Exhibit No.:	
Issue(s):	*Demand response programs*
Witness:	*J LUEBBERT*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal Testimony*
Case No.:	*EO-2020-0262*
Date Testimony Prepared:	*January 13, 2021*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

SURREBUTTAL TESTIMONY

OF

J LUEBBERT

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

CASE NO. EO-2020-0262
(Consolidated with Case No. EO-2020-0263)

Jefferson City, Missouri
January 2021

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

SURREBUTTAL TESTIMONY

OF

J LUEBBERT

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

CASE NO. EO-2020-0262 (Consolidated with Case No. EO-2020-0263)

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. Please describe your educational background and relevant work experience.

A. I received my Bachelor of Science degree in Biological Engineering from the University of Missouri in 2012. I was employed by the Missouri Department of Natural Resources as an Environmental Engineer from 2012 through 2016. I have been employed by the Commission since 2016 as an Associate Engineer and as Case Manager.

Q. Have you filed testimony with the Commission before?

A. Yes. I have attached Schedule JL-s1, which is a listing of all my prior cases and filings.

Q. What is the purpose of your surrebuttal testimony?

A. The Office of the Public Council's ("OPC") witness Lena M. Mantle proposed several disallowances within this docket that are related to the disallowances that

I recommended in Case Nos. EO-2020-0227 and EO-2020-0228 regarding Evergy's implementation of its Missouri Energy Efficiency Investment Act ("MEEIA") demand response programs. Ms. Mantle included the disallowances associated with Evergy's demand response programs "to give the Commission the opportunity to make an adjustment in this FAC prudence case if it agrees with Evergy's position that this is a matter for a FAC prudence case and not the MEEIA case." I will respond to the rebuttal testimony of Evergy witness Brian File regarding Ms. Mantle's proposed disallowances that are related to Evergy's implementation of its MEEIA demand response programs.

Q. Does Mr. File agree with Ms. Mantle's disallowances in this docket?

A. No. Mr. File states, "The purpose of my rebuttal testimony is to address pp. 19-22 of the direct testimony of OPC witness Lena Mantle where OPC alleges that the Company was imprudent by not calling on its demand response programs." (Rebuttal page 3, lines 14 – 16). Some of the disallowances recommended by Ms. Mantle rely upon information contained in my workpapers for Case Nos. EO-2020-0227 and EO-2020-0228.

Q. Did you recommend disallowances associated with Evergy's demand response programs within this docket? Please explain.

A. No. As I stated in my surrebuttal testimony within the Case No. EO-2020-0227 docket, the recommended disallowances are appropriate to address through the MEEIA prudence review for the reasons listed below:

1. The MEEIA demand response program costs including incentives, program administration, and employee salaries are recovered through the respective company's Demand-Side Programs Investment Mechanism ("DSIM").
2. Evergy was incentivized to implement the programs through the approved Earnings Opportunity ("EO") which is also funded through the DSIM.

3. Evergy's decision makers failed to maximize the benefits of the approved demand response program even after acknowledging several of those potential benefits.

4. 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.

5. The programs were funded through the DSIM despite the decisions not to target potential ratepayer benefits during the implementation of the programs.

6. 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.

While some of the potential benefits that Evergy failed to attempt to achieve would have flowed back to customers through the respective company's Fuel Adjustment Clause ("FAC"), the decisions, or lack thereof in some instances, were the result of Evergy's implementation of the MEEIA programs and the disallowances I recommended are appropriate to address through the MEEIA prudence review proceedings. Separating the disallowance associated with the management of the MEEIA programs from the MEEIA prudence review process as suggested by Mr. File at page 15, beginning at line 16 of his rebuttal testimony would result in the same issues or substantially similar issues being raised and litigated by multiple parties in up to three different dockets. Hearing the same or similar issues regarding the implementation of MEEIA programs within the context of MEEIA prudence review cases, FAC prudence review cases, and general rate case proceedings will likely lead to confusion of the issues at hand, additional time and resources employed by stakeholders, and additional costs associated with the increased litigation. Further, in the instant situation, the issue in this case is already addressed in the MEEIA prudence case, Case No. EO-2020-0227, which has resulted in two different Regulatory Law Judges presiding over two separate cases with substantially similar issues. The potential for multiple appeals regarding substantially similar issues regarding the implementation of MEEIA programs would only further complicate the ultimate outcome of the Commission's decisions. The creation of such an administrative inefficiency regarding the decisions made during the implementation of a utility energy efficiency program is ironic and easily avoided by addressing the imprudent actions of Evergy's decision makers through the DSIM and within the context of the MEEIA prudence review.

