit) would be in the long term from programs that produce demand 10 reduction on a sustained basis. If the Commission were to adopt Staff's interpretation that 11 any increase in rates for an individual customer that does not directly participate precludes 12 a MEEIA program from meeting the requirement that customers benefit, no MEEIA 13 program could ever be approved. As previously mentioned, this is why the Company has 14 proposed a comprehensive portfolio of programs that provide multiple opportunities for all 15 customers to participate.

16 Demand Side Programs

In their rebuttal testimony Staff and OPC address various concerns with the costeffectiveness of proposed demand side programs and offer program design changes for various energy efficiency and demand response programs. Company Witness File addresses the issues raised and suggestions made related to evaluating the costeffectiveness of our proposed programs, including how the test is applied and which test to use for demand response programs. Staff implies that we operate MEEIA programs that are not cost effective and suggest that 100 percent of ALL costs would be disallowed even 1 if the program had a TRC ratio of 0.99. Company Witness File addresses Staff's suggestion 2 and 180-degree change in position that only customers who have not opted out of MEEIA 3 programs should be eligible to receive the incentives in the Company's DSM programs. 4 These programs are fundamentally the same as what was offered by the Company in 5 previous MEEIA cycles. Company Witness File details how the Company is using 6 Advanced Metering Infrastructure ("AMI") data in our MEEIA programs. Company 7 Witness File responds to the various issues raised and suggestions made on program design 8 related to our proposed programs.

9 DSIM Charge

Staff addresses several concerns related to the mechanism of the DSIM charge and tariff
sheets for KCP&L and GMO. Company Witness Mark Foltz addresses these various
suggestions.

13 Staff also suggests that the Commission not approve an Earnings Opportunity 14 ("EO") for the company because the Company is not avoiding investment with its MEEIA 15 programs. The statute says that the earnings opportunity is to be "associated with cost-16 effective measurable and verifiable efficiency savings" and not "deferred" or "avoided" 17 supply-side resources. As Company Witness Darrin Ives explains, having an appropriate 18 construct around cost recovery, throughput disincentive, and earnings opportunity is 19 critical for any utility promoting energy efficiency and demand response programs. The 20 Company has proposed an EO that is consistent with prior MEEIA Earnings Opportunities 21 approved by the Commission for the Company and Ameren. While there may be some 22 differences in program levels and design from utility to utility to serve the needs of each 23 utility's respective customers, this three-part recovery mechanism should be applied

1 consistently across the state for similar utilities competing for similar capital from similar 2 investors. It would not make sense for a company to implement a voluntary MEEIA 3 program with Staff's proposal on cost recovery and EO where it is disadvantaged in such 4 a way. And yet again, it is at odds with MEEIA. Section 393.1075.3 provides in relevant 5 part that "[I]t shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure " If Staff reduces the EO 6 7 from previous cycles, then it will be signaling KCP&L and every other utility in Missouri 8 that it prioritizes incremental investment in supply over demand-side investments.

9 Modifications and Conditions

10 Staff and OPC make a variety of suggestions for modifications to program elements as well 11 as adding suggested conditions for approval of a MEEIA program. The Company has 12 presented a robust and cost-effective MEEIA portfolio developed on the basis of its two 13 previous successful cycles and positive customer feedback, delivering intended results as 14 envisioned in the MEEIA legislation we helped champion. As previously addressed, many 15 of Staff and OPC's suggestions alter the scope and intent of our proposed offerings so 16 drastically that *the Company would not elect to move forward with them*. That being said, 17 the Company has reviewed the suggestions for modifications to program elements as well 18 as suggested conditions. Company Witness File provides comment on which suggestions 19 are acceptable and not acceptable to the Company. For those recommendations and 20 conditions the Company finds acceptable and consistent with the Company's overall 21 MEEIA strategy, the Company is willing to modify aspects of our Application if the 22 Commission deems appropriate.

1 <u>Summary</u>

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Why are these Staff position on benefits to all customers inconsistent with how the Commission rules have been previously applied?

A: As Company Witness Crawford explains, the Commission's rule on integrated resource
planning ("IRP") requires electric utilities to use minimization of the present value of longrun utility costs as the primary selection criteria in choosing the preferred resource plan.
See 20 CSR 4240-22.010(1)(B). These Staff positions on benefits to all customers is
inconsistent with prior rulings and virtually guarantee that no demand-side program
targeting energy savings can be approved under MEEIA regardless of whether such
demand-side programs would reduce the present value of long-run utility costs.

11 Q: Why are these Staff positions at odds with previous Commission MEEIA orders?

A: KCP&L and GMO currently offer demand-side programs, approved in the course of
MEEIA 2 proceedings for KCP&L and GMO and with prior MEEIA Cycle 1, that target
both demand and energy savings. If Staff had taken, and the Commission had adopted,
these positions in the course of KCP&L's and GMO's MEEIA Cycle 1 and 2 proceedings,
there is no doubt in my mind that KCP&L and GMO would have very few or no demandside programs in place today.

