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 AND LIGHT COMPANY AND KCP&L GREATER MISSOURI OPERATIONS COMPANY'S REPLY BRIEF

COMES NOW, Kansas City Power & Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company ("GMO") (collectively, the "Company")[1], and respectfully submit their *Reply Brief* ("Reply Brief") in this matter:

I. INTRODUCTION

When the Commission reviews the various initial briefs that were filed in this matter and cuts through all the rhetoric and jargon related to cost-effectiveness tests, it will become apparent that the following fundamental public policy issues need to be addressed by the Commission:

1. Should an electric company that has sufficient capacity to serve its customers for 13 years or more be encouraged and incented to offer energy efficiency and demand-response programs ("DSM") with a goal of achieving all cost-effective demand-side savings?

2. Should an electric company that has sufficient capacity to serve its customers for 13 years or more follow the results of its Integrated Resource Planning ("IRP") process to determine the Preferred Resource Plan with the lowest net present value of revenue requirements

[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 Reply Brief.

> (“NPVRR”), as required by the Commission’s IRP Rules, 20 CSR 4240-22.010(2)(B) when making decisions related to the level of DSM programs it will implement?

Based upon the initial briefs, there are two distinct groups of parties with substantially different perspectives on these fundamental public policy questions. The Company, the Division of Energy, Renew Missouri, Natural Resource Defense Council, and the National Housing Trust support a public policy to encourage and incent the electric companies to offer energy efficiency and demand-response programs with a goal of achieving all cost-effective demand-side savings, even though the Company is “long” on capacity. (DE Brief at 2-5; Renew Missouri Brief at 2-10; NRDC Brief at 1-8). These parties view the IRP process as the fundamental test for ensuring that the Company treats DSM programs on an equivalent basis as supply-side resource. (Company Brief at 15-17, 21-22; Renew Missouri Brief at 5-6; NHT Brief at 6-7; NDRC Brief at 7-8)

The Staff and Public Counsel, on the other hand, take a decidedly different approach and recommend that the Company’s successful Cycle 2 programs be allowed to expire, and the Company’s robust portfolio of DSM programs in Cycle 3 be rejected. (Staff Brief at 2; OPC Brief at 3-4) The Staff believes that avoided capacity costs should be zero (which virtually ensures that the TRC test won’t be passed), and uses the TRC test rather than the IRP process to determine the appropriate way to meet the customers energy needs for the future. Staff’s approach will ensure there is very little DSM in the future.

As the Company explained in its initial brief, the Company believes that settlement of this case may still be possible if the Commission gives the parties clear direction on the issues of Avoided Costs and Earnings Opportunity. (Company Brief at 3-5). However, if the Commission decides in favor of Staff and Public Counsel on either of these fundamental issues, then the Company will not be in position to provide its customers with a robust portfolio of DSM programs

as proposed in its Application. From the Company's perspective, such a result would not promote the interests of its customers (participating and non-participating) or the overall public interest.

II. ARGUMENT

A. Avoided Cost

The fundamental reason why the Staff and OPC are recommending rejection of the Company's DSM plans is that there are no avoided capacity costs, according to their flawed analysis, since the combined Company is long on capacity and it will not need to build a supply-side resource for about 13 years. According to Staff's analysis, the "Commission should not approve KCPL's and GMO's application as filed. At a high level, the Company's MEEIA 3 fails to produce any avoided capacity costs, as there is no supply side investment being deferred during the 20 year planning horizon as a result of its programs." (Staff Brief at 4) While the Company's capacity situation is the same as it has been in previous MEEIA cycles (Tr. 96) when the Staff and OPC supported the Company's MEEIA programs, Staff and OPC are now using their new flawed analysis of avoided capacity costs as the fundamental reason to recommend rejection of the Company's Application in this case. As explained in the Company's initial brief (Company Brief at 4, 36-40), the Staff and OPC positions are inconsistent with their positions in the Company's MEEIA 1 and 2 cycles, and the most recent MEEIA 3 case for Ameren Missouri. The Company's capacity situation has not changed in any material way from its MEEIA 1 and 2 cycles, yet the Staff and OPC supported those MEEIA 1 and 2 programs. More recently in Case No. EO-2018-0211, the Staff and OPC supported Ameren Missouri's MEEIA cycle 3 programs, even though Ameren Missouri's capacity situation was similar to the Company's capacity situation in this case.