For the sake of making the record clear in this case I have appended the Staff MEEIA Prudence Reports,[1] my direct testimony,[2] and my surrebuttal testimony[3] from Case No. EO-2020-0227, which more thoroughly explain the disallowances that I recommend the Commission order as adjustments to the DSIM. I will also address some of the points raised by Mr. File in this case.

Q. 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 as asserted by Mr. File?

A. Evergy designed the demand response programs with most of the incentives being provided upon enrollment in the program instead of basing the incentives on customer performance during events. Due to the incentive structure of the programs, the costs of

[1] Staff filed a separate report for Evergy Missouri West in Case No. EO-2020-0228. The report for Evergy Missouri Metro is appended hereto as Schedule JL-s2, and the report for Evergy Missouri West is appended hereto as Schedule JL-s3.

[2] Appended hereto as Schedule JL-s4.

[3] Appended hereto as Schedule JL-s5.

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 (SPP) and the ways to minimize those costs. ** ____________________

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____ ** 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.

Q. You mentioned that Evergy's decision makers failed to maximize the benefits of the approved demand response program even after acknowledging several of those potential benefits. 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:

> **____
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> ____

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Furthermore, Evergy recognized the opportunity for Evergy Metro increasing its capacity sales arising from the MEEIA Cycle 2[4] programs in a response to a Staff data request which was dated January 3, 2019. 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.

Q. Within his rebuttal testimony Mr. File asserts that "Calling more events does not automatically mean that additional SPP benefits will be realized." How would you respond to his assertion?

A. While calling more events does not guarantee that additional SPP benefits will be realized, calling minimal events almost guarantees that Evergy will not achieve those potential benefits. As Wayne Gretzky once stated, "You miss 100 percent of the shots you don't take." Nothing precluded Evergy from developing demand response event protocols based on the years of data attributable to the demand response programs, Evergy's retail load trends, and SPP market trends. Depending on the efficacy of such a protocol, Evergy could

[4] Staff's FAC prudence audit reviewed costs incurred from June 1, 2018 to November 30, 2019. These dates correspond with the Evergy MEEIA Demand Response event seasons in 2018 and 2019 for which I recommended disallowances in Case Nos. EO-2020-0227 and EO-2020-0228. OPC witness Lena M. Mantle is recommending FAC disallowances in this case.

have utilized it to increase the likelihood of achieving the benefits that Evergy's witnesses previously recognized or Evergy could have altered the protocol to improve the likelihood of achieving those benefits. Regardless of whether Evergy ultimately called events coincident with the months' system peak, Evergy could have attempted to increase the likelihood of achieving the benefits by calling events more frequently and developing protocols to maximize the benefits achieved.

Q. How would you describe Figure 1 of Mr. File's rebuttal testimony?

A. Mr. File's comparison of "Commission Approved avoided capacity costs" to the recommended disallowances is a distraction from the actual issues at hand. The disallowance amounts that I recommended in the EO-2020-0227 case are benefits that Evergy could have achieved through sound decision making throughout the implementation of its demand response programs. The reduction in system peak demand does not automatically provide $107.27 $/kW-year worth of benefits to Evergy ratepayers. Rather, this value is merely 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."[5] That option was the highest estimated value of avoided capacity costs contemplated by Evergy within the application 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

[5] 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.

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 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. Absent additional effort by the Evergy decision makers, the demand response programs have not provided ratepayer benefits similar to those of a CT, the levelized cost of which Evergy portrayed as a potential benefit from MEEIA demand reductions. A simple-cycle natural gas 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. Evergy's implementation of the demand response programs has not provided tangible financial benefits for ratepayers because the programs have not been utilized to generate revenue or substantially avoid actual costs.

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 in my direct testimony in Case No. EO-2020-0227, 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. Mr. File states that "[a]voided cost is meant to best represent what the Company would have done or had to do in the absence of the program accomplishment." Would Evergy need to procure any additional supply-side resources to meet the SPP resource adequacy requirement?

