Exhibit No.: ______________
Issue(s): Customer Experience/Rate Design/
Class Cost of Service/Cost Trackers/AMI/Merger Costs/
Clean Charge Network/Emergency Conservation Plan/
Solar Subscription/Economic Development
Witness/Type of Exhibit: Marke/Rebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2022-0129 & ER-2022-0130

REBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

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

CASE NOS. ER-2022-0129 & ER-2022-0130

** **
Denotes Confidential Information that has been redacted

July 13, 2022

PUBLIC

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Evergy Missouri Metro's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2022-0129
In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2022-0130

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Chief Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal 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.

Geoff Marke
Chief Economist

Subscribed and sworn to me this 13th day of July 2022.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI
TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121

Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.

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REBUTTAL TESTIMONY

OF

GEOFF MARKE

EVERGY MISSOURI METRO
AND
EVERGY MISSOURI WEST

CASE NO. ER-2022-0129 & ER-2022-0130

I. INTRODUCTION

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

A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel), P.O. Box 2230, Jefferson City, Missouri 65102.

Q. Are you the same Dr. Marke that filed direct testimony in ER-2022-0129 and ER-2022-0130?

A. I am.

Q. What is the purpose of your direct testimony?

I am responding to the direct testimony of other parties' witnesses on select topics. The following is a list of those topics and witnesses:

- Customer Experience
  - Evergy West and Evergy Metro ("Evergy" "Metro" or "West") witness Charles A. Caisley
- Rate Design and Class Cost of Service
  - Evergy witness Bradley D. Lutz, Kimberly H. Winslow, Marisol E. Miller and Ryan Hledik
  - Missouri Public Service Commission Staff ("Staff") witness Sarah L.K. Lange
  - Midwest Energy Consumers Group ("MECG") witness Kavita Maini
  - City of St. Joseph ("St. Joseph") witness Bryan E. Carter
- Cost Trackers
  - Evergy witness Darrin R. Ives
- Advanced Metering Infrastructure ("AMI") Investments

- Evergy witness Bradley D. Lutz
- Merger Costs
  - Evergy witness Darrin R. Ives
- Clean Charge Network
  - Evergy witness Kimberly H. Winslow
- Emergency Conservation Plan
  - Evergy witness Bradley D. Lutz
- Solar Subscription Program
  - Evergy witness Bradley D. Lutz

My silence regarding any issue should not be construed as an endorsement of, agreement with, or consent to any party's filed position.

II. CUSTOMER EXPERIENCE

Q. Mr. Caisley claims throughout his testimony that "customers do not judge our customer service relative to other utilities, but by what is commonplace in the market." What is your response?

A. This is a "puzzling" comment to make from a natural monopoly. Customers have choices in "the market." There is no choice with a regulated utility. If customers *did* judge Evergy's customer service relative to other utilities they would likely be very disappointed.[1] We know this because industry benchmarks like J.D. Power routinely score Evergy in the bottom quartile of utilities in the United States and Midwest. Figure 1 provides the most recent breakdown across large Mid-West Utilities.

[1] One can draw their own conclusions as to whether or not customers would stay with Evergy if they had a choice for other options like what is commonplace in "the market."

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Public

**Based on the J.D. Power scores it does not appear as though Evergy customers are having a good customer experience.

Q. What is Evergy's customer experience strategy?

A. According to Evergy witness Mr. Caisley, Evergy has a five-part strategy of:

1. Steady improvements in customer service and experience;
2. Continuing focus on O&M efficiency and cost competitiveness;
3. Focusing on customer optionality and moments that matter;
4. Infrastructure utilization, coupled with rapid and flexible deployment of customer service enhancements; and
5. Community commitment and involvement.

Q. What does steady improvements in customer service and experience mean?

A. There is a fair amount of information Mr. Caisley provides on this subject that is worth commenting on which I will do section-by-section. According to Mr. Caisley:

> This means creating true omni-channel customer service and interaction. It means an increasing focus on digital self-service to enable value-added human interactions. By handling routine, repeatable service digitally and through self-service, we will be able to leave more time for Evergy employees to advise customers on the best outcomes for them—which could be renewable energy, rate choice or energy efficiency programs that might help the customer.[2]

Stated differently, Evergy plans on having customers navigate an automated phone menu before they can "activate" an actual human being. Without further details, I am highly skeptical that will result in improved customer satisfaction and have every reason to believe that this will exacerbate Evergy's poor customer experience scores. This is because the flexibility in response and the empathy that humans offer to customers are unique in all aspects. Customers also tend to have a short tolerance for "phone trees" ("press one for billing") from interactive voice response systems ("IVRs"). In fact, a 2019 Clutch Survey found that:

> Nearly 9 in 10 people (88%) prefer speaking to a live customer service agent over a phone menu, indicating the importance of a human touch.[3]

Mr. Caisley's testimony is also silent on whether or not customers will have an open-ended option to streamline them to a customer service rep (e.g., press zero to speak with a customer service rep). As it stands, I cannot endorse this hybrid mix of IVR and CSR ("Customer Service Rep") without further detail. I believe it is incumbent upon Evergy to ensure that automation will benefit the customer experience and not just Evergy's bottom line. OPC witness Lisa Kremer addresses this issue in greater detail in her testimony.

Mr. Caisley continues by stating:

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[2] Case No. ER-2022-0129/0130 Direct Testimony of Charles A. Caisley p.6, 16-21.

[3] Panko, R. (2019) How Businesses Should Set Up Their IVR Menu. *Clutch*. https://clutch.co/bpo/resources/virtual-assistants/how-businesses-set-up-ivr-menu

> This means a five-year roadmap with executable increments. It also means looking at industry and non-industry benchmarking with outcome-based KPI's [key performance indicators] and metrics. We will continue to utilize standard industry metrics to measure and benchmark how we interact and transact business with customers. This includes measuring and working to see improvements in our billing, contact center, electronic portals, communications, and social media.[4]

The Commission should note that Mr. Caisley again provides no details of the five-year roadmap with executable increments. Nor does he provide any results of industry or non-industry benchmarks with outcome-based KPI's and metrics.

Again, Mr. Caisley continues:

> Our goal is to be top quartile among utilities nationwide and to see continual improvement in these metrics as well as continual streamlining in our customer processes. We will also look beyond standard utility benchmarks to see what defines superior customer service in other retail oriented industries to glean what we can and apply it to our customer experience strategy where it makes prudent financial and service sense to do so.[5]

And again there is no substance to this rhetoric. For example these aspirational goals are silent on current baseline or historical scores from which to judge performance.

Mr. Caisley concludes this section by stating:

> And, it means collaboratively working with a broad range of stakeholders to modernize the regulatory construct around customer service and advocate for needed policy changes.[6]

On this final point, I do not understand what Mr. Caisley means by modernizing the regulatory construct, why customer service may need policy changes, and what stakeholders should be

[4] Id. p. 6, 21-24 & p. 7, 1-2.
[5] Id. p. 7, 2-7.
[6] Id. p. 7, 8-9.

engaged in this dialogue, but I welcome any further insight from the Company on this topic in its surrebuttal testimony.

Q. What does a "continuing focus on O&M efficiency and cost competitiveness" mean?

A. Evergy's O&M efficiencies in this rate case are almost entirely a byproduct of its merger with Westar (e.g., reduction in duplicative workforce). If there were not copious O&M efficiencies, there would be much larger cost problems than what exists today. Beyond merger synergy savings that reduced O&M. I am hesitant to support further reduced O&M in the areas of customer experience. I fear the loss of a human element (or a reduced human element) with customer service representatives will translate into poorer response times and greater frustration by customers.

Q. How has Evergy performed in this area of customer care to date?

A. Poorly. The fact that Evergy's customer care metric on J.D. Power declined in ranking from 10^{th} to 11^{th} among large Midwest utilities is disconcerting and further underscores my concern for Evergy's customers. It should be a surprise to no one that eliminating human touch points for "moments that matter" will likely result in worse customer experiences.

Q. What does "focusing on customer optionality and moments that matter" mean?

A. Mr. Caisley spends a considerable amount of time speaking about the importance of "choice" which is made all the more ironic because Evergy customers have no choice when it comes to picking their electric utility provider. The "choice" he is referring to are the non-TOU rates Evergy is putting forward—prepay and subscription pricing—in this rate case. I believe both options are meant to distract the Commission from ordering mandatory TOU rates and I will address those rate proposals in greater detail later in this testimony.

"Moments that matter" is a catch-all phrase developed by Oracle about eight-years ago and which I have written about at length in past testimony with Evergy.[7] A breakdown of those moments can be seen in Figure 4:

[7] See also Rebuttal Testimony of Geoff Marke in Case No. ER-2016-0285.

Figure 4: Moments that Matter according to Oracle

I do agree that these moments matter insofar as how customer experience is gauged. I also see no reason why Evergy cannot track and show progress on these select "moments that matter" and how they are playing out for its customers for regulators to consider and from which to hold the Company accountable. To the extent that Evergy has any empirical evidence to demonstrate how the Company is performing in "moments that matter," I would welcome those results in surrebuttal testimony.

Q. How has Evergy performed in this area to date?

A. J.D. Power does not include "customer optionality" in any of its metrics. At face value this leads me to believe that this is a red herring for the Commission's consideration and that the less emphasis placed on "outside-the-box" rates that negate the benefits of AMI technology the better. As far as "moments that matter" go, I would emphasize that J.D. Power does not believe Evergy is achieving satisfactory results (which I am defining as just average at this point) over *any* of its metrics.

Public

Q. What does "infrastructure utilization, coupled with rapid and flexible deployment of customer service enhancements" mean?

A. Mr. Caisley states:

> Evergy has invested hundreds of millions of dollars over the last decade in advanced metering technology and customer information and service platforms.[8]

He then proceeds to tell the Commission how Evergy is set to take advantage of all of these investments moving forward stating:

> To facilitate this we are completing an IT and capex roadmap that reduces and [sic] have created an agile implementation team and process to enable our ability to continuously update our customer interface enhancements on a 4-to-8-week cycle.[9]

Q. What is your response?

A. I continue to maintain that ratepayers have invested hundreds of millions of dollars over the last decade and received none (or very little) of the promised benefits.

As to the rapid and flexible deployment of customer service enhancements, it is not clear what any of this means. I would like to see what that roadmap is and what the 4-to-8 week cycle of customer interface enhancements includes. Consistent with the rest of the testimony, there is very little detail on what customers will receive or why said investments are needed to improve the customer experience to at least the Midwest average.

Q. What does "community commitment and involvement" mean?

A. Mr. Caisley did not provide any examples of their effort in this area in his testimony. Schedule CAC-2 includes examples for calendar year 2019 and 2020 but like much of Mr. Caisley' s schedules, the information is often Evergy-wide including both Kansas and Missouri. Consequently, it is not always clear which of the four utilities are benefiting or to what degree. That being said, it does appear as though 2020 was a strong year for Evergy-wide community commitment and involvement.

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8 Case No. ER-2022-0129/0130 Direct Testimony of Charles A. Caisley p. 8, 17-19.
9 Id. p. 9, 4-6.

Q. Mr. Caisley also claims that Evergy has been a leader in working with its residential and commercial customers on their sustainability goals. What is your response?

A. This is a bold statement to make considering the Kanas Supreme Court declared Evergy's demand charges on its net metering customers was declared unconstitutional and should be fully refunded.[10] In Missouri, Evergy's Solar Subscription Pilot Rider has only been aspirational at this point. Approximately 1,100 customers are still waiting for the solar farm to be built in the four years since the Commission approved that tariff. These examples do not elicit "leader-like" qualities in my opinion.

Q. Do you have any recommendations for the Commission over the topic of customer experience?

A. Yes. I would recommend that the Commission order Evergy to file its periodic J.D. Power scores in this docket as well as the Company's five-year roadmap of executable increments until the Company's next rate case. Based on industry benchmarks provided by the Company through discovery, Evergy customers appear to be receiving a subpar customer experience, which runs in the face of the tone and content of Evergy's testimony. Mr. Caisley's written commitment to benchmarking industry and non-industry KPI's should be transparent and accessible to regulators. Having a transparent, empirical, third-party perspective that compares Evergy's performance against its peers should result in better results in the future.

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[10] Kite, A. (2021) Evergy's Kansas customers with solar panels will get refund for unconstitutional fees. *Kansas Reflector*. https://kansasreflector.com/2021/08/27/evergys-kansas-customers-with-solar-panels-will-get-refund-for-unconstitutional-fees/

III. RATE DESIGN & CLASS COST OF SERVICE

Time-of-Use Rates

Q. Has the Missouri Public Service Commission weighed in on the topic of time-of-use ("TOU") rates for Evergy in the past?

A. Yes. Select passages from on-the-record transcripts from previous rate cases include:

> "[Y]ou're spending a lot of money on AMI meters to get rid of meter readers, which is great. But if you're not going to use that technology, you could have went with the older AMR meters. And so if you're going to ask ratepayers to pay for that, then let's utilize the technology."[11]
>
> Commissioner Scott Rupp, Missouri Public Service Commission

> "I could not agree with you more in terms of the amount of money that ratepayers will pay for this technology, if we're not getting something for that technology, if we're not getting something for that technology, then that's inefficient use of ratepayer dollars."[12]
>
> Former Chairman Daniel Hall, Missouri Public Service Commission

Again in Case Nos. ER-2018-0145 & ER-2018-0146

> "I think there's an argument that can be made that the ratepayers are paying for these AMI meters and it is the shiny new toy to put on the side of the house, but if you're not having time of use rates, you're not getting the value out of it so maybe the penalty for not hitting your goals is to remove the AMI meters from rate base because there's no reason to have the ratepayers pay for it, you know."[13]
>
> Commissioner Scott Rupp, Missouri Public Service Commission

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[11] Case No: ER-2016-0156 Transcript Volume 11 (On-The-Record Presentation - Jefferson City, MO – September 22, 2016). p. 95, 22-25 thru p. 96, 1-13.
[12] Id. p. 96, 25 thru p. 97, 1-4.
[13] Case Nos: ER-2018-0145 & ER-2018-0146. Transcript Volume 14 (On-The-Record Presentation - Jefferson City, MO - October 3, 2018).p. 203, 18-25

> "I must say I would not be terribly shocked sitting somewhere else watching what happens here two years from now that there's some other reason why you're not going to get mandatory time of use rates on the books."[14]
>
> Former Chairman Daniel Hall, Missouri Public Service Commission

And most recently in Case No. EO-2021-0349/0350 (Every Metro/West Rate Design):

> "And the fact that we've had 13 studies, 11 studies, however many, all of us on the Commission we're in the legislature they all know the answer that when you don't want to deal with something, you study it. And Bill Kenney is not here, but this is the most like picturesque, quintessential issue of kicking the can down the road that we have ever seen here in the Commission. Multiple years, 13 studies, two rate cases, open dockets and hearings and things of that nature and here we are at the same thing and now we're talking about not even doing as much as what we did six months ago, a year ago with the other side of the state. So I guess my question is more of a comment. Thank you for bringing back the big picture and helping us realize the great job that the Company did do in achieving these metrics with their program, and they've proven that they can do it, they've proven that the customers will respond. It's time to just let them run and let them run with this. "[15]
>
> Commissioner Scott Rupp, Missouri Public Service Commission

Q. What is the current status of TOU rates in this case?

A. Evergy has been running a successful pilot program in which approximately 1% of its customers have participated in to date. Annual bill savings per participant based on service territory and heating type were as follows:

[14] Id. p. 191, 9-12.

[15] Case No. EO-2021-0349 & ER-2021-0350 Transcript - Volume 2 (On-the-Record Presentation - Jefferson City, MO via WebEx - September 28, 2021) p. 67, 9-25 thru p. 68, 1-2.

TOU Residential Customer	Annual Bill Savings
Evergy Metro (General)	$81.60
Evergy Metro (Space Heating)	$27.60
Evergy West (General)	$70.50
Evergy West (Space Heating)	$73.20

Q. What is the Company's proposal?

A. Evergy has proposed several opt-in TOU rates with various price differentials as well as other non-AMI dependent rate designs which I will discuss in testimony later.

Q. What is Staff's proposal?

A. Staff has proposed a mandatory low-differential or "training wheels" TOU rate with an optional rate schedule with real time price variation for customers better educated on the risks of the energy market. For other customers (excluding lighting, Nucor, certain data centers and Real Time Price Service customers) Staff is recommending a summer off peak discount (midnight to 6am) and summer on peak premium (4 pm to 8 pm) at -$0.01 and $0.01 respectively.

Staff's proposal essentially mirrors what was agreed to for both Ameren Missouri and Empire District Electric and builds off of Evergy's "Wait 'til 8!" campaign. "On-Peak" hours include 4:00 pm to 8:00 pm and "Super Off-Peak" hours of midnight until 6:00 am.

Q. Did you file direct testimony recommendation regarding TOU rates?

A. No. In my opinion the "writing was on the wall" and has been for some time. The training wheels approach was agreed to among all parties for both Ameren Missouri and Empire District Electric and it would seem a foregone conclusion that Evergy would have something similar. Stated differently, I knew I was going to support Staff's recommendation.

Q. Did Staff witness Lange speak to Evergy's education of TOU rates since the 2018 cases?

A. She did. Ms. Lange included two pages of single spaced language from the 2018 Non-unanimous Partial Stipulation and Agreement Concerning Rate Design Issues, filed September 25, 2018, in ER-2018-0145 and ER-2018-0146. Within that language, Ms. Lange highlighted the following:

> 5. Education on the merits of TOU opt-in rate plan, both specific to the customers taking service there under as well as to customers at large, will continue throughout the offering of the TOU opt-in rate plan.

Ms. Lange's testimony then contains the following Q&A:

> Q. With this process having been in place since the fall of 2018, should Evergy's customers at large be well-educated on both the general [sic] the economic underpinning and the potential bill impacts of rates that vary with the time of day at which energy is consumed?
>
> A. That was the purpose of the customer education provisions of the 2018 stipulation, and since that time EMM has spent $1,386,936 and EMW has spent $1,692,041 on ToU program costs. EMM has spent $98,788 on customer education costs related to ToU and EMW has spent $24,000.

Q. What is your response?

A. I don't believe Ms. Lange went far enough in highlighting why this is a problem and why an appropriate Commission response is warranted.

Q. Please continue.

A. AMI deployment began in January of 2014 and completed in 2015 in Metro. It began in 2016 for Evergy West and was completed in 2020. Evergy has arguably had <u>eight years</u> to prep their customers for the value proposition of TOU rates while they were earning a healthy return on their investments that were sold on the basis that customers would have TOU rates. They entered into an explicit agreement with parties four years ago asserting they would do that very thing and managed to spend over $3M dollars on undefined customer education that has resulted in no party being confident that Evergy customers could handle larger price differentials then what Staff is proposing in this case on a system-wide basis.

Worse, there is very little hope that we will be in a place to move beyond Staff's proposed training wheel approach absent explicit Commission directive to do so. In effect, the Company can continue to kick the can down the road on TOU rates indefinitely by dragging its feet on ineffective or half-hearted customer education and re-litigate everything all over again in the next rate case after stakeholders look at the 14th (or more) ratepayer-funded study on Evergy TOU rates.

Q. What is your recommendation?

A. Like the Ameren Missouri and Empire cases that preceded this case, I support Staff's approach as a reasonable path forward given the present circumstances in which Evergy customers are not prepared to experience large differentials.

I am also recommending that $1M in program/customer education costs be disallowed for both Evergy Metro and Evergy West in recognition of Evergy's failure to comply with the terms of the non-unanimous stipulation and agreement.

Finally, I recommend that the Commission order Evergy to submit an open-source competitive RFP within thirty days following rates going into effect in which the Company will request a third-party consulting firm to develop and execute a marketing campaign to educate Evergy Missouri customers on the overall value proposition of TOU rates and to inform customers that larger differential rates will be going into effect for all customers following the conclusion of Evergy's next rate case. This education campaign will begin no later than the day the Company files its next 60-day notice. The open-source competitive RFP will be vetted with input from the Staff and OPC and the competitive bid winner will be selected based on a majority vote between the Company, Staff and OPC.

Q. Are you recommending an opt-out option for residential customers in this rate case?

A. No. The differentials are not large enough for that to be a concern despite the lack of education on TOU rates to Evergy customers at large.

Prepay and Subscription Pricing

Q. Evergy witnesses Winslow and Hledik recommend two new rate options: prepay and subscription pricing. What is your response?

A. These proposals should be rejected. If approved, both options will cause more harm than benefits for customers and/or undermine Commission directives.

I believe that both the prepay and subscription pricing schemes are included here as red herring options meant to detract stakeholders and the Commission from the superior time-of-use option which should be the primary focus of discussion in this rate case. OPC witness Lisa Kremer's testimony goes into greater detail over the inherent flaws in both designs. That being said, I will respond briefly to each in turn.

Q. What is your experience with prepay?

A. I have filed testimony on this topic in a previous Ameren MEEIA docket, Case No. EO-2015-0055 in which Ameren Missouri requested funding for a prepay pilot program.[16] To date, it has been the only docket that I am aware of in which Staff, the Division of Energy, and OPC each filed testimony opposing a single MEEIA program proposal. My testimony concluded with the following comment:

> The Company should have the commonsense to withdraw this application in its entirety. Absent that action, we strongly recommend that the Commission reject this pilot program. As a matter of policy, of the universe of issues in which Missouri could engage and champion, "prepay billing" should not be Missouri's regulatory contribution to society. Financial pressure will lead some households to agree to participate in a program that features more expensive and more frequent loss of service.

[16] See GM-1.

OPC believes this program will produce more harm than good. The only advantage prepaid meters offer is the ease with which customers can lose electric service. Any other suggested advantage can be achieved without working against the public interest. Denying this application will not stop those who want to prepay their electric bill from doing so. If for some reason, a ratepayer wants to prepay their bill, they can do so now. They just pay more than what they owe.

An individual could lose eight pounds quickly by cutting off their arm but most rational minded people would not resort to such action to achieve weight loss goals—because the costs clearly outweigh the benefits. Similarly, with respect to the Company's proposal, OPC believes the costs both, known and unknown, for participants, nonparticipants and society far outweigh the "energy savings" hoped to be gained from this pilot proposal.[17]

Q. What was the outcome of that issue?

A. Ameren Missouri pulled its proposal.

Q. Do you have additional concerns germane to Evergy's application regarding prepay?

A. Yes. I have noted throughout my testimony in this docket my objection to Evergy's removal of AMI investments before the end of their useful life. I have also raised the specter of concern surrounding Evergy's AMI replacement strategy, which is seemingly focused on prioritizing customers with existing arrearages. It certainly appears as though this strategy is directly tied to the prepay option. That is, it appears as though Evergy is targeting and prioritizing struggling customers with AMI disconnection replacement and these are the same customers who have historically been drawn to prepay options. Remember, prepay is not an option for Evergy customers unless they have the remote disconnect option. The optics of this, even if not true, are not good.

The Commission and various stakeholders should focus on maximizing AMI investments and minimizing volatile peak demand. Mandatory time-of-use rates, even under the "training

[17] Case No. EO-2015-0055 Rebuttal Testimony of Geoff Marke p. 21, 22 thru p. 22, 1-15

wheels" approach advocated by Staff that produces benefits for all customers is far superior to having vulnerable customers surrender their Chapter 13 customer rights.

Nothing is preventing customers from prepaying today and surrendering their Chapter 13 customer rights. Approval of Evergy's option only means that customers will be exposed to greater overall bills and greater uncertainty surrounding their service.

Evergy should remove this offering from this rate case and work with stakeholders towards a mutually agreeable resolution surrounding residential rates.

Q. What is your experience with subscription pricing?

A. None in the context of utility regulation outside of what I have read about Duke Energy's program.

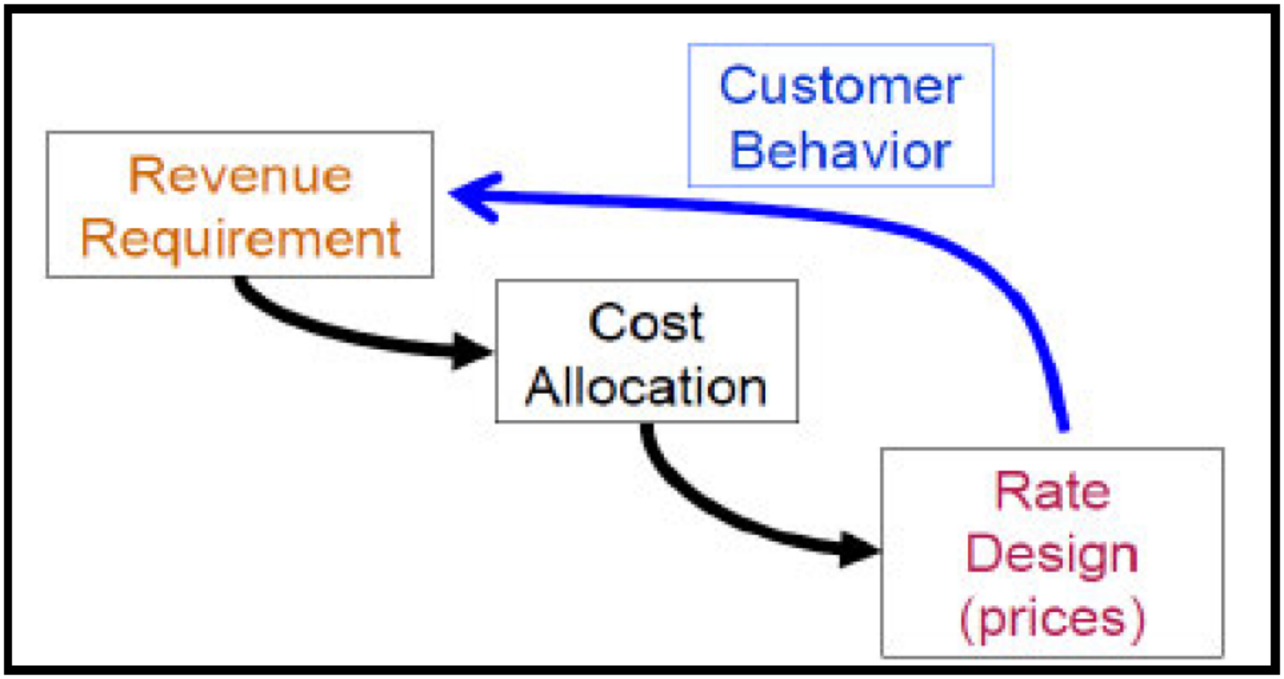
Q. Do you have the same concerns over subscription pricing as you did for prepay?

A. I have different concerns. From a regulator standpoint, one should always ask "What is in it for the utility?" With prepay, the rate option serves as both a red herring under the guise of "choice" for stakeholders, and, if adopted a way to "painlessly" (from the utility's standpoint) deal with high-risk customers by being able to remotely disconnect with ease. The additional earnings from the introduction of more CAPEX investment represents a win-win for the Company. With subscription pricing, the answer is not entirely clear at first-blush. As Evergy witness Hledik explains, shareholders are bearing the risk for any over/under collection of the fixed bill. I can speak from experience that it is rare for a utility to voluntarily offer to bear any risk in any regulatory situation. This alone should give stakeholders pause.

Q. Then why would the Company promote this offering?

A. Because rate design produces a feedback loop in which the price signals from rate design directly impact customer behavior, which in turn impacts future revenue requirement (or CAPEX build-out). That feedback loop is seen in Figure 5.

Figure 5: Utility Pricing Feedback Loop



Stated differently, the Company has a financial incentive to promote "discount" rates that encourage consumption because increase usage leads to increase build-out. Evergy could have just as correctly called this the "buffet style" rate plan as the intent is the same thing. Pay a flat fee and consume as much as you want. The "transparent" fees (behavioral, risk premium, program cost) mitigate some of the risk to the Company that they will under-collect but the long play is to get as many customers on this rate and consuming as much as possible to increase CAPEX build-out.[18]

Q. Is there anything wrong with that approach?

A. Yes. Many things. First, I should point out that this scheme, like prepay, did not need AMI technology to be offered. Now that ratepayers have been paying a return on and of AMI to Evergy shareholders for approximately a decade it would seemingly behoove us to get some

[18] I take issue with Mr. Hledik's assertion that there are no hidden fees with the subscription pricing option. Customers are being charged a flat fee upfront and then additional fees (behavioral usage, risk premium and program cost adder) will be included at some point changing the amount. The fact that these fees are capped alleviates it somewhat, but this is not a simple or transparent rate option.

of the espoused benefits from AMI in the form of TOU rates that differentiate across time and season. In contrast, subscription pricing dulls that price signal by instituting a flat fee. Under subscription pricing there is no incentive for customers to curb their energy usage during peak hours. Subscription pricing also runs contrary to Missouri's energy efficiency goals and arguably contrary to federal PURPA standards.

It should also not be lost on the Commission that Evergy West is short on capacity and its customers are being asked to shoulder hundreds of millions of dollars in fuel costs from Storm Uri. System reliability and volatile price signals are becoming more and more the norm rather the exception. Buffet style pricing may have made sense in the 1950's where discount rates benefitted from economies of scale in production. Not so today. This pricing scheme will result in needless CAPEX build-out, perpetuate a reliance on existing fossil-fuel base load plants and contribute to volatile fuel prices by not sending the proper price signals. OPC witness Lisa Kremer's testimony speaks to the many participant-side risks with such a rate design.

Q. Mr. Hledik explicitly states, "The efficiency incentive is a unique and innovative feature which, as far as I am aware, does not yet exist in subscription pricing offers in any jurisdiction." How do you respond?

A. To be clear, he is saying that if you use less than the fixed amount you get to keep your money. Customers will still be subject to fees if they deviate from their estimated fixed fee amount. Given the option between maybe saving as much as $70 over a year if energy consumption is well below historical norms or all-you-can consume at a fixed (with several capped hidden fees) amount is no contest. In my opinion, the latter amount will almost always win.

Q. Do you have any comments on the thermostat and REC options?

A. Both of these items are not dependent on the program and can be done outside of this rate design. Customers will still be able to purchase RECs and buy programmable thermostats if this program never existed, just like they do today. The inclusion of these features is merely a marketing stunt, albeit a poor one as the options come with no reduced price

Q. What do you recommend?

A. The Commission should dismiss these two options out-of-hand as they detract from the value proposition sold to customers regarding the benefits of Time-of-Use rates that were supposed to be unlocked following the hundreds of millions of dollars in AMI investment. Moreover, I recommend a cost disallowance for the consulting fees associated with Mr. Hledik's testimony. Ratepayers should not have to pay any costs associated with a rate design so out-of-line with Commission policy.

Green Pricing Renewable Energy Credit Program

Q. What is the Green Pricing Renewable Energy Credit ("REC") Program ("GRP")?

A. It is a subscription program in which Evergy customers may purchase REC's directly from Evergy as renewable offsets to their energy consumption.[19] Evergy proposes to sell its RECs at $0.0047 per kWh. For a customer that consumed 1000 kWh they would pay approximately $4.70 more to claim the renewable attributes produced by Evergy.

Q. Do you support this proposal?

A. No. Admittedly, I have mixed feelings about the offering. On the one hand, this offering is superior to similar programs like Ameren Missouri's Pure Power because these RECs

[19] A REC is a certificate corresponding to the environmental attributes of energy produced from renewable sources. RECs can be sold within compliance markets as a means to track progress towards and compliance with states' statutorily enabled Renewable Energy Standards ("RES") or in a voluntary markets for customers who wish to claim renewable energy actions. Buying RECs allows an entity to support renewable energy without having to install solar panels or wind turbines. RECs can be purchased in one state and applied for compliance in another state. For example, a REC generating facility can be located in Florida, where the actual power produced goes to the local grid in Florida, but the credit for the "renewable attributes" of that power would be purchased by a Missouri utility and used to meet the Missouri RES. Thus, the REC represents a "societal benefit" as well as a tradeable commodity. This is also known as an "unbundled" REC, as the energy produced from the REC is not physically delivered to the customers purchasing it. The price of these RECs can vary greatly by resource type (e.g. wind, solar, hydro), from state to state and year to year, in part, due to a state's RES geographic sourcing conditions.

Importantly, one can purchase a REC and can "claim emissions reductions" even if they do not actually reduce their end-use at all—or even increase it. The purchase of a REC does not necessarily mean that "new" renewable energy supply was created, often RECs are sold from existing renewable energy sources and can be "banked" for up to three years.

are sourced by Evergy directly. Ameren Missouri's Pure Power utilizes a third-party vendor who sources the RECs from Florida.

I have also been critical of Evergy for historically letting its excess RECs expire without selling them. This amounts to leaving money on the table or savings that should be flown back to customers.[20]

Q. Then why do you reject this proposal?

A. My concern is two-fold. First, Evergy should be prioritizing its subscription Solar program as a superior option for obtaining RECs and making a meaningful difference on carbon offsets through the creation of additionality.[21] Second, as articulated in my surrebuttal testimony in Case Nos. EO-2022-0064/0065 the market for RECs and Midwest wind RECs in particular has increased exponentially. Given proper (or any) management and marketing of Evergy RECs I believe they can be sold at a higher price and at a larger scale than what the Company contemplates here.

Q. What is your recommendation?

A. I support Evergy selling their excess RECs. I just believe the Company is undervaluing their current worth. I also believe that the Company should prioritize its Solar Subscription Program as a superior option for customers seriously looking to offset their energy usage. For these reasons I cannot support Evergy's filed position. That being said, I am not opposed to having a dialogue with the Company on this issue before surrebuttal in the hope of finding an agreed-to reconciliation.

[20] Ms. Winslow's testimony is silent on whether or not the sale of these RECs will be credited back to all customers through the FAC or not. Further clarification on Evergy's part is necessary.

[21] Additionality is a term adopted by the renewable energy industry to describe when an organization's power purchase agreement (PPA) has the direct effect of adding new renewable energy generation to the grid; i.e.without the organization's involvement (via the PPA) the clean energy project would not have happened

Street Lighting

Q. The City of St. Joseph witness Bryan E. Carter filed testimony requesting the Commission order Evergy to allow the City the ability to construct new street lights. What is their argument?

A. Mr. Carter's testimony implies that the City of St. Joseph can accomplish the feat of procuring street lights cheaper than Evergy by having developers shoulder the costs. This is because Evergy's current practice charges the street light fees directly to the City of St. Joseph; whereas historically the City was able to have a developer build them and then have the utility take ownership of the assets.

Q. Do you agree with this recommendation?

A. Assuming the lighting meets appropriate safety standards I do not oppose this recommendation as it would appear to be a reasonable outcome for all parties. I shall review Evergy's rebuttal response and respond accordingly in surrebuttal testimony.

Class Cost of Service Studies

Q. What position did Evergy take in regards to class revenue increases?

A. Evergy witness Marisol E. Miller recommended a 7.73% increase to residential customers and a 4.24% increase to all other classes within Metro.

For West, Ms. Miller recommended a 10.84% Residential, 10.50% to CCN, 7.05% Large Power, 7.77% Large General Service, 6.39% for Thermal, 5.03% for Lighting, 6.39% to Thermal, and 4.30% for Small General Service.

Q. What position did Staff take in regards to class revenue increases?

A. Staff witness Sarah L.K. Lange made the following recommendations:

<u>Evergy Missouri Metro</u>

Revenue Requirement +$20M

- 1% increase to Small, Medium and Large General Service, a 3% increase to the residential class, and 5% increase to Large Power Service, Lighting and "Other"

Additional Revenues in excess of +$20M

- Equal percentage increase to the current rate revenues in each class

Revenue Requirement below $20M

- Equal percentage adjustment to Residential, Large Power, Lighting and "Other"

Reduction in overall revenue requirement

- Allocated to Small, Medium and Large General Service classes

<u>Evergy Missouri West</u>

Revenue Requirement +$15M

- 1% increase to Small, Medium and Large General Service, a 3% increase to the residential class, and 5% increase to Large Power Service, Lighting and "Other"

Additional Revenues in excess of +$15M

- Equal percentage increase to the current rate revenues in each class

Revenue Requirement below $15M

- Equal percentage adjustment to Residential, Lighting and "Other" classes

Reduction in overall revenue requirement

- Allocated to Small and Large General Service classes

Q. Did Staff express any concerns about the Company's CCOS filing?

A. Yes. Ms. Lange expressed frustration surrounding the assumptions and lack of transparent data especially in light of the amount of rate base expense that has not historically been subject to regulation (EV charging stations, optional discounted rates, etc…). Commenting on the unreliable data underlying Evergy's class cost of service ("CCOS"). Ms. Lange states:

In these cases I was able to determine early on that EMM and EMW were unable to provide the data necessary to do a robust study of the proper classification, assignment, and allocation of the distribution system. I was also able to determine early on that rate design will be a time-consumptive issue in these cases, as will various optional tariff programs requested by EMM and EMW, such as subscription pricing and prepaid utility service. I was also disappointed to learn that hourly electrical consumption by rate code was not accessible by EMM and EMW aggregated by hour at the rate code level. Given these known limitations on the reasonableness of the results of any CCOS studies I could do in these cases, and given the level of controversy that has surrounded the allocation of production capacity costs, production operation and maintenances expenses, and fuel and purchased power costs, **I made the decision to essentially treat these areas as though the SPP integrated marketplace does not exist**, for purposes of conducting the CCOS studies in this case.[22] (emphasis added)

Q. What did MECG witness Mani recommend?

A. Ms. Mani supports the general direction of the Company's allocators but recommends a 128% multiplier to classes that show above jurisdictional average increases and the same multiplier for classes that show a decrease. Ms. Mani also recommends that for every 1% decrease in the jurisdictional rate increase relative to the Company's original proposal that multipliers be adjusted to move classes closer to the Company's cost of service study. Ms. Mani provided the following table to show the modifications resulting from rate decreases:

Jurisdictional Rate Increase	Absolute % Change from Company Proposal	50% of Change	Change in Multiplier for Res, Ltg, CCN at 50% of Change	Change in Multiplier for Res, Ltg, CCN at 100% of Change
8.31%			128%	128%
7.31%	12%	6%	134%	140%
6.31%	24%	12%	140%	152%

[22] Case No. ER-2022-0130 Direct Testimony of Sarah L.K. Lange, p. 27, 10-21

Q. What do you recommend?

A. There is a great deal of uncertainty surrounding what exactly the revenue requirement will be in the case. I would also note that inflation is at a 40-year high and there is a still a large degree of uncertainty as to whether the economy is entering into a recession. In light of these considerations, I have a difficult time recommending any revenue neutral shift in this case as I believe the principle of gradualism trumps all considerations given the aforementioned facts. As such, I am tentatively aligned with Staff's initial recommendation, but I reserve the right to amend my recommendation as more information is presented.

Residential Customer Charge

Q. Generally, what is a customer charge?

A. A fixed charge to customers each billing period, typically viewed as intended to cover metering, meter reading and billing costs that do not vary with size or usage. Also known as a basic service charge or standing charge.

Q. What are the current residential customer charges and what is being proposed in this case?

A. Table 1 includes a breakdown of the current residential charge amount and what is being proposed.

Table 1: Current and Proposed Evergy Residential Customer Charge Amounts

	Residential Customer Charge
Current Charge	$11.47
Staff Proposal	$11.55
Company Proposal	$16.00

Q. In your opinion what kinds of costs should be recovered in a customer charge?

A. To state the obvious, customer-related costs should be recovered through the customer charge. These should be costs sensitive to connecting a customer irrespective of the customer's load (e.g., meter, billing). That is, customer-related costs exist even when kW demand and kWh are zero. When having one or more customers on the system raises the utility's cost regardless of how much the customer uses (billing is an example), then a fixed charge to reflect that additional fixed cost the customer imposes on the system makes perfect economic sense. Utilities can justify a customer charge to recover these basic costs because they are directly related to the number of customers receiving an essential monopoly service. The idea that each household has to cover its customer-specific fixed cost also has obvious appeal on grounds of equity. This is contrasted with system-wide "fixed" costs, such as maintaining the distribution network, which do not change if one customer were to drop off the system.

Q. How does increasing and decreasing a residential customer charge impact the customers?

A. An increase to the customer charge positively impacts above-average use customers and negatively impacts below-average use customers. On the other hand, a decrease to the customer charge positively impacts below-average use customers and negatively impacts above-average use customers. Stated differently, "in general," a lower customer charge tends to favor, low-income customers, renters, and customers who have invested in energy efficiency and solar (or plan on investing in those items).[23] In contrast, a higher customer charge favors affluent customers and electric space-heating customers. It also provides greater revenue certainty for the utility.

Q. Is OPC concerned with the frequency of requests to increase residential customer charges?

A. Yes. OPC strongly believes the customer charge should not be a conduit to address the Company's perceived external threats and certainly not at the expense of those who can least afford to lose further control over their financial lives. However, beyond low and fixed income ratepayers, the next obvious subset of ratepayers who are unfairly penalized by an increased customer charge are those who have invested time and money in being efficient, conservative,

[23] I say in general, as there will be affluent customers who have below average use and low-income customers with above-average usage—in particular, electric space heating customers.

and environmentally responsible. This is because increased customer charges offset the financial savings of any previous efficiency actions and erode the incentive to improve appliances or better insulate their home moving forward. Ratepayers who are considering making investments in energy efficiency measures will have longer payback periods over which to recoup their investments. Increasing the customer charge distorts these pricing estimates and would cancel out expected savings from customer's investments in energy efficiency programs to date. This same logic applies to distributive generation (rooftop solar). If a ratepayer considers making a large-scale capital investment they should be cognizant of the risk involved with that purchase. In some ways, this is no different than any other long lived investment. For example, if you pay extra for an electric car, you run the risk that gas prices fall after you buy the car and your investment will not pay off. What's different about distributed generation or energy efficiency is much of the risk is subject to Commission orders. With most financial risks, there's a chance the underlying prices will go up or down 5% but a much smaller chance that they'll change by over 50%. However, this is exactly the sort of risk ratepayers who have elected to become more efficient are faced with whenever a rate case docket is opened. If the residential customer charge is raised, ratepayers who have made investments in energy efficiency or distributed generation will have longer payback periods over which to recoup their investments if any of those fixed monthly customer charges were accepted. Despite the increased customer charge tactic largely being abandoned by utilities throughout the country, ratepayers who made good-faith investments are still exposed to future regulatory rate design departures or rulemaking decisions that could have an adverse impact on their past decisions to proactively take control of their bills.

Q. What is your recommendation for the residential customer charge?

A. Historically, distribution costs have been recovered through the energy charge in light of economic and public welfare characteristics. More recently, an emphasis on public policy goals focusing on energy efficiency and environmental stewardship have reinforced those decisions. I see very little reason to deviate from that rationale. This is especially true in light of Evergy's pending MEEIA application to likely be filed within the next year. I recommend that the

Commission keep Evergy's residential customer charge at $11.47. Whether or not the residential customer charge needs to be lowered in light of Evergy's AMI investment is a matter that merits serious consideration in future rate case proceedings.

Changes Resulting from Rate Studies

Q. Evergy witness Marisol Miller's testimony contains a number of tariff changes related to various rate classes as a result of the Company's rate studies. Do you have any comments on this?

A. Ms. Miller proposes a considerable number of changes in her testimony that I have not had an opportunity to fully evaluate and cross reference with the proposed tariffs. At least initially, many of the recommendations make sense but it would be premature for me to provide my endorsement.

Q. Do any of the proposed changes that you have reviewed give you pause?

A. Yes. Evergy is proposing to eliminate the Residential Other and modify language around the residential availability section that appears to be designed to move dorms and nursing homes out of Residential and into Small General Service. My concern rests in the fact that this may inadvertently prevent customers who would otherwise be eligible for Low-Income Home Energy Assistance Program from receiving funding due to their new classification. This may very well be a non-issue, but I wanted to flag it for a response from the Company.

IV. COST TRACKERS

Q. What is a cost tracker?

A. It is a rate adjustment mechanism for expedited and/or more assured recovery of specific utility costs. A tracker, in other words, involves the recovery or deferral of a utility's actual costs in the periods between rate cases.

Q. Do you support cost trackers?

A. I support allowing a utility to have a reasonable opportunity to earn its authorized returns. Any deviation from that should only occur if costs are substantial, unpredictable and generally beyond a utility's control. This is because trackers weaken the incentive of a utility to control its costs and lead, in various ways, to higher rates by undercutting the positive effects of regulatory lag.[24]

Q. What is regulatory lag?

A. Regulatory lag refers to the time gap between when a utility undergoes a change in cost or sales levels and when the utility can reflect these changes in new rates. Economic theory predicts that the longer the regulatory lag, the more incentive a utility has to control its costs; when a utility incurs costs, the longer it has to wait to recover those costs, the lower its earnings are in the interim. The utility, consequently, has an incentive to minimize additional costs. Commissions have historical relied on regulatory lag as an important tool for motivating utilities to act efficiently. As economist Alfred Kahn remarked:

> Freezing rates for the period of the lag imposes penalties for inefficiency, excessive conservatism, and wrong guesses, and offers rewards for their opposites; companies can for a time keep the higher profits they reap from a superior performance and have to suffer the losses from a poor one.[25]

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[24] Theoretical and empirical studies have provided evidence of the incentive problems associated with fuel adjustment clauses ("FAC's"). See, for example, David P. Baron and Raymond R. DeBrondt, *Fuel Adjustment Mechanisms and Economic Efficiency*, J. IND. ECON., Vol. 27 (1979): 243-69; David P. Baron and Raymond R. DeBondt, *On the Design of Regulatory Price Adjustment Mechanisms*, J. ECON. THEORY, Vol. 24 (1981): 70-94; David L. Kaserman and Richard C. Tepel, *The Impact of the Automatic Adjustment Clause on Fuel Purchase and Utilization Practices in the U.S. Electric Utility Industry*, SOUTHERN ECON. J., Vol. 48 (1982): 687-700; and Frank A. Scott, Jr., *The Effect of a Fuel Adjustment Clause on a Regulated Firm's Selection of Inputs*, ENERGY J., Vol. 6 (1985): 117-126.
The first two studies applied a general model to show that FACs tend to cause a utility to overuse fuel relative to other inputs, pay more for fuel prices, and choose non-optimal, fuel intensive generation technologies. The third study provided empirical support for this prediction. The fourth study showed that some types of FACs cause bias in fuel use and that FACs in general weaken the incentive of a utility to search for lower-priced fuel. It provided empirical evidence that electric utilities with an FAC pay higher fuel prices than utilities without an FAC.

[25] Kahn, A. (1971) *Economics of Regulation*, Vol. 2. John Wiley & Sons p. 48.

Cost containment constitutes a real skill and cost to management; however, if utility management has no incentive to control costs there will be minimal effort to do so. Controlling utility costs should be a primary objective for economic regulators because it contributes to lower rates and reflects efficient utility management.

Q. Why have trackers historically been allowed?

A. Traditionally cost trackers have only been approved under "extraordinary circumstances." Cost trackers should be the exception to the general rule for cost recovery. The "extraordinary circumstances" justifying cost trackers that have historically been approved are for costs that are (1) largely outside the control of a utility; (2) unpredictable and volatile; and (3) substantial and recurring.

Q. Have there been any examples where a tracker was approved but failed to meet any (or all) of the aforementioned criteria?

A. The only one that comes to mind in which a tracker was approved and none of the criteria was met was for Ameren Missouri's rebated EV charging stations, and more recently, for Evergy's expanded Clean Charge Network. Those costs met none of the three criteria historically held up by Commissions in the United States.

Q. What trackers is Evergy requesting in this case?

A. Evergy is requesting a property tax tracker and a bad debt expense tracker.

Q. What is your position on the property tax tracker?

A. I oppose it for the many reasons it has been consistently rejected by this Commission in the past since 2012 (when the Company began requesting it).

Q. Have there been legislative changes that may impact this request?

A. RSMo Section 393.1275 allows utilities to minimize regulatory lag and earn a profit on paying taxes by deferring state or local property tax expense to a regulatory asset where it will be included in the revenue requirement and amortized over time.

Q. With that in mind, do you have any suggestions for the Commission?

A. Making a profit off of property taxes is not typically a feature of free market actors that economic regulators hope to emulate. The Commission should consider the further erosion of regulatory lag and the loss in customer benefits when approving just and reasonable rates and the setting of the Company's ROE if the Company elects to exercise the option made available by statute.

Q. What is your position on the bad debt expense tracker?

A. I adamantly oppose it. Especially given the historical background behind this request.

Q. Please explain.

A. Missouri utilities were generally lock-step with each other throughout COVID-19. Those utilities that sought Accounting Authority Orders ("AAO's") worked well with regulators and low-income stakeholders to allow for a give-and-take for COVID-19 related expenses and arrearage matching programs and avoided contentious litigation. As a result, Missouri utilities have weathered the pandemic well to date. The concern surrounding outstanding bad debt expense was not (or is not) a germane issue in any of the rate cases involving Ameren Missouri, Empire District Electric, Spire Natural Gas and Missouri American Water.

The sole exception—Evergy.

Evergy Metro/West were the only utilities to litigate their COVID-19 AAO. In Case No. EU-2020-0350, two interveners, the National Housing Trust ("NHT") and OPC, recommended proactive customer facing programs to help alleviate bad debt expense and keep customers' power on.

NHT witness Roger Colton filed over a 120 pages of testimony with a litany of recommendations/conditions for the AAO including but not limited to expansion of the Company's Economic Relief Program, targeting extreme poor, use of an express lane eligibility, energy efficiency offsets, etc…[26] I filed testimony for OPC in which I agreed with

[26] See Case No. EU-2020-0350 Rebuttal Testimony of Roger Colton.

some of Mr. Colton's recommendations but largely rejected most of them. However, I did recommend a shareholder/ratepayer matching program, consistent with the stipulation and agreements entered into with other utility COVID-19 AAO's.

Q. What was Evergy's response?

A. Evergy took the position that it had done enough. The Company pointed to the fact that arrearage levels in August 2020 were better than pre-COVID because of its actions. Evergy witness Mr. Caisley filed testimony stating:

> **I am confident in telling the Commission that Evergy has been an industry leader in our response to customers' needs during the COVID-19 pandemic**. As I will elaborate later, we were one of the first U.S. utilities to announce a voluntary moratorium on disconnection of service for non-payment. That moratorium included waving all charges, fees and deposits typically associated with non-payment or late payment of bills. We have continued to lead in development of alternative payment arrangement plans, including being one of only a handful of investor-owned utilities in the United States that offered payment programs offering bill credits for customers who made payment arrangements during the pandemic. **These actions in combination with our aggressive customer communication and outreach, has reduced residential arrearages below pre-COVID-19 levels by the end of August**.[27]

Q. Was there a stipulation and agreement on some issues surrounding Evergy's COVID-19 AAO before it was litigated?

A. Yes. Evergy entered into a non-unanimous stipulation and agreement resolving some of the AAO issues, namely an agreement that it would not seek lost revenues and agreement surrounding certain reporting requirements. The non-unanimousness stipulation also included the following language:

> The Company agrees to evaluate the advisability of extending its offering of twelve-month payment plans to residential and small business customers beyond December

[27] Case No. EU-2020-0350 Rebuttal Testimony of Charles A. Caisley p.4, 3-13.

> 31, 2020, and March 31, 2021, in consultation with Staff, the Office of the Public Counsel and National Housing Trust. In addition, the Company agrees to evaluate the advisability of offering additional customer assistance programs after December 31, 2021, in consultation with Staff, the Office of the Public Counsel and National Housing Trust.[28]

Importantly, Evergy rejected the arrearage matching program that the other Missouri's utilities agreed to fund and instead litigated that specific issue taking the position that the Commission cannot compel Evergy management to fund OPC and NHT's recommendations. The Commission ultimately agreed with the Company.

Q. Do you agree with the Commission?

A. I do and I understand why the Commission took the position that it did.

Q. Were you surprised that Evergy litigated the issue?

A. I was surprised and disappointed. For a self-proclaimed industry leader it was troubling that Evergy was the only large Missouri utility to not enter into a ratepayer/shareholder matching arrearage program in agreement with stakeholders.[29] The fact that they are back in front of the Commission a year and half later asking for a tracker over arrearages when no other utility has had this issue should not be lost on the Commission.

Q. Did Evergy reach out to OPC following the Commission approved AAO to offer additional customer assistance programs as articulated in the non-unanimous stipulation and agreement?

A. They did not.

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[28] Case No. EU-2020-0350 Report and Order p. 8.

[29] At the beginning of the COVID-19 pandemic, Evergy offered a one-time "incentive" program to help 1,129 customers with bad debt that resulted in $112,900 forgiveness and then abruptly ended the program in August 2020. I was critical with the design of this program as I believed it resulted in a large amount of "free riders." That is, customers who would have paid their utility bill regardless of the incentive, but I did support the intent. More information on my position and rationale can be found in my rebuttal testimony in Case No. EU-2020-0350

Q. Does Evergy's request for a bad debt expense meet the traditional three thresholds of these costs being (1) largely outside the control of a utility; (2) unpredictable and volatile; and (3) substantial and recurring.

A. No. All utilities in Missouri have experienced the effects of COVID-19 but no other utility in Missouri has sought a bad debt expense tracker to shield corporate earnings. Ameren Missouri, Spire, and Missouri American Water are all examples of utilities whose management controlled bad debt expense. Importantly, those utilities also adopted aggressive arrearage matching programs that I supported. Evergy management, in contrast, rejected my proposal taking the position that they had done enough already.

As to the second threshold, COVID-19 is also no longer unpredictable or uncertain. At least not currently with the introduction of vaccines. Finally, an influx of federal funding, proactive utility engagement, and managerial control of costs should largely negate the substantial and recurring argument that is typically in place to support a cost tracker.

Q. What is your recommendation to the Commission?

A. The lack of a proactive arrearage matching program as well as faulty billing software, and higher cost of service are management's creation not the pandemics.[30] Given the history and inadequate actions by Evergy management over this issue as compared to all other utilities in Missouri I am surprised the Company is willing to ask for a tracker. The Commission should reject this request.

Q. Are you willing to work with the Company in exploring a proactive arrearage program for its struggling customers similar to every other large utility in the state?

A. Of course. OPC has been awaiting that discussion for several years now.

[30] The Company had to install a moratorium on disconnects in the beginning of 2021 due to billing software issues. See also, the rebuttal testimony of Lisa A Kremer in Case No. ER-2022-0129/0130.

V. ADVANCED METERING INFRASTRUCTURE INVESTMENTS

Q. If AMI is already in rate base, why did Evergy witness Mr. Lutz spend seven pages speaking about the benefits of AMI?

A. Mr. Lutz's testimony states:

> Much discussion in past cases and other Commission interaction has revolved around the Company's investment in AMI technologies, specifically, certain parties' assertions that customers are not receiving full benefit from the AMI investment. My testimony details the various benefits provided for the Company and the Customer.

Q. Did you previously raise concerns on this issue?

A. Yes. Most recently in Case No. EO-2021-0349/0350 I stated the following:

> **<u>Extracting Additional Benefits from AMI Hardware & Software</u>**
>
> <u>Background</u>
>
> At various points in Evergy's last two sets of rate cases both Commissioners and stakeholders criticized Evergy's lack of clarity of their claimed "additional benefits" from AMI hardware and software beyond TOU rates. Evergy's 2021 TOU report does not shed much more light on this topic other than to state:
>
>> In confirming the expectation of extracting additional benefit from Evergy's recent upgrades in metering and billing systems, one should first consider the nature of these upgrades. At the time of the 2018 Stipulation, the Company, specific to the KCP&L-MO and KCP&L-GMO jurisdictions, endeavored to replace its CIS, or billing system, and deploy an AMI system. The billing systems of both utilities and the Automated Meter Reading ("AMR") system used by KCP&L had reached end of life and replacement was needed. Sufficient benefit to justify the upgrade was expected to be received by bringing the jurisdictions together under a common billing system and AMI system. Important benefit was provided in the area of customer data. In deploying TOU rates, it was expected that these systems could enable further benefit. These expectations have been

> substantiated through review of customer surveys and the other customer interactions, as it has been demonstrated that TOU has been effective in raising the energy awareness of participating TOU customers. In addition, the Company has communicated comparison of TOU and standard rates in the Rate Education Reports to all customers – participating and non-participating. Among other activities, the Company specifically utilizes the AMI data to support education on the TOU rate plan.
>
> In addition, most significant has been the transition to broader utilization of AMI data. Evergy has every indication that the capabilities of the new billing system and AMI upgrades are providing benefit consistent with the investment and that TOU allows for the extraction of additional benefits.

To summarize, the additional benefits, beyond a TOU option, include the following:

1. Customer data

Comments:

This is not surprising. The primary benefit of deploying AMI hardware and software is the ability to price electricity closer to the true cost of service. We are approaching six years of Evergy earning a larger return on an expensive asset the benefits of which remain largely unrealized.[31]

Q. Did Mr. Lutz identify other benefits besides data?

A. In part, notably, outage communication and reduced truck rolls related to reconnection/disconnection.

[31] See GM-2 p. 6-7 of the attached memorandum.

Q. Do you agree with those arguments?

A. I agree that outage communication, reduced truck rolls and finite data can produce benefits. What is missing from his testimony is any empirical support to substantiate that these realized, or hope to be realized, benefits offset the costs to ratepayers.

Mr. Lutz's testimony also largely omits the most notable benefit to customers that should be available from AMI—time-of-use rates. He also fails to mention the most notable benefit to the Company, that is, hundreds of millions of dollars in increased rate base to increase earnings. To date the costs have been realized in ratepayer bills but the benefits for ratepayers have been delayed indefinitely.

Q. Did anything else in his testimony on this section give you pause?

A. Yes. Mr. Lutz's includes the following testimony:

> **Q. Please describe the timing of Missouri AMI deployment at Evergy?**
>
> A. Deployment began in January of 2014 in the Evergy Missouri Metro jurisdiction and was completed in 2015. Deployment was started and completed in the urban areas of the Evergy Missouri West service territory in 2016. In 2017 there was no implementation due to implementation of a new Customer Care & Billing system. In 2018, Evergy began installations in the rural areas of the Evergy Missouri West service territory and completed deployment in early 2020.[32]

Q. What should the commission note from this passage?

A. First that this has been an eight-year ordeal in which the Company has been earning a healthy return on and customers have not had the benefit of Time-of-Use rates. Perhaps a larger concern is that Mr. Lutz's testimony is silent about the fact that Evergy is currently in the process of aggressively replacing its AMIs well before the end of their fully depreciated life with newer AMI investments that allow for remote disconnections. I raised this issue in my direct testimony and I hope the Company replies to it in rebuttal. If not, I am allowing yet

[32] Case No. ER-2022-0129/0130 Direct Testimony of Bradley D. Lutz p. 35, 12-18.

another opportunity for the Company to explain why it failed to include any testimony on having to replace its AMI investments well before the end of its useful life. I also find it troubling that the Company consistently points to "the benefit" of remote disconnect/reconnect but fails to mention that its deployed AMI investments do not have that function.[33]

Q. Do you have any additional comments to make as it pertains to Evergy's AMI testimony?

A. Yes. In my direct testimony on this subject I stated:

> **Q. What is Evergy's replacement strategy?**
>
> A. It is not entirely clear to me based on my understanding of discovery issued by Staff. As it stands, it appears as though Evergy is systematically replacing meters on domiciles with bad debt.
>
> **Q. What is your response to this?**
>
> A. If this is true, then this would appear to be a variation of "redlining" and would be CIS incredibly disturbing. Further discovery is warranted on this topic before I can say one way or the other.[34]

This testimony incorrectly used the term "redlining" when I intended to use the term "economic discrimination." Further, I have not been able to verify my initial impression of Evergy's replacement strategy given the time since direct testimony was filed. I will update this testimony as needed in surrebuttal.

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[33] e.g., Case No. ER-2022-0129/0130 Direct Testimony of Charles A. Caisley, p. 12, 6-7: "Customers experience reduced wait time when turning on service with the automated turn-on/reconnect/disconnect capabilities of the meter." & Direct Testimony of Bradley D. Lutz p. 38, 10-16: "Reduced Truck Rolls – AMI with disconnect and reconnect capabilities allows the Company to utilize electronic communications and deploy remote procedures that eliminate the need for Company personnel to make physical contact. These changes result in lower costs, better collections, fewer on premise incidents, collection errors, and fewer disconnections. In addition, disconnection and reconnection fees can be drastically reduced for customers with this AMI meter capability."

[34] Case No. ER-2022-0129/0130 Direct Testimony of Geoff Marke p. 21, 22-25 thru p. 22, 1-4.

VI. MERGER COSTS

Westar's Customer First Program

Q. What is Westar's Customer Forward Program?

A. The Westar Customer Forward Program ("CFP") was a $131M capital expenditure that allowed conversion of Westar's IT into KCPL/GMO's One Customer Information System ("One CIS").

Q. Why are you talking about it in this rate case?

A. Because Evergy is charging its Missouri customers for the IT conversion of its Kansas customers. One of the central synergy arguments for the consolidation of Westar with KCPL was the ability to convert Kansas onto Missouri's system. Of course, this is not a value proposition if Missouri is footing approximately half of that bill.

Q. Why shouldn't Evergy be allowed to allocate the costs of the CFP to its Missouri customers?

A. Because the Missouri customers already paid for the One CIS system and did not need the CFP—Westar did. The cost causative principle suggests that customers should only pay for the costs they cause. Missouri customers should not bear any of the costs borne by Kansas customers.

Q. How much was the Westar CFP?

A. $131 million dollars.

Q. How much was the Missouri One CIS?

A. $124.3 million dollars.

Q. So the Westar conversion was more expensive than the entire Missouri-side software system?

A. Yes.

Q. What is your recommendation?

A. I recommend that approximately $24M in costs allocated to Metro and $33.7M in costs allocated to West related to One CIS/CFP be disallowed as Missouri customers did not cause these costs or benefit from them. OPC witness John Robinett discusses this issue further in his rebuttal testimony.

VII. CLEAN CHARGE NETWORK

Q. How large of a ratepayer subsidy is Evergy requesting for its expanded Clean Charge Network?

A. Evergy is requesting an additional $6.9M ($4.25M for Metro and $2.65M for West) of ratepayer funding to go towards rebates to third-party electric vehicle ("EV") charge station providers for infrastructure and EV charger equipment costs.

Q. Do you support the increased budget to Evergy's Clean Charge Network?

A. No. There are over 900+ EV charging stations in Evergy's service territory and the demand has not materialized to date. My previous filings have highlighted how the Clean Charge Network and the greater Kansas City area have been a textbook case for failed adoption.[35] Further build-out of third-party customer-side EV stations will necessarily cannibalize Evergy's existing under-performing Clean Charge Network.

To compound matters, Evergy Metro has some of the highest rates in the Midwest and Evergy West customers are about to shoulder hundreds of millions of dollars in fuel costs from Storm Uri. The US economy is on the brink of a recession as customers attempt to weather inflation rates not seen in forty years and one in six Evergy customers have outstanding arrearages. Additionally, millions of dollars in federal subsidies are rolling in to promote EV adoption as Missouri is receiving copious amounts of federal funding specifically for EV charging stations

[35] See GM-3.

over the next couple of years. Why Evergy is choosing now of all times, to push ratepayers subsidies is a mystery.

Q. Do you have any further recommendations as it pertains to the Clean Charge Network?

A. If the Commission elects to move forward with funding duplicative ratepayer funded EV charging I would recommend, where applicable, that any subsidized EV charging station be required to have interoperable universal charging and operate under an open-source network which allow participants to just use their credit card to pay for their charging. Similar requirements are already being discussed for federal funds and would represent a best practice that should be followed as charging station vendors will no doubt be consolidated or become obsolete over time.[36]

I would also recommend that the Company not be allowed to have a fungible budget and that hard caps be placed on funding by participants to minimize free ridership. If the Company wants to mix-and-match its allocated funding across program options it should get feedback from stakeholders and Commission approval.

VIII. EMERGENCY CONSERVATION PLAN

Q. What recommendations does Evergy witness Mr. Lutz make regarding the Company's Emergency Conservation Plan tariff?

A. Mr. Lutz's proposes to replace the current language with language from the NERC Standard EOP-011-1 concerning Emergency Operations. Mr. Lutz contends that the present tariff is based on language adopted in 1978 and is no longer relevant for today's operations, especially in light of winter storm Uri.

[36] Department of Transportation. National Electric Vehicle Infrastructure Program. Notice of proposed rulemaking (NPRM); request for comments. [4910-22-P]
https://www.fhwa.dot.gov/environment/alternative_fuel_corridors/resources/nprm_evcharging_unofficial.pdf

Q. Do you agree with this recommendation?

A. I agree that the tariff needs to be revised but I do not believe that Evergy goes far enough. Consistent with the most recent Empire District Electric stipulation and agreement, I recommend that the Commission order Evergy to perform a Value of Lost Study ("VOLL") to accurately determine the price levels at which customers would prefer Evergy to take action to reduce load instead of paying extreme prices. Merely changing the tariff to reflect NERC guidance provides no cover for ratepayers if the costs spike like they did during Uri.

Q. What is a VOLL study?

A. In order to operate a system where a supply-outage to customers is used as an acceptable, albeit expensive operative decision, it is essential to know the cost of this shedding or the customer's willingness to pay for energy. The value of lost load study helps determine the average amount consumers are willing to pay to avoid an additional period without power.

Q. What methodology informs a VOLL?

A. There are many variations depending on the scale, scope and degree of accuracy one tries to achieve. According to an oft-cited Electric Reliability Council of Texas, Inc. ("ERCOT") literature review and macroeconomic analysis report conducted by London Economics International LLC:

> VOLL is a useful and important measure in electricity markets. It represents customers' willingness to pay for electricity service (or avoid curtailment). In electricity markets, VOLL is usually measured in dollars per MWh. VOLL valuations can be marginal – the marginal value of the next unit of unserved power–or average – the average value of the unserved power. Marginal values of VOLL are often calculated for peak periods (or "worst case") when customers will place the highest value on electricity. Average VOLLs are averaged over a certain period (e.g., one year) and are not differentiated over time. Average VOLLs tend to be lower than marginal VOLLs at peak times, as they average out the value customers place on electricity over, say a year, and therefore include periods during which customers place a low value on electricity (i.e., when customers are not at home or when businesses are closed) . . . VOLL can be used in a

variety of ways, both on the planning side of the market and on the operations side. In planning, VOLL can be used to study the cost benefit of investment in generation and transmission and distribution relative to customers' maximum willingness to pay, as briefly discussed above.[37] There are four VOLL estimation methodologies cited by the ERCOT study, each with various strengths and weaknesses. A summary of those methodologies is included in Figure 6 below.

[37] London Economics (2013) Estimating the Value of Lost Load. http://www.ercot.com/content/gridinfo/resource/2014/mktanalysis/ERCOT_ValueofLostLoad_LiteratureReviewandMacroeconomic.pdf p. 6.

Figure 6: VOLL Estimation Methodologies[38]

Approach	Description	Strength	Weakness
Revealed preference (market behavior)	Use of surveys to determine expenditures customers incur to ensure reliable generation (i.e., back-up generators and interruptible contracts) to estimate VOLL	• Uses actual customer data that is generally reliable	• Only relevant if customers actually invest in back-up generation • Limited consideration of duration and/or timing of outages • Difficult for residential customers to quantify expenses
Stated choice (contingent valuation and conjoint analysis)	Use of surveys and interviews to infer a customer's willingness-to-pay, willingness-to-accept and trade-off preferences	• More directly incorporates customer preferences • Includes some indirect costs • Considers duration and/or timing of outages	• Experiment and survey design is time-consuming and effort intensive • Need to manage for potential biases • Residential customers may give unreliable answers due to lack of experience
Macroeconomic (production function)	Uses macroeconomic data and other observable expenditures to estimate VOLL (e.g. GDP/electric consumption)	• Few variables • Easy to obtain data • GDP reasonable proxy for business VOLL	• Does not consider linkages between sectors, productive activities • Proxies for cost of residential outages may be arbitrary or bias
Case Study	Examines actual outages to determine VOLL	• Uses actual, generally reliable data	• Costly to gather data • Available case studies may not be representative of other outages/jurisdictions

Q. In light of the foregoing, what do you recommend for an Evergy VOLL study?

A. I recommend that the Commission order Evergy to conduct an independent third-party VOLL study to be filed with recommended changes to Evergy's Emergency Energy Conservation Plan Tariff sheet before July 2023. I believe the VOLL study should look at all customer classes and any survey should include inquiries into customers' willingness to load shed for both emergency and as a general demand response measure. I also recommend that the Commission order the Company to meet with interested stakeholders at least twice for input regarding the

[38] Id. p. 9.

scope, methodology, questions, and goals of the study and at least once for input before the revised tariff is filed.

Q. Does a VOLL study provide any additional benefits?

A. Yes. As utilities seek to improve resilience, they often find it challenging to assess the costs and benefits of resilience investments. Costs are fairly well understood and measured, but benefits less so. Knowledge of the value of lost load provides an opportunity to reduce the lifecycle cost of energy through adjusted investments or operational decisions. More to the point, a VOLL study would certainly help inform the appetite of customers for the costs they will bear for PISA reliability investments.

Q. Do you believe there could be cost savings by consolidating with Empire on its VOLL study?

A. Possibly. Empire has yet to reach out to OPC on the status of its VOLL study, but both Empire and Evergy are Southwest Power Pool ("SPP") members and a shared study could theoretically provide for cost savings with a third-party consultant. At a minimum, it would be worth exploring whether or not expanding the scope of the VOLL study to include both utilities would be more cost effective.

IX. SOLAR SUBSCRIPTION PROGRAM

Q. What changes to the Solar Subscription Program is Evergy proposing?

A. Evergy witness Brad Lutz proposes the following program changes:

- Remove the "pilot" feature and make it a permanent program;
- Reduce the subscription threshold to construct from 90% to 70%;
- Shift more risk to non-participating customers by changing the 75% unsubscribed threshold borne by shareholders to a 50% threshold;
- Eliminate the requirement that the system size be limited to 5.0MW or two 2.5MW systems (to presumably any size);

- Eliminate the non-residential participation threshold of 50%; and
- Remove constraints on program expansion from two years of 90% subscription to no limit or subscription threshold.

Q. Why were these provisions put into place?

A. To demonstrate that Evergy Metro/West could successfully run a community solar program without needlessly increasing costs onto customers. If fully subscribed, a community solar model can theoretically be positive feedback loop where willing customers who want to support renewable programs can do so in a manner that is cheaper than going at it alone, beneficial to the utility, and can hold nonparticipants harmless. If not fully subscribed (whether from inception or because customers "fell off" the program after the solar was operational) community solar can needlessly raise costs onto nonparticipants and inhibit future expansion. The provisions put into place from the last rate case were under explicit pretense of a pilot program to gain operational knowledge with the hope for future expansion in subsequent rate cases.

Q. Has Evergy demonstrated that they can successfully run a Community Solar Program under the terms the Commission approved in its last rate case?

A. No. Despite tariffs being approved in 2018, Evergy has failed to build or offer a Community Solar Program under the terms of its tariff to date. The pilot has never been operational.

Q. Do you support any of the proposed tariff changes?

A. It would be premature and inappropriate to modify a tariff when there is no data from the pilot to inform regulators. The Company has the burden to demonstrate that its program will work as designed. It has failed to do that in the four years that have passed since the Commission approved this tariff. I have no issue reexamining this proposal in a future rate case after the Company has demonstrated that these changes are warranted.

X. ECONOMIC DEVELOPMENT TARIFF

Q. Do you have any comments to make about the Economic Development Tariff?

A. Yes. With the passage of recent legislation, I believe that Evergy's Market Rate Tariff needs to be modified to reflect the changes in law.

Q. Does this conclude your testimony?

A. Yes.