At various points in Staff's brief, Staff makes it sound like the Company has just written a "bad application" (Staff Brief at 2, 53) implying that a re-write of the existing Application would

resolve Staff's concerns. However, this is simply not the case, unless Staff means writing a revised application which terminates most of the Company's successful DSM programs, and offers only low-income programs that do not need to be cost-effective, educational programs without the Home Energy Reports, and demand response programs. (i.e. Staff's substantially reduced level of DSM programs) (Ex. 101, Staff Rebuttal Report, pp. 88, lines 17-21). From a public policy perspective, it would be Staff's suggested approach that would result in a "bad application" that did not promote "the goal of achieving all cost-effective demand-side savings." Section 393.1075(4).

The underlying concern for Staff and OPC is that the Company on a combined basis does not need additional capacity for 13 years. (Staff Brief at 22; OPC Brief at 3) The Staff makes this clear when it indicates that the Company's MEEIA Application "is a wonderful program for GMO" (citing John Rogers) since as a standalone utility, GMO "needs additional [supply-side] resources right now." (Staff Brief at 18) Apparently, if the Company is "short" on capacity (i.e. needs new capacity in the short-run), then its DSM programs are "wonderful", but if the combined company has sufficient capacity to serve its customers for the foreseeable future, then the Company's DSM programs (or at least most of them) should be terminated. In other words, the DSM programs are "wonderful" but only if the Company is short on capacity. From Staff's perspective, it is not the Company's DSM programs that are the main problem, but the fact that it has plenty of capacity to serve its customers in the future that makes the difference.

According to Staff, "while Staff recognizes that a handful of programs do pass the TRC under Staff's analysis, 'the programs still fail to provide benefits to all customers.'" (Staff Brief at 9). So, even if the programs pass the TRC test, Staff refuses to support the programs because of their concern that non-participants do not receive benefits from the programs. But Staff's concerns are misplaced.

As the Company has stated throughout this proceeding, the Company's proposed DSM programs will result in the lowest NPVRR over the long term which will benefit all customers. (Company Brief at 15-17, 21-22) This is the correct analysis that is required by 20 CSR 4240-22.010(2)(B) which states:

> (2) The fundamental objective of the resource planning process at electric utilities shall be to provide the public with energy services that are safe, reliable, and efficient, at just and reasonable rates, in compliance with all legal mandates, and in a manner that serves the public interest and is consistent with state energy and environmental policies. The fundamental objective requires that the utility shall—
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> (A) Consider and analyze demand-side resources, renewable energy, and supply-side resources on an equivalent basis, subject to compliance with all legal mandates that may affect the selection of utility electric energy resources, in the resource planning process;
>
> (B) Use minimization of the present worth of long-run utility costs as the primary selection criterion in choosing the preferred resource plan, subject to the constraints in subsection (2)(C); (emphasis added)

While Staff recognizes that "[t]here is public policy that supports energy efficiency programs" (Staff Brief at 53; See also Tr. 246-47), Staff claims that "[t]his is a tough conversation to have." (Staff Brief at 53). It is probably a tough conversation to have because Staff's position flies in the face of Missouri's public policy to "implement commission-approved programs . . . with a goal of achieving all cost-effective demand-side savings" (Section 393.1075(4)), and to minimize the NPVRR as the primary selection criterion in choosing the preferred resource plan (4 CSR 4240-22.010(2)(B).

Both Staff and Public Counsel's positions are a significant departure from previous interpretations of MEEIA statutory language, Commission rules, and prior Commission orders approving MEEIA settlements that would no longer support the successful past of MEEIA programs in the state. (Tr. 95, 97-98, 103-05, 265) The Staff and Public Counsel are now

interpreting the requirements of MEEIA in a manner that, if adopted by the Commission, will foreclose the Company from pursuing the benefits and realization of the full potential of DSM programs.

