BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

RENEW MISSOURI'S REPLY BRIEF

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COMES NOW Renew Missouri Advocates d/b/a Renew Missouri ("Renew Missouri"), and submits its reply brief:

I. Introduction

The Commission should approve the Companies' MEEIA portfolios if it determines customers will be "better off" than they would be without a utility-sponsored program. In making that determination, the Commission has broader discretion than the Staff and OPC argue.[1] However, as Renew Missouri addressed in its initial brief, and does again below, the MEEIA statute does not require the Commission to adopt Staff's narrow view regarding benefits to all customers. Still, no party (aside from the Companies) asks the Commission to approve the proposed programs exactly as filed.

[1] Throughout its initial brief, the Commission's Staff references a principle mentioned in a prior Commission order rejecting Ameren Missouri's MEEIA Cycle 2 application: "[s]imply put, the Commission would approve a MEEIA plan if nonparticipating ratepayers would be better off paying to help some ratepayers reduce usage than they would be paying a utility to build a power plant." From that principle, Staff explains its opposition to the Companies portfolio because it does not specify it will defer the construction of a power plant.

Modifications can be made to the proposed MEEIA portfolios that would expand participation, achieve deeper savings, and offer broader and long-term benefits to customers – making all customers "better off." But, thus far, the Companies have not considered such changes. The Commission has the power to suggest changes and lay out conditions under which a utility may offer a MEEIA portfolio. Here, the Commission should permit the Companies to move forward with a MEEIA Cycle 3, including the PAYS® and Urban Heat Island programs described below designed to increase participation and benefit all customers.

II. The Commission is not constrained to view "benefits to all customers" only within the prism of avoided capacity costs

A. Deferring supply-side investments is not the only way all customers realize benefits

Staff argues that the Companies are "long on capacity, not deferring any identif[ied] supply-side investment, and without that, there is no value or benefit to an expenditure of this magnitude."[2] Staff also claims that "benefits to all customers regardless of participation, is driven by eliminating or deferring supply-side investment."[3] Similarly, OPC argues "[t]o benefit all customers within a class, an energy efficiency measure must be cost-effective and have avoided costs for the utility. This limitation is because avoided costs are the only way for an energy efficiency measure to benefit all customers[.]"[4] Both Staff and OPC are mistaken. The Commission is not constrained to use avoided capacity costs as the only way to show benefits to all customers.

The MEEIA statute explains that "[t]he commission shall permit electric corporations to implement commission-approved demand-side programs proposed pursuant to this section with a

[2] Staff Br. 33.
[3] Staff Br. 33.
[4] OPC Br. 13.

goal of achieving all cost-effective demand-side savings."[5] It adds: "[r]ecovery for such programs shall not be permitted unless the programs are approved by the commission, result in energy or demand savings and are beneficial to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers."[6] Nothing in the language of the MEEIA statute requires to the Commission to rely only on avoided capacity costs when evaluating these benefits. In fact, as Renew Missouri noted in its initial brief, the Commission considered other kinds benefits in the Cycle 2 cases. Discussing the benefits to customers, the Commission considered: customer participation ("a vast majority of those do not participate in MEEIA"), the net benefits-to-cost ratio, and a reduction of supply-side investment.[7] While the commission has explained that examining avoided capacity is one way for non-participating customers to benefit from MEEIA, it is not the *only* way. That the Commission has recognized these alternative methods for considering benefits in the past indicates that Staff's and OPC's narrow and misguided position to require absolute demonstration of deferred avoided capacity costs has no basis the MEEIA statute. Furthermore, having already considered alternative methods to examine the ways pursuing an energy efficiency portfolio generates benefits, the Commission should remain open to measuring success in other ways including considering the economic and environmental benefits in order to expand participation, achieve deeper savings, and offer broader, long-term benefits to customers.

B. Benefits to all customers beyond avoided supply-side investments

The evidence presented in this case demonstrates that prior MEEIA cases have benefitted customers. Economically, the Companies point out in their initial brief that the overall economic

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[5] Section 393.1075.4 RSMo.
[6] *Id*.
[7] Report and Order, pp. 17-18, Case No. EO-2015-0055.

activity and jobs in their service territories increases with the availability and promotion of energy efficiency programs, stating:

> According to the American Coalition on Energy Efficient Economy, every $1 million invested in energy efficiency supports approximately 20 direct and indirect jobs in the construction space. Also, the reinvestment of energy savings year after year creates an incremental seven jobs per year over spending the money on utility bills.[8]

In addition, the Companies point out the environmental benefits of energy efficiency programs, arguing these benefits are "available to all those that live in the region whether or not they created the energy reduction."[9] According to the Companies, the energy reduction achieved from the Cycle 3 programs will cause generating units in the region to run less and emit fewer pollutants.[10] The expected energy savings (343,716 MWh) from the Cycle 3 programs will lead to an estimated annual reduction of 502 million lbs. of CO_2, 303 thousand lbs. of NO_x, and 324 thousand lbs. of SO_2.[11]

Importantly, the Companies' Integrated Resource Planning ("IRP") analysis shows all customers will be better off financially over the long-term if the companies offer demand-side programs to their customers. The chart below lays out the resource scenarios including demand-side programs, showing the attendant decrease to the revenue requirements:

[8] KCPL Br. 30.
[9] KCPL Br. 32.
[10] KCPL Br. 32.
[11] KCPL Br. 32; Ex. 3.