18 Q: What are the inconsistencies between Ameren's Commission approved Cycle 3 19 portfolio and Staff's recommendation?

A: Staff is measuring KCP&L's programs with a different measuring stick than Ameren. The
Company has identified several inconsistencies, including:

- Ameren did not identify any specific investments that would be avoided through
 implementation of its MEEIA Cycle 3 programs but Staff faults the Company for
 not doing so.
- Staff supports Ameren offering a Home Energy Report (HER) that has similar
 characteristics as the Company's but admonishes the Company for offering a HER
 due to lack of persistence and naturally occurring energy savings.
- Staff recommends as a condition for approval by the Commission that the
 Commission only allow for recovery of program costs, TD, and EO from programs
 that are ultimately verified as cost effective based on EM&V. Staff did not require
 the same of Ameren in its support of Ameren's programs.
- 11 Staff recommends a very different level of earnings for the Company compared to 12 what it supported for Ameren. Staff is recommending **zero** earnings for KCP&L; 13 whereas the Company is requesting an EO that is consistent with prior Commission 14 orders for both the Company and Ameren. Company Witness Ives further expands 15 on the Company's proposed EO in relation to percentage of budget is similar to 16 Ameren's recently approved Cycle 3 plan and the Company's Cycle 2 EO. Utilities 17 operating in the same state with similar circumstances should have similar 18 incentives for investing in their customers.
- Staff is recommending that the Company utilize a zero-avoided capacity cost for
 evaluation of its proposed MEEIA programs because the need for capacity for the
 Company only potentially exists in 2032. However, Staff takes a very different
 position with Ameren and supports avoided capacity costs for Ameren for the

period 2019-2037⁴. As stated in Staff's rebuttal testimony in the Ameren case,
 "Ameren Missouri has no current capacity needs for either and will not need
 capacity for 16 years"⁵.

Q: Why would Commission adoption of these Staff positions thwart the use of energy
efficiency and demand-side programs that would otherwise lower the present value
of long-run utility costs in the State of Missouri, leaving investor-owned electric
utilities operating in the state no choice but to rely exclusively on supply-side
resources to meet the long-term electricity needs of Missouri customers?

9 A: As shown above, these Staff positions would make it virtually impossible for the 10 Commission to approve demand-side programs under MEEIA. Capacity planning for 11 electric utilities is, of necessity, focused on the long-term because supply side resources 12 are long-lived, costly and often take years to put in place. Long-term planning cannot be 13 undertaken with any meaningful degree of reliability if significant variables used in that 14 analysis change substantially from year to year. The value of avoided capacity costs to use 15 for the assessment of cost-effective demand-side programs is a significant variable in long-16 term capacity planning, as is the expected level of demand-side programs over the planning 17 period. In fact, the preferred resource plans of KCP&L and GMO assume meaningful 18 levels of demand reductions due to demand-side programs over the next twenty years. If 19 Staff's positions in this proceeding are adopted by the Commission then it is highly 20 unlikely that any demand-side programs will be implemented by KCP&L or GMO after 21 their MEEIA Cycle 2 programs terminate in 2019. Under those circumstances, it is clear

⁴ Ameren Missouri 2019-21 MEEIA Energy Efficiency Plan, Appendix C, Avoided Costs

⁵ Case No. EO-2018-0211, Staff Rebuttal Report, Lines 13-14, p. 23

that the preferred resource plans currently in place for KCP&L and GMO will need to bechanged.

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Q: Why do those issues cause KCP&L concern?

A: As Company Witness File described in the application, KCP&L has been a strong advocate
of demand-side management in Missouri which has resulted in significant positive benefits
to the State, individual customers and the community at large, including increased
economic activity resulting in jobs, environmental benefits through emissions reductions
like CO₂ reduction, and energy savings for customers.

9 Q: What is your response to Staff's assertion that KCP&L/GMO is able to offer its DSM 10 portfolio outside of MEEIA⁶?

11 A: While it appears that Staff is trying to offer an alternative solution, the notion of offering 12 DSM outside of MEEIA is contrary to the state policy that the State of Missouri legislature 13 set in 2009 by passing the statute. There have been great strides in energy efficiency investment and outcomes⁷ based on the hard work put in by the legislature and 14 15 subsequently all the stakeholders including Staff debating and finalizing associated rules. 16 To move these programs outside MEEIA would infer that the statute as intended has failed 17 and that the progress made in demand side management in the State was not successful. 18 The Company opposes this notion and suggests just the opposite. Missouri can and will 19 be stronger economically as evidenced by the jobs and benefits created with continued 20 investment in demand side management under the MEEIA construct. Finally, without the 21 MEEIA cost recovery mechanisms and incentives, the Company will not offer the 22 programs.

⁶ EO-2019-0132, Rebuttal Testimony - N. Dietrich, p. 10, lns. 3-4.

⁷ EO-2019-0132 and EO-2019-0133 Application, p. 23 Figure 2.1.

1 Q: What does the Company request of the Commission in this case?

2 The Company requests that the Commission reject these Staff positions. The Company A: 3 requests that the Commission reject setting a different standard regarding energy efficiency for the Eastern half of Missouri and the Western half of Missouri. The Company requests 4 5 that the Commission approve our MEEIA Cycle 3 filing as is or with the modifications 6 outlined by Witness File and set a continued positive course for demand-side management 7 and all the associated benefits in the State of Missouri. 8 **Q**: Does this conclude your Surrebuttal testimony?

9 A: Yes.

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

AFFIDAVIT OF CHARLES A. CAISLEY

STATE OF MISSOURI) ss **COUNTY OF JACKSON**)

Charles A. Caisley, being first duly sworn on his oath, states:

My name is Charles A. Caisley. I work in Kansas City, Missouri, and I am employed by Kansas 1.

City Power & Light Company as Vice President – Marketing and Public Affairs.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of

Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company consisting of sixteen

(16) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

harles A. Caisley

Subscribed and sworn before me this 16th day of September 2019.

Notary Public

My commission expires: $\frac{4/24}{2021}$