As explained in the Company's Initial Brief at 17-22, their argument is based upon a flawed interpretation of the MEEIA statute and Commission-approved MEEIA rules. Staff and Public Counsel argue that MEEIA requires that a new supply-side option be eliminated or deferred as a result of the implementation of the MEEIA DSM programs before a positive avoided capacity cost should be utilized in determining cost-effectiveness. If the Commission adopts Staff and OPC's position and interpretation, then demand response programs for any utility that has sufficient capacity to serve its customers into the foreseeable future will not be able to pass the TRC test. Under this analysis, no re-write of a "bad application" will allow the Company to offer a robust portfolio of DSM programs. However, the resulting level of DSM programs that do not promote the goal of achieving all cost-effective DSM savings should be viewed objectively as a "bad application." Similarly, any application that does not result in the "minimization of the present worth of long-run utility costs" (4 CSR 4240-22.1010(2)(B)) should be viewed as a "bad application."

While the Staff rejected the Company's use of a combustion turbine in determining avoided costs, it also rejected the Company's market-based alternative for determining the avoided cost value. The Company's market-based alternative is consistent with the Commission's IRP rules in 20 CSR 4240-22.050(5)(A)(1) and relied upon GMO's 2017 Request for Proposal for near-term generating capacity (Company Brief at 23-24). Apparently, Staff's concern is that the Company used an average value from the RFP responses rather than the lowest offer. (Staff Brief at 27) It is important to keep in mind the purpose of developing a market-based alternative for avoided

capacity cost. This value is used for screening potential DSM programs, not the final selection of such programs.[2] As such, the analysis should include the best representation of the general market value of longer-term capacity. Focusing on the single lowest-priced offer that may be an anomaly and not represent the general market for capacity could undervalue DSM programs in the initial screening.

Staff also quarrels with the Company's position that it will utilize its plants less as a result of its DSM programs. (Staff Brief at 29) Staff relies upon the fact that the Company offers its generating resources into the SPP market, and SPP determines which specific plants will be dispatched. Obviously, if all regulated companies in the SPP RTO decided not to utilize DSM programs that minimize their customers' revenue requirement, then there would be a need to continue the traditional approach of building power plants. However, Staff witness J Luebbert conceded in the hearing that if all the SPP utilities are participating in DSM programs, then it would decrease the amount of time that higher cost units would operate throughout the SPP footprint. (Tr. 329)

The bottom line: The MEEIA statute does not require the elimination or deferral of a supply side resource and the Staff/OPC position hinders the statute's goal of "achieving all cost-effective savings." The Staff/OPC position does not take into account that existing supply-side resources will be used less with the implementation of DSM programs and already have been used less from prior cycle implementations. It also does not consider that a fossil-fueled power plant may be retired earlier if DSM programs are implemented. (Tr. 37-38) Finally, it does not consider the other benefits of these programs. (e.g., lower revenue requirements, lower energy

[2] Note the final determination of the appropriate level of DSM programs is based on the results of the IRP NPVRR analysis where the primary objective is to minimize long-run revenue requirements.

market prices, lower SPP fees, economic development, environmental benefits, and overall customer satisfaction with MEEIA programs.)

Contrary to Staff and OPC's arguments, it is the IRP process which ensures that the Company is evaluating demand-side programs and supply-side resources on an equivalent basis. The IRP analysis process has been a fundamental tenet of this Commission's regulation of electric companies for many years, and the TRC test with an unrealistic avoided cost should not be allowed to substitute and negate the results of the extensive IRP analysis performed by regulated companies in this state.

It is also worth noting that the Company and Staff were able to reach an agreement on the level of avoided costs to use in this proceeding which would have allowed the Company's robust portfolio of DSM programs to pass the TRC test. (Tr. 276)[3] However, the "sticking point" in the negotiations occurred when the Company and Staff were unable to reach an agreement on the level of earnings opportunity to be used to incent the Company to do a good job on implementing the programs and achieving the DSM targets. (Tr. 276) At hearing the Staff reverted back to its original position of zero avoided costs that has the effect of killing the Company's robust DSM programs. The Commission should not allow the Staff (and OPC's) litigation position on the avoided cost or EO issues to terminate the Company's progress in achieving MEEIA's statutory goals.