A. No. Furthermore, Staff would likely recommend that the Commission reject an Evergy application to build a new combustion turbine because such an asset is not necessary at this time to provide Evergy's ratepayers with safe and adequate service. Absent Evergy's demand response programs, Evergy ratepayers would not likely incur the levelized cost of a combustion turbine but would avoid the cost of the demand response programs and the associated earnings opportunity tied to the programs.

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. Within his rebuttal testimony Mr. File cites the Evergy Missouri Metro and Evergy Missouri West respective tariffs to describe what Evergy's demand response programs are designed to achieve and then goes on to conclude that Evergy was successful in achieving the desired objectives that informed and guided the design of these demand response programs.[6] Do you agree with Mr. File's conclusion?

A. I do not. To be clear, Evergy did not defer any "future generation capacity additions" through the implementation of its demand response programs in 2018 or 2019. As I previously informed the Commission,[7] Evergy's own integrated resource plans do not forecast any need for additional capacity to meet SPP's resource adequacy requirements[8] prior to the conclusion of Evergy's MEEIA Cycle 3 at which point Evergy would need to request Commission approval to continue DSIM funding of the program. Evergy will likely request approval of millions of dollars in program costs as well as additional Earnings Opportunities to implement those subsequent demand response programs with the hopes of deferring generation capacity. Evergy called a fraction of the demand response events that the Company had at its disposal despite the fact that additional events would have caused minimal, if any, increases in program costs while affording the opportunity to derive financial benefits for ratepayers.

Q. Mr. File also stated that "[r]educing the system annual peak is the primary objective and where the value lies in terms of customer benefit and utility measurement." With respect to the SPP resource adequacy requirement, did Evergy reduce the system annual peak in 2018 and 2019?

A. According to Evergy's response to a Staff data request,[9] for the period of 2018-2019 Evergy called one demand response event coincident with the Evergy Metro system

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[6] Pages 4-6 of the Rebuttal testimony of Evergy's witness Brian A. File.

[7] Staff Rebuttal report in Case NO. EO-2019-0132.

[8] According to Evergy's response to Staff data request No. 0053 in Case No. EO-2019-0132, KCPL and GMO currently meet the SPP resource adequacy requirements on a combined basis and plan to do so on a going-forward basis.

[9] Evergy response to Staff data request 0064 in Case No. EO-2020-0227.

peak. Even if the demand response events called in 2018 and 2019 shifted the annual system peak, Evergy had multiple opportunities to further reduce the annual system peak by calling more events. If Evergy were utilizing the demand response programs to meet the SPP resource adequacy requirement but failed to call events that were largely already paid for, the result would be a severe financial detriment in the form of a Deficiency Payment.[10] Thankfully, in 2018 and 2019 Evergy did not need to call demand response events to meet the SPP resource adequacy requirement because Evergy had sufficient supply-side resources to meet the requirement. If the only objective of the demand response programs is knowledge of how the programs can perform when necessary to avoid additional supply-side resources, then Evergy should be calling many more events to ensure that the annual system peak is reduced. Even if the "would be" system peak is reduced through called events, there is always an additional opportunity to further reduce the new system peak. Leaving events on the table with the incentive structure designed by Evergy does not provide ratepayers with the benefits implied by Evergy within its application for approval of the demand response programs. The Commission's approval of Evergy's MEEIA Cycle 2 does not alleviate the responsibility of Evergy's management 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.

Q. Mr. File emphasizes that "all customers benefited in the reduction of peak capacity from the efforts of the thermostat program in Cycle 2." Does he provide any evidence of actual financial benefits that are achieved through such a reduction?

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[10] Attachment AA of the SPP Open Access Transmission Tariff.

A. No. Mr. File continues to rely on the "proxy avoided costs" to determine whether or not the programs were cost effective and benefited ratepayers. The problem with his position is that the "proxy avoided capacity costs" are not and will never be realized by ratepayers through reduced rates.

Q. Do you agree with Mr. File's assertion that "OPC and Staff's position is that reasonableness required Evergy to scrap the underlying purpose of the MEEIA Cycle 2 programs of reducing system-wide annual peak to chase marginal ancillary objectives by betting on the weather"?

