

Exhibit No.:
Issue(s):
Witness/Type of Exhibit:
Sponsoring Party:
Case No.:

Administrative Costs
Schaben/Direct
Public Counsel
EO-2021-0416
EO-2021-0417

DIRECT TESTIMONY

OF

ANGELA SCHABEN

Submitted on Behalf of the Office of the Public Counsel

EVERGY METRO, INC. D/B/A
EVERGY MISSOURI METRO
AND
EVERGY WEST, INC D/B/A
EVERGY MISSOURI WEST

CASE NOS. EO-2021-0416 AND EO-2021-0417

January 11, 2022

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the First Prudence Review of)
 the Missouri Energy Efficiency Investment Act)
 (MEEIA) Cycle 3 Energy Efficiency Programs)
 and Cycle 2 Long-Lead Projects of Evergy) Case No. EO-2021-0416
 Missouri West, Inc. d/b/a Evergy Missouri)
 West)

In the Matter of the First Prudence Review of)
 the Missouri Energy Efficiency Investment)
 Act(MEEIA) Cycle 3 Energy Efficiency)
 Programs and Cycle 2 Long-Lead Projects of) Case No. EO-2021-0417
 Evergy Metro, Inc. d/b/a Evergy Missouri)
 Metro)

AFFIDAVIT OF ANGELA SCHABEN

STATE OF MISSOURI)
) ss
 COUNTY OF COLE)

Angela Schaben, of lawful age and being first duly sworn, deposes and states:

1. My name is Angela Schaben. I am a Utility Regulatory Auditor for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




 Angela Schaben
 Utility Regulatory Auditor

Subscribed and sworn to me this 11th day of January 2022.



TIFFANY HILDEBRAND
 My Commission Expires
 August 8, 2023
 Cole County
 Commission #15637121



 Tiffany Hildebrand
 Notary Public

My Commission expires August 8, 2023.

DIRECT TESTIMONY

OF

ANGELA SCHABEN

**EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST AND
EVERGY METRO, INC. D/B/A EVERGY MISSOURI METRO**

CASE NOS. EO-2021-0416 AND EO-2021-0417

1 **Q. Please state your name, title, and business address.**

2 A. Angela Schaben, Utility Regulatory Auditor, Office of the Public Counsel (OPC or Public
3 Counsel), P.O. Box 2230, Jefferson City, Missouri 65102.

4 **Q. What are your qualifications and experience?**

5 A. Please refer to the Schedule ADS-D-1 attached hereto.

6 **Q. Have you testified previously before the Missouri Public Service Commission?**

7 A. No.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to express concern over the apparent increase in
10 administrative cost percentages incurred by both Evergy Missouri West and Evergy
11 Missouri Metro from MEEIA Cycle 2 through MEEIA Cycle 3. I also support additional
12 disallowances above what Staff has recommended.

13 **Q. How does Staff define administrative for the purpose of MEEIA Prudence Reviews?**

14 A. Staff uses the term “administrative” to mean all costs other than incentives.¹ I use the same
15 definition of administrative throughout this testimony.

16 **Q. What are incentives?**

17 A. Incentives are program costs for direct and indirect incentive payments to encourage customer
18 and/or retail partner participation in programs and the costs of measures that are provided at
19 no cost as part of a program².

¹ Page 17 of “Staff Report – First Prudence Review of Cycle 3 Costs” File No. EO-2021-0417.

² Page 17 of “Staff Report – First Prudence Review of Cycle 3 Costs” File No. EO-2021-0417.

1 **Q. What is Staff's position?**

2 A. Staff recommends a disallowance of \$1,600,615.79 for Evergy Missouri West ("West") and
3 \$1,822,520.84 for Evergy Missouri Metro ("Metro") for disallowance totals of
4 \$3,423,136.63. Most of these disallowances are for each Company's Throughput
5 Disincentive mechanism for its Home Energy Report ("HER") program, with a minimal
6 amount of disallowances for administrative costs.