B. Earnings Opportunity

During the hearing, the Staff witness Dana Eaves testified that the Staff viewed the earnings opportunity as a "performance incentive" designed to encourage the Company to do a

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[3] See also Joint Notice, p. 1 (filed by Company Staff on April 23, 2019) which states: "the Company and Staff notify the Commission that they have agreed on the total avoided cost of capacity prices to be used for program screening and cost effectiveness testing for MEEIA Cycle 3."

good job in promoting its DSM programs. (Tr. 437) However, Staff has departed from this standard in its brief and argued that the Commission should "only allow earnings opportunities for programs that are cost-effective and defer supply-side resources." (Staff Brief at 5) According to the Staff Brief, "the earnings opportunity must be linked to foregone investments to accomplish the policy goal of valuing equally supply-side and demand-side investments." (Staff Brief at 34) Obviously, this concern is also grounded upon Staff's insistence that a supply side resource will be "foregone" if the DSM program is implemented. In effect, the Staff is arguing that if the Company is not foregoing a supply-side investment, then the Company should not be given an earnings opportunity or financial incentive to promote DSM programs. The Staff argued: "the sole purpose of an earnings opportunity under the MEEIA statute is to provide the company with an earnings opportunity to place shareholders in a financial position comparable to the earnings opportunity they would have had available had those shareholders made a future supply-side investment..." (Staff Brief at 37)

This position is wrong, based upon short-sighted thinking, and should be rejected by the Commission. Once again, Staff's reliance upon the need to eliminate or defer supply-side investments before approving a MEEIA program will effectively kill the DSM programs of any utility that has sufficient capacity to serve its customers for the foreseeable future. Clearly, the fundamental public policy issue for the Commission to decide is whether a utility that is long on capacity should be incented to offer DSM programs. As the Company has explained throughout these proceedings, the competent and substantial evidence demonstrates that DSM programs will benefit participating and non-participating customers even if it has sufficient capacity to serve its customers for the foreseeable future. (Company Brief at 24-30) Therefore, the Company should

be incented to provide and promote a robust portfolio of DSM programs rather than just utilize the traditional approach of building new power plants.

While Staff also argued that its approach was not falling under the Cycle of Denial (Staff Brief at 31-32), it nevertheless suggested that the Company should just delay its DSM programs until shortly before a supply-side resource was needed. According to Staff witness J Luebbert, "it could be likely that a MEEIA Cycle 3 that began in 2026 could yield cost effective programs. A portfolio could be designed that would be cost effective, and allow programs prior to the capacity need, but ramps up closer to the time the capacity is needed to allow the Company to actually avoid the CT." (Staff Brief at 31) Staff is not being realistic with this argument since DSM programs cannot be easily turned on and turned off. Continuity among programs is critical, and a termination in the Company's DSM programs will likely result in the loss of experienced trade allies and implementers. The Division of Energy correctly observes that "MEEIA programs are not simply implemented at the 'flip of a switch,' [and] continuity in MEEIA offerings is important." (DE Brief at 2) DSM programs have considerable execution risk and the Company seeks to build upon its experience over the last decade in providing DSM programs, not give up that the expertise that it has developed, in the hope that it can replicate the benefits of DSM just in time to save it from building a power plant in the future. Moreover the timing of when a power plant is needed is uncertain. OPC witness Marke admitted at the hearing that a Company's load could suddenly increase and that IRPs can be wrong and are constantly changing. (Tr. 506-507) Yet, despite the need for program continuity and the inherent uncertainty concerning when additional resources are needed, OPC and Staff are certain that a robust MEEIA 3 suite of programs should be delayed for many years.

Unfortunately, Staff and Public Counsel also appear to be operating under the mistaken belief that investor-owned public utilities will offer a robust portfolio of DSM programs even if the companies are not allowed to earn a return on their investments in the DSM programs. (Staff Brief at 31; OPC Brief at 18-19) Both Staff (p. 54) and OPC (p. 18) mention in their Initial Briefs, that The Empire District Electric Company ("Empire") and all Missouri gas companies offer energy efficiency programs outside of MEEIA. However, these programs budgets are much smaller than what the Company proposed. For example, Empire's yearly budget for all programs is $1,250,000.[4] The existence of some very small energy efficiency programs outside of MEEIA does not prove that the Company's programs will continue without an earnings opportunity. Without the earnings incentive to provide DSM programs, the Company is not in a position to offer a robust portfolio of DSM programs. As Mr. Caisley explained:

> There's a lot of execution risk with MEEIA energy efficiency programs that -- there's a lot of scrutiny that comes from all the parties that are certainly sitting in this room today and a lot of delay, as we've seen over each cycle of trying to get this process approved that we don't face when we meet customers' needs with supply-side.
>
> But the legislature was pretty clear that they wanted energy efficiency and -- and demand-side programs to be a part of the solution in Missouri. And that's why we continue to come in here and we continue to put programs forward that can move the ball forward for that policy. (Tr. 227-28)

If the Staff and OPC's position on earnings opportunity is accepted by the Commission, then the Company will not be in a position to move forward to implement its MEEIA 3 portfolio of programs. (Tr. 34-35)

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[4]The Empire District Electric Company, P.S.C. Mo, No. 5, Sec. 4, 2nd Revised Sheet No. 8e.

C. Staff and OPC's Positions Are Inconsistent with Ameren's MEEIA 3 Settlement Agreement

Staff seeks to explain its disparate treatment of the Company from the way it has resolved the recent Ameren Missouri MEEIA 3 case by merely suggesting the obvious that "KCPL/GMO is not Ameren Missouri." (Staff Brief at 49). However, it has not adequately explained why it views the Company so differently. Both the Company and Ameren are long on capacity. The Company needs capacity in 13 years, while Ameren Missouri needed capacity in 16 years. (Tr. 256, 312, 443) Both companies sought an earnings opportunity to incent them to provide a robust portfolio of DSM programs. Ameren received a $30 million earnings opportunity, but Staff is recommending a zero performance incentive for the Company.

First, Staff argues that Ameren was able to demonstrate the deferral of a generation unit by approximately two years. (Staff Brief at 50). However, it is the Company's understanding that such deferral was never demonstrated for Ameren's approved three-year MEEIA program – such deferral was only demonstrated under Ameren Missouri's filed six-year MEEIA program. Consistent with this understanding is Staff witness John Rogers' recollection that Ameren did not defer any capacity.[5] Staff cannot rely on "generation deferral" as a reason to treat the Company different from Ameren.

Second, Staff argues that Ameren Missouri operates in the Midcontinent Independent System Operator (MISO) regional transmission organization and the Company operates in SPP. (Staff Brief at 50). Staff pointed out that MISO has a transparent capacity market and SPP does not. Staff also suggested that Ameren Missouri bids its capacity into MISO but only purchases enough capacity to meet customer demand. (Staff Brief. At 50). While these Staff statements are

[5] Tr. p. 440, l. 14-16

factually correct, they are not germane to determining avoided capacity costs for DSM screening purposes. While SPP does not facilitate a centralized annual capacity market, the Company can and does sell capacity on a bilateral basis. As explained earlier in this Reply Brief, in the context of DSM screening, it is the longer-term market value of capacity that is important, not the short-term market that currently exists in MISO. The fact that Ameren has access to this short-term market is irrelevant to the determination of long-term avoided capacity costs and because Ameren does not use the MISO market prices but instead uses the MIDAS model to calculate its avoided capacity prices (Staff Brief at 51). Thus, the "MISO transparency" argument does not explain why the two companies should be treated differently by the Staff.

Third, Staff argues that it prefers Ameren Missouri's use of the MIDAS program for simulating additions, retirements and dispatching of resources to determine what the market clearing price might be in a given year. (Staff Brief at 50) While the Company uses MIDAS in its IRP process, it utilized a combustion turbine or its alternative market capacity approach in support of its MEEIA Application. This difference is not a sufficient reason to approve Ameren Missouri's MEEIA 3 application, including a $30 million earnings opportunity, and reject out of hand the Company's request for a continuation of its successful MEEIA programs.

Fourth, Staff seems to fault the Company for being on the forefront of implementation of advanced metering infrastructure ("AMI"). (Staff Brief at 51) Because Ameren Missouri does not have AMI, it apparently won favor with the Staff since it would have a greater need to communicate energy usage information with its customers. Such a penalty to the Company for being progressive in adopting AMI is not appropriate. Basic marketing principles would also suggest that it is desired to have a similar message reach a customer from multiple channels to

improve the effectiveness in driving action from a customer. (Ex. 3, Company Surrebuttal Report, pp. 65-68)

With respect to other program elements, it seems that Staff and witness Geoff Marke are relying on misinformation regarding the two utilities' HER budgets. Ameren's approved Cycle 3 HER budget for three years is $5.84 million[6] and the Company proposed $4.35 million for similar amounts of households reached and savings achieved. (Annually 35 and 30 GWH, respectively). Additionally, Staff also finds favor for Ameren just now submitting demand response programs when the Company successfully managed demand response programs in Cycles 1 and 2. These demand response programs are nationally recognized for their innovative design (Ex. 3, Company Surrebuttal Report, p. 4). Lastly, Staff was able to find agreement in focusing on long lived measures in Ameren's MEEIA Cycle 3, but forgets that as the Company outlines in Section 5.2 of its original filing that 97% of the projected demand savings from the Company's largest proposed MEEIA 3 energy efficiency programs are coming from measures with 10 years or longer lives.

If Staff and OPC were consistent in their approach to avoided costs, then Ameren Missouri would also have had zero avoided capacity costs. But as explained in the Company's Brief at pages 37-40, Ameren did not need a supply-side option for 16 years[7], yet the parties agreed to utilize avoided capacity costs that were higher than zero. In addition, while the Commission Staff is recommending that the Company not be permitted an earnings opportunity in this case, Staff, Public Counsel and intervenors in the Ameren Missouri MEEIA 3 case agreed that Ameren should be given a $30 million earnings opportunity to incent the Company to offer DSM programs on the eastern side of the state. (Tr. 267-69)

[6] See Order Approving Stipulation and Agreement and Granting Waivers, EO-2018-2011, Dec. 5. 2018, Stipulation Appendix A (Portfolio and Program Summary), p. 1.

[7] Staff's rebuttal report and analysis was based on Ameren's application of a six-year plan. The Commission ultimately approved a three-year plan for 2019-2021, with only low-income programs available through 2024.

The Commission should clearly indicate that the approaches taken by Staff and Public Counsel in interpreting the MEEIA statute and rules regarding avoided capacity costs and earnings opportunity in this case are not reasonable and consistent with the Ameren MEEIA 3 order approval. Otherwise, the Company sees little hope that there will be a resolution of the case that will result in the implementation of a robust set of MEEIA programs for the western side of Missouri. (Id.)

E. Opt-out customers should be permitted to participate in the BDR program

On p. 47 of its Initial Brief, Staff recommends if the Company's application is approved, only customers that have chosen not to opt-out should be allowed to receive the benefits of the business demand response ("BDR") programs, unless Staff's recommendations are implemented to better identify the BDR programs as interruptible or curtailable. Staff indicated at p. 46 of its Initial Brief that it could not tell from the Company's Application if the BDR program was interruptible or curtailable and therefore wanted the Company to specify in the tariff the rates at which the customer was to be compensated, other compensation requirements, participation restrictions as well as the level of penalties imposed for subpar performance.

The Company believes BDR is an interruptible or curtailable rate schedule or tariff and under section 393.1075.10 RSMo. opt-out customers are allowed to participate. Customers are asked to curtail their usage during pre-specified hours to help avoid system peaks. The customers are incented to do so with a payment for their performance during events (Ex. 2-P, MEEIA Filing, Appendix 8.1, p. 46) Customers can also be assessed financial penalties and/or contract termination for non-participation or event "opt-outs". Id. The Company believes that the proposed BDR tariff contains many of the details that Staff is looking for and commits to working with Staff to include additional details in the tariff related to eligibility.

OPC argues that under 393.1075.10 RSMo. opt-out customers can only take advantage of interruptible or curtailable tariffs that are not part of MEEIA. The language of the statue does not restrict opt-out customer to only non-MEEIA interruptible or curtailable programs and therefore the Commission should not impose such a restriction on opt-out customers.

F. PAYS

As explained in its Initial Brief, one of the reasons the Company is not interested in establishing a Pays as you Save ("PAYS") program is that it is does not want to be the "bank" that funds a PAYS program. While OPC and Renew Mo advocate for the program, their explanation of who pays for PAYS is unclear in their Initial Briefs. OPC says at p. 21 of its Initial Brief that it may appear to be a loan but it is not a "true loan" because the energy efficiency upgrade is owned by the utility. On p. 11 of its brief, Renew Mo insists that PAYS is not a loan but then admits that the utility pays the upfront costs of installing energy efficiency equipment and the customer pays back these costs. No matter what it is called, both OPC and Renew Mo don't address the Company's real issue with the PAYS program - the Company's payment of upfront costs for the energy efficiency equipment that is being installed at the customer premises. Under PAYS, the Company will have to borrow significant funds up front to purchase and install energy efficiency upgrade equipment and will only be paid back these funds by customers over long period of time. This extensive borrowing and lending of money, where the Company does not get paid back for many years, is outside of the Company's expertise and not consistent with the Company's business of running a utility. The Commission should not require the Company to undertake something that is outside of its core business expertise. Moreover, MEEIA is a voluntary program and the Company is not willing to implement a PAYS program at this time.

The level of borrowing in OPC's and Renew Mo's Ouachita cooperative example also does not fit the Company's overall strategy. The co-op borrowed over $2 million dollars for its PAYS program of 400 customers. (Caycee Rebuttal, Ex. 450, pp. 4-5) This works out to $5000 for each participating customer. OPC suggests, based on the Ouachita model, that the Company could eventually have 65,000 customers participate in a PAYS program. (OPC Initial Brief, p. 22) At the $5000 cost per project, the Company would need to borrow over $357 million to fund such a program. The Company is not willing to borrow this amount to pay for energy efficiency equipment.

OPC's testimony also recommends a pilot PAYS program with a $27.5 million budget (at $5500 per completed project). (Marke Rebuttal, Ex. 200, p.44) Again, the Company objects to borrowing this amount to pay for the energy efficiency equipment that is installed at the customer premises. According to the PAYS inventor, the Energy Efficiency Institute, Inc., this money would be tied up for up to 15 years as the payback period. (Marke Rebuttal, Ex. 200, Schedule GM-9, p.14) The Company is not interested in providing this pilot level of funding, especially with such a long payback period. While it appears that the recovery of some of the program costs and incentives could be recovered through MEEIA, MEEIA does not provide the initial funds and the Company is not willing to voluntarily borrow these large amounts to fund a PAYS program.

Besides the threshold issue of millions of dollars in additional Company borrowing, there are other issues to consider regarding a PAYS programs. The Company would also need to work with the Commission on rules related to non-payment including loss reserves, non-pay disconnection rules and ownership rights on the customer's side of the meter. For example, does the Commission feel the Company should treat PAYS non-payment as the same as other electric use non-payment leading to possible disconnection? Moreover, the Company is not willing to

hold payment risk on the energy efficiency investment and does not believe that financial institutions would be willing to bear this risk either.

While OPC and Renew Missouri present the example of Ouachita electric cooperative for an example of a successful PAYS program, the Company is aware of only a very few investor-owned utilities that use PAYS and those serve both electric and gas customers. The Company also notes the slow rate of participation with the PAYS program. The Arkansas Commission approved the PAYS program for the co-op in February of 2016. (Caycee Rebuttal, Ex. 450, schedule MC-2) In the almost 24 months since the time of approval and the filing of the co-op testimony in this case, the co-op lists 400 customers that have utilized PAYS. (Id., p. 4) This take rate does not compare well to other MEEIA programs and scaling the PAYS program to the size of the Company would be difficult and time-consuming.

G. Other proposals raised in Initial Briefs

OPC requests the Company allocate $2 million for research and coordination work on the Urban Heat Island ("UHI") issue. (Marke Rebuttal, Ex. 200, p. 52) The Company is willing to study the UHI issue as part of its MEEIA 3 research and pilot budget. (Ex. 3, Company Surrebuttal Report, p.72) However, the Company is unwilling to spend nearly all of its proposed research and pilot budget ($2.2M over three years for both jurisdictions) on one program as recommended by OPC. The Company's application called for $500,000 to test concepts before commercialization.

OPC proposes WattTime technology be tested by the Company. (Marke Rebuttal, Ex. 200, p. 41) Provided that the software is compatible with the Company's metering and billing systems, the Company is willing to evaluate this program in its research and pilot evaluation process should the Commission view this proposal favorably.

OPC proposes that the Company conduct an equitable energy efficiency baseline study. (Marke Rebuttal, Ex. 200, p. 37). Should the Commission view this proposal favorably the Company is willing to evaluate this feasibility of providing such study using its research and pilot evaluation process.

WHEREFORE, KCP&L and GMO respectfully submit their Reply Brief.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 21st day of October 2019, to all counsel of record.

/s/ Roger W. Steiner
Roger W. Steiner