Figure 2 – IRP NPVRR Savings[18]

Utility	DSM Level	NPVRR Savings (Cost) Compared to no DSM ($ million)
KCP&L	RAP -	$55
KCP&L	Modified RAP	$52
KCP&L	RAP	$37
KCP&L	MAP	($64)
GMO	RAP-	$103
GMO	RAP	$84
GMO	MAP	$3

These savings are based on the analysis of the total costs to serve customers and would not be impacted by subbing out the avoided capacity costs of either zero or the value of a CT unit.[12] Even without deferring or avoiding any supply-side investment, customers will be better off financially if the Companies pursue a robust MEEIA program. Given that all of these alternative benefits to customers show all customers will benefit, the best way for a customer to realize the greatest financial benefit remains for that customer to participate in the programs.

III. The Commission is empowered to set the conditions upon which the Companies offer MEEIA programs

Under MEEIA, the Commission is empowered to tell the Companies under what conditions it can earn money while pursuing energy efficiency programs.[13] Specifically, "[t]he commission shall permit electric corporations to implement *commission-approved* demand-side programs[.]"[14] The Commission is not bound to accept whatever programs or terms the Companies believe will be easy for them to administer. In fact, ten years into offering energy efficiency programs it is now appropriate for the Commission to require the Companies to strive for deeper savings by encouraging programs designed to increase customer participation. Renew Missouri has provided

[12] Ex. No. 4, pp. 14-15.
[13] Section 393.1075.4 RSMo.
[14] *Id* (emphasis added).

a means to encourage participation (through a PAYS® tariff) and OPC has proposed a way to expand benefits for all customers (through a program aimed at mitigating the urban heat island effects in Kansas City). Both of the programs should be adopted as conditions for moving forward with a MEEIA program.

A. A PAYS® program will increase participation and should be adopted

The Companies say they are not interested in acting as a "bank" for a PAYS® program.[15] Again, they are attempting to frame the issue as a loan. PAYS® is not a loan. It is an investment made by the Companies in energy efficiency or demand savings. When the companies build a Combustion Turbine unit or upgrade a substation, that money is spent for the benefit of customers and subsequently paid for by all customers through their utility bills. No one attempts to portray those investments as a "loan." PAYS® simply allows the utility to make that investment on the customer's side of the meter. Thereby it "value[s] demand-side investments equal to traditional investments in supply and delivery infrastructure."[16] But one notable advantage with PAYS is that the investment is recovered directly from the customer benefitting from the efficient investment. If a renter in an apartment takes advantage of PAYS to install new insulation, etc. – none of that cost will necessarily be charged to any other customer, say one of MECG's clients. This set-up has the advantage of increasing participation in energy efficiency, while avoiding the arguments about whether or not the program leaves non-participating customers better off.

Furthermore, under PAYS® the participating customer benefits by saving money. The idea behind PAYS® is for energy-saving upgrades to be installed in a customer's home or building, but the utility pays the up-front cost of the installed energy saving measures. To recover its costs, the utility puts a fixed charge on the customer's electric bill that is significantly less than the estimated

[15] KCPL Br. 13.
[16] Section 393.1075.3 RSMo.

energy savings from the upgrades. Therefore, the customer sees immediate savings by incurring less expense for energy while paying a fixed charge that is below the total estimated energy savings. Once the utility recovers its costs, the obligation of the customer to pay ends.[17] Again, PAYS® is not a loan so the payment is tied to the meter location rather than a particular named customer.

If the Commission orders the Companies to offer a PAYS® program, the utility will benefit as well. Mr. Mark Cayce, the General Manager of the Ouachita Electric Cooperative ("OEC") in Arkansas that has implemented a PAYS® tariff, testified to the benefit his cooperative has seen in regard to their payback as well as the benefits to the customers in the service territory.[18] The Cooperative is earning a return on its investments "in the 10 to 12 percent range."[19] This lucrative investment is relatively risk-free given that the repayment is tied to the meter and is not a loan. In the years the PAYS® program has been offered by OEC, there have been *zero* defaults.[20] These unrefuted facts show the Companies' statements about "financial risks" associated with PAYS® are non-sequiturs – there is almost no risk to the utility with this program.

Moving forward with a PAYS® program is a significant way the Companies can increase customer participation in MEEIA so that more people experience the benefits of saving energy first-hand. PAYS®, if developed with proper marketing efforts, will greatly enhance participation in the Companies' energy efficiency efforts, provide greater earnings opportunity for the Companies, and provide benefits for customers who often don't see results from these MEEIA Applications. The Commission should order KCPL and GMO to file and offer a PAYS® tariff

[17] Ex. 453, p. 3, Fracica Rebuttal.
[18] Ex. 450, Cayce Rebuttal.
[19] Tr. Vol. 1, p. 187
[20] *Id*.

program for their customers. Specifically, this tariff should be available for homeowners, renters, small businesses, and smaller governmental entities.[21]

B. OPC's proposed urban heat island program will provide benefits to non-participating customers and should be adopted

In addition to ordering the Companies to include programs that would expand participation, and achieve deeper savings, the Commission should also encourage the Companies to pursue programs that offer broader, long-term benefits to all customers. One such program is OPC's proposed Urban Heat Island ("UHI") mitigation pilot.[22] OPC ties its pitch for a UHI pilot as a way to address a concern raised by both Staff and OPC – that KCPL does not plan to defer any supply-side investment over the next twenty years.[23] Given that fact, OPC states:

> the existence of Kansas City's UHI poses as a prime opportunity to seek participant and nonparticipant benefits in a MEEIA portfolio that moves beyond the low-hanging benefits