7 **Q. What is your position?**

8 A. I support Staff's recommended disallowances. However, I do not think Staff recommended
9 enough disallowances for administrative costs. During MEEIA Cycle 2, Evergy Missouri
10 West spent 59% of programmatic spending on administrative costs while Evergy Missouri
11 Metro spent 55% on administrative costs. The percentage spent on program administrative
12 costs grew for both Evergy Missouri West and Evergy Missouri Metro through MEEIA
13 Cycle 3, even after "Staff acknowledged this was a valid concern" during MEEIA Cycle 2.
14 Therefore, I would recommend additional disallowances of \$1,523,413.16 for Evergy
15 Missouri Metro and \$2,410,278.21 for Evergy Missouri West. This recommendation
16 reduces administrative costs down to 50% of the total program costs for each utility. A
17 breakdown supporting this calculation is presented for Evergy Missouri West in Table 1 and
18 Evergy Missouri Metro in Table 2 below:

19
20 **Table 1 - Evergy West breakdown:**

Incentives	\$ 6,062,580.00
Non-Incentives	\$ 10,073,474.00
Incentive + Non-Incentive = Total	\$ 16,136,054.00
(Staff Disallowance)	\$ (1,600,615.79)
(Additional disallowance to reach 50/50)	\$ (2,410,278.21)
Adjusted non-incentive total	\$ 6,062,580.00

Table 2 - Evergy Metro breakdown:

Incentives	\$ 5,876,207.00
Non-Incentives	\$ 9,222,141.00
Incentive + Non-Incentive = Total	\$ 15,098,348.00
(Staff Disallowance)	\$ (1,822,520.84)
(Additional disallowance to reach 50/50)	\$ (1,523,413.16)
Adjusted non-incentive total	\$ 5,876,207.00

- 1 **Q. Is your position consistent with the position the Office of the Public Counsel took in**
2 **Case Number EO-2020-0227, the second prudence review of the Missouri Energy**
3 **Efficiency Investment Act Cycle 2 Energy Efficiency Programs of Evergy Missouri**
4 **Metro and Evergy Missouri West?**
- 5 A. Yes. OPC witness Dr. Geoff Marke submitted testimony during the MEEIA 2 prudence
6 review justifying the rationale behind disallowances relating to administrative expenses.³
- 7 **Q. Does Staff acknowledge that administrative costs have increased even further from**
8 **MEEIA Cycle 2 through MEEIA Cycle 3?**
- 9 A. Yes. As stated in the *Staff Report – First Prudence Review of Cycle 3 Costs* for both Evergy
10 Missouri West and Evergy Missouri Metro, “For this current review period, the incentive
11 cost to program administrative cost ratio for Evergy Missouri Metro (and Evergy Missouri
12 West) grew further apart.”⁴.
- 13 **Q. What amount did Evergy Missouri Metro spend on administrative costs during the**
14 **MEEIA Cycle 2 period of April 1, 2018 through December 31, 2019?**
- 15 A. From April 1, 2018 through December 31, 2019, Evergy Missouri Metro spent \$14,311,933
16 on MEEIA program administration.

³ Dr. Geoff Marke’s Rebuttal Testimony – File No. EO-2020-0227.

⁴ Page 18 of the “First Prudence Review of Cycle 3 Costs” Staff Report – File No. EO-2021-0416 and EO-2021-0417.

- 1 **Q. What amount did Evergy Missouri Metro spend on incentives during the MEEIA**
2 **Cycle 2 period of April 1, 2018 through December 31, 2019?**
- 3 A. Evergy Missouri Metro spent \$11,557,377 on MEEIA incentives.⁵
- 4 **Q. What was Evergy Missouri Metro’s administrative to incentive ratio during the**
5 **MEEIA Cycle 2 period of April 1, 2018 through December 31, 2019?**
- 6 A. From April 1, 2018 through December 31, 2019, 55% of programmatic spending was
7 utilized for administrative costs versus 45% spent on customer incentives.
- 8 **Q. What amount did Evergy Missouri Metro spend on administrative costs during the**
9 **MEEIA Cycle 3 period of January 1, 2020 through March 31, 2021?**
- 10 A. From January 1, 2020 through March 31, 2021, Evergy Missouri Metro spent \$9,222,141
11 on MEEIA program administration.
- 12 **Q. What amount did Evergy Missouri Metro spend on incentives during the MEEIA**
13 **Cycle 3 period of January 1, 2020 through March 31, 2021?**
- 14 A. From January 1, 2020 through March 31, 2021, Evergy Missouri Metro spent \$5,876,207
15 on MEEIA incentives⁶.
- 16 **Q. By what percentage did Evergy Missouri Metro administrative costs increase from**
17 **MEEIA Cycle 2 to MEEIA Cycle 3 in comparison to the percentage spent on**
18 **incentives?**
- 19 A. During MEEIA Cycle 3, 61% of programmatic spending was utilized for administrative
20 costs versus 39% spent on customer incentives. MEEIA Cycle 3 Administrative costs
21 increased by 6% from MEEIA Cycle 2, thereby reducing customer incentive spending by
22 an additional 6%.

⁵ Page 13 of the “Second Prudence Review of Cycle 2 Costs” Staff Report – File No. EO-2020-0227.

⁶ Page 16 of the “First Prudence Review of Cycle 3 Costs” Staff Report – File No. EO-2021-0417.

1 **Q. What amount did Evergy Missouri West spend on administrative costs during the**
2 **MEEIA Cycle 2 period of April 1, 2018 through December 31, 2019?**

3 A. From April 1, 2018 through December 31, 2019, Evergy Missouri West spent \$17,439,979
4 on MEEIA program administration.⁷

5 **Q. What amount did Evergy Missouri West spend on incentives during the MEEIA Cycle**
6 **2 period of April 1, 2018 through December 31, 2019?**

7 A. Evergy Missouri West spent \$12,316,445 on MEEIA incentives during this period.

8 **Q. What was Evergy Missouri West’s administrative to incentive ratio during the MEEIA**
9 **Cycle 2 period of April 1, 2018 through December 31, 2019?**

10 A. From April 1, 2018 through December 31, 2019, 59% of programmatic spending was
11 utilized for administrative costs versus 41% spent on customer incentives.

12 **Q. What amount did Evergy Missouri West spend on administrative costs during the**
13 **MEEIA Cycle 3 period of January 1, 2020 through March 31, 2021?**

14 A. From January 1, 2020 through March 31, 2021, Evergy Missouri West spent \$10,073,474
15 on MEEIA program administration.

16 **Q. What amount did Evergy Missouri West spend on incentives during the MEEIA Cycle**
17 **3 period of January 1, 2020 through March 31, 2021?**

18 A. From January 1, 2020 through March 31, 2021, Evergy Missouri West spent \$6,062,580 on
19 MEEIA incentives⁸.

⁷ Page 13 of the “Second Prudence Review of Cycle 2 Costs” Staff Report – File No. EO-2020-0228.

⁸ Page 16 of the “First Prudence Review of Cycle 3 Costs” Staff Report – File No. EO-2021-0416.

1 **Q. By what percentage did Evergy Missouri West administrative costs increase from**
2 **MEEIA Cycle 2 through MEEIA Cycle 3 in comparison to the percentage spent on**
3 **incentives?**

4 A. During MEEIA Cycle 3, 62% of programmatic spending was utilized for administrative
5 costs versus 38% spent on customer incentives. MEEIA Cycle 3 Administrative costs
6 increased by 3% from MEEIA Cycle 2, thereby reducing customer incentive spending by
7 an additional 3%.

8 **Q. Why are the increases in administrative cost percentages from MEEIA Cycle 2**
9 **through MEEIA Cycle 3 concerning?**

10 A. Evergy Missouri Metro and Evergy Missouri West provide incentive payments to customers
11 as part of their approved energy efficiency programs. According to Staff’s First Prudence
12 Review of Cycle 3 Costs reports for both Evergy Missouri Metro and Evergy Missouri West,
13 “[i]ncentive payments are an important instrument for encouraging investment in energy
14 efficient technologies and products by lowering higher upfront costs for energy efficiency
15 measures”⁹. Every dollar spent on administrative overhead reduces the available amount of
16 funds remaining for incentives that help customers invest in energy efficient technologies.

17 **Q. What is Staff’s position regarding disallowances based on the percentage of**
18 **administrative costs pertaining to the MEEIA Cycle 2 prudence review?**

19 A. Staff’s recommendation regarding the program administrative cost can be found in the “First
20 Prudence Review of Cycle 3 Costs” Staff Report¹⁰, which states:

21 In the *Surrebutal Testimony of Cynthia M. Tandy*, witness for Staff, filed on October
22 14, 2020, Ms. Tandy stated that “Staff acknowledges this is a valid concern and will
23 continue to closely monitor this issue going forward... Staff is of the opinion that

⁹ Page 17 of the “First Prudence Review of Cycle 3 Costs” Staff Report – File No. EO-2021-0416 and EO-2021-0417.

¹⁰ Page 18 of the “First Prudence Review of Cycle 3 Costs” Staff Report – File No. EO-2021-0416 and EO-2021-0417.

1 this is a policy issue that deserves a more robust discussion, prospectively, outside
2 of a prudence review, to more appropriately determine how to address it.
3 Additionally, though, Staff would support any requirement the Commission may
4 order that better encourages Evergy to decrease its non-incentive costs.”

5 **Q. Has the Commission opined on administrative non-incentive disallowances pertaining**
6 **to the MEEIA Cycle 2 prudence review?**

7 A. Yes. During the agenda meeting held on November 3, 2021, the Commission agreed this
8 issue would be better addressed in a rule making docket and evaluated as a general policy
9 concern.

10 **Q. Is opening a workshop and rule making docket a practicable resolution for addressing**
11 **past and present issues relating to Evergy’s incentive vs. non-incentive ratio?**

12 A. I do not believe so. A rule making docket has been opened for MEEIA before¹¹ and the
13 process spanned approximately five years from start to finish even prior to the advent of
14 COVID. This is an isolated issue for one company that is getting worse with each
15 subsequent prudence review period. Completing a workshop and rule making docket will
16 open up all of the rules and could endure for years, especially while dealing with potential
17 COVID related challenges. Meanwhile, each company’s administrative cost percentages
18 continue to climb.

19 **Q. If the Commission has opined on this issue, why is the OPC filing testimony?**

20 A. A Report and Order in the MEEIA Cycle 2 prudence review case has not yet been issued
21 and administrative costs for Evergy continue to grow worse. Based on agenda, the
22 Commission has opined that the issue of incentive vs. non-incentive costs would be better
23 addressed in a rule making docket, which could prove adequate in developing more robust
24 rules for utilization in future MEEIA cycles. However, the fact remains that Evergy’s non-
25 incentive administrative cost percentages increased from MEEIA Cycle 2 through MEEIA

¹¹ Case No. EW-2015-0105 and Case No. EX-2016-0334.

1 Cycle 3. This is a past and present issue. Little incentive presently exists for motivating
2 these utilities to exercise restraint in non-incentive spending.

3 **Q. Why is it important to keep administrative non-incentive expenses as low as possible?**

4 A. Typically, the majority of a program's allotted funds should be effectively expended in a
5 targeted manner. This approach assists in achieving established goals or benchmarks while
6 also reducing wasteful spending. For example, many federal grants limit indirect
7 administrative costs to 10% of the entire award¹². Limiting administrative expenses in this
8 capacity promotes more sensible spending in areas that directly impact program objectives.
9 If mismanagement of funds occurs, a potential reduction of funding or disallowances could
10 result, which consequently encourages accountability. For Evergy Missouri West and
11 Evergy Missouri Metro, the degrees of accountability relating to MEEIA non-incentive
12 spending are apparently non-existent. Ratepayer harm could ensue, should they be
13 obligated to pay for continued lack of oversight and persistently excessive administrative
14 overhead.

15 **Q. What is your recommendation to the Commission on this issue?**

16 A. I support the disallowance of MEEIA Cycle 3 non-incentive administrative costs exceeding
17 the 50% threshold. The increase in non-incentive spending above incentive spending, even
18 while overall energy efficiency expenditures dropped, is concerning in a program where the
19 utilities should ensure that financial incentives are aligned with helping customers use
20 energy more efficiently and in a manner that sustains or enhances utility customers'
21 incentives to use energy more efficiently¹³.

¹² Administrative expenses in a federal grant include the salaries and benefits of non-technical employee activities related to the grant in addition to other non-salary administrative costs. Code of Federal Regulations: Title 2, Subtitle A, Chapter 2, part 200, Section 200.414: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/>.

¹³ 20 CSR 4240-20.093 Demand-Side Programs Investment Mechanisms.

1 **Q. Does this conclude your testimony?**

2 A. Yes.

Educational Background and Work Experience of Angela Schaben

My educational background includes a Master of Business Administration degree from Columbia College in Columbia, Missouri and a Bachelor of Science degree in Accounting from Lincoln University in Jefferson City, Missouri.

Prior to joining the Office of the Public Counsel in December 2021, I held various fiscal, administrative, and information technology related positions within Missouri Government totaling seventeen years.

Highlights of my Missouri Government career include the following:

- From 2019 to 2021, I oversaw the fiscal responsibilities of several programs within the Department of Health and Senior Services (DHSS). These responsibilities included grant management, budget/ expenditure approval and tracking, and liaising with managers of grant programs awarded over \$9 million in funding.
- Prior to the Department of Health, I was employed within the Information Technology Services Division (ITSD) of the Department of Administration (OA) from 2016 to 2019. During this period, I held positions in both application development and server administration.
- Preceding ITSD, I held positions of progressive responsibility within the Department of Social Services (DSS) and again with the Department of Health and Senior Services between the years of 2008 to 2016. During these years, responsibilities included:
 - Approximately four and a half years of auditing which required statewide travel to various locations with the goal of ensuring Departmental, State, and Federal policies were followed.
 - Oversight of data and expenditure reporting on a variety of different levels. I assisted with the State budgetary process and utilized several different software programs for the purpose of extracting data to support managerial decisions in budget and grant management.
- Prior to 2008, I held various entry level accounting, auditing, and administrative positions.