A. I do not. It should be noted that Evergy designed the demand response programs as well as the incentive structure of the programs. The incentive structure of the programs allowed for Evergy to call many more events than it did with marginal incremental program costs. Furthermore, reductions in monthly peaks can coincide with reduction in system annual peaks. If Evergy did not envision that an annual system peak could occur within the months of June, July, August, or September, why would Evergy have specified those dates within the respective tariff sheets and contracts? If Evergy were to reduce the system peak in each of months of the "event season" it would, by default, reduce the annual system peak. More importantly, Evergy would thereby derive some financial benefit from the demand response programs that Evergy's ratepayers have and continue to pay so dearly for through the DSIM rider. 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.

Q. How would you respond to the premise that the recommended disallowances, "is an attack on the Commission's findings that the design of the MEEIA Cycle 2 programs were reasonable."[11]

A. The disallowances that I recommended are in no way an attack on the Commission's findings. Evergy did not inform the Commission that its intention was to call a minimal number of events or ignore potential financial benefits for ratepayers at minimal incremental cost. Instead, Evergy claimed substantial benefits from the demand reductions, but failed to implement the programs in a way that would derive tangible financial ratepayer benefits that mirror the claimed benefits. The respective tariffs, which Mr. File continues to note were approved by the Commission, contain information regarding the nature of reasons for calling events, but they do not contain the incentive structure for the Demand Response Incentive program nor do they inform customers that receive a thermostat of the maximum number of events. 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.

[11] Evergy's witness Brian A. File rebuttal testimony.

Q. Are you recommending the Commission make adjustments in this case instead of Case No. EO-2020-0227 as you previously recommended?

A. No. I continue to recommend that the Commission order an adjustment to the DSIM in the amounts that I identified in Case Nos. EO-2020-0227 and EO-2020-0228. Alternatively, if the Commission believes that the issues raised in this case by Ms. Mantle have merit, I offer my support for the estimation of customer harm which Ms. Mantle utilized to estimate some of her recommended disallowances through an ordered FAC adjustment.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Ninth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	))))	Case No. EO-2020-0262

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

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Ninth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	))))	Case No. EO-2020-0262

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Further the Affiants sayeth not.

/s/ J Luebbert
J LUEBBERT

J Luebbert Case Summary

Case Number	Company	Issues
EO-2015-0055	Ameren Missouri	Evaluation, Measurement, and Verification
EO-2016-0223	Empire District Electric Company	Supply-Side Resource Analysis, Transmission and Distribution Analysis, Demand-Side Resource Analysis, Integrated Resource Analysis
EO-2016-0228	Ameren Missouri	Utilization of Generation Capacity, Plant Outages, and Demand Response Program
ER-2016-0179	Ameren Missouri	Heat Rate Testing
ER-2016-0285	Kansas City Power & Light Company	Heat Rate Testing
EO-2017-0065	Empire District Electric Company	Utilization of Generation Capacity and Station Outages
EO-2017-0231	Kansas City Power & Light Company	Utilization of Generation Capacity, Heat Rates, and Plant Outages
EO-2017-0232	KCP&L Greater Missouri Operations Company	Utilization of Generation Capacity, Heat Rates, and Plant Outages
EO-2018-0038	Ameren Missouri	Supply-Side Resource Analysis, Transmission and Distribution Analysis, Demand-Side Resource Analysis, Integrated Resource Analysis
EO-2018-0067	Ameren Missouri	Utilization of Generation Capacity, Heat Rates, and Plant Outages
EO-2018-0211	Ameren Missouri	Avoided Costs and Demand Response Programs
EA-2019-0010	Empire District Electric Company	Market Protection Provision
EO-2018-0211	Ameren Missouri	Avoided Cost and Demand Response Programs
GO-2019-0115	Spire East	Policy
GO-2019-0116	Spire West	Policy
EO-2019-0132	Kansas City Power & Light Company	Avoided Cost, SPP resource adequacy requirements, and Demand Response Programs
ER-2019-0335	Ameren Missouri	Unregulated Competition Waivers and Class Cost Of Service
ER-2019-0374	Empire District Electric Company	SPP resource adequacy
EO-2020-0227	Evergy Metro	Demand Response programs
EO-2020-0228	Evergy Missouri West	Demand Response programs

Case Number	Company	Issues
EO-2020-0280	Evergy Missouri Metro	Integrated Resource Planning Requirements
EO-2020-0281	Evergy Missouri West	Integrated Resource Planning Requirements

SCHEDULE BJF-d4

HAS BEEN DEEMED

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IN ITS ENTIRETY

SCHEDULE BJF-d6

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

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

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

DIRECT TESTIMONY

OF

J LUEBBERT

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

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

Jefferson City, Missouri
August 2020

** Denotes Confidential Information **

DIRECT TESTIMONY

OF

J LUEBBERT

EVERGY MISSOURI METRO
and
EVERGY MISSOURI WEST

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

Q. Please state your name, employment position, and business address.

A. J Luebbert, Associate Engineer with the Missouri Public Service Commission ("Commission"), 200 Madison Street, Jefferson City, Missouri 65101.

Q. Please describe your educational background and relevant work experience.

A. I received my Bachelor of Science degree in Biological Engineering from the University of Missouri in 2012. I was employed by the Missouri Department of Natural Resources as an Environmental Engineer from 2012 through 2016. I have been employed by the Commission since 2016 as an Associate Engineer and as Case Manager.

Q. Have you filed testimony with the Commission before?

A. Yes. I have attached Schedule JL-d1, which is a listing of all my prior cases and filings.

Q. Have you participated in the Commission Staff's audit of Evergy Metro, Inc., d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy Missouri West, Inc., d/b/a/ Evergy Missouri West ("Evergy Missouri West") (collectively "Evergy"), concerning the Staff's prudence reviews in this proceeding?

A. Yes, I have, with the assistance of other members of the Staff.

Q. What is the purpose of your direct testimony?

A. I am sponsoring the recommended disallowances related to the demand response programs in the *Staff's Reports of Second Prudence Review of Cycle 2 Costs Related to the Missouri Energy Efficiency Investment Act* ("Staff Reports"), which were originally filed on June 30, 2020, in Case Nos. EO-2020-0227 and EO-2020-0228.[1] My section of the reports describes the imprudent decisions made by Evergy as well as Staff's recommended ordered adjustments based on those decisions. My review during the prudence audit focused primarily on the demand response programs costs, performance, missed opportunities to derive benefits for ratepayers, and decision making regarding the implementation of the programs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. Why do you describe the approach to demand response incentives as "front loaded?"

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

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

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

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

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

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

A. Ratepayers that pay the Demand Side Investment Mechanism have little, if any, control over the implementation of the demand response programs, yet they fully fund the programs with the hope of reduced bills. Evergy ratepayers rely on Evergy to maximize the ratepayer benefits that may result from the implementation of MEEIA programs. Through the DSIM, ratepayers have paid and will continue to pay a substantial amount for the demand response programs and they should reasonably expect Evergy decision makers to maximize ratepayer benefits that could result from the implementation of the programs. The decision making that occurred during the implementation of the demand response programs resulted in a lack of realized ratepayer benefits and additional costs to ratepayers. Given the incentive structure employed by Evergy for the demand response programs, Evergy could have derived far greater benefits for ratepayers with minimal, if any, increases to the demand response program costs. Evergy's failure to implement the demand response programs in a manner that would maximize benefits at least cost resulted in a lack of benefits to ratepayers through reduced SPP fees, lack of revenue from a bilateral contract, and additional program costs. Each of my recommended disallowances is further addressed in the Staff Reports attached to the direct testimony of Staff witness Brad J. Fortson.

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

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

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Second Prudence Review of the Missouri Energy Efficiency Investment Act (MEEIA) Cycle 2 Energy Efficiency Programs of Evergy Metro, Inc. d/b/a Evergy Missouri Metro	)))))	Case No. EO-2020-0227

AFFIDAVIT OF J LUEBBERT

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

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

Further the Affiant sayeth not.

*/s/ J Luebbert*___________________
J LUEBBERT

J Luebbert Case Summary

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

SCHEDULE JL-d2

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Exhibit No.:
Issue(s): *MEEIA programs*
Witness: *J Luebbert*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *EO-2020-0227*
Date Testimony Prepared: *October 14, 2020*

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

J LUEBBERT

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

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

[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

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[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

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[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 ** ________ ** 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.

<u>BEFORE THE PUBLIC SERVICE COMMISSION</u>

<u>OF THE STATE OF MISSOURI</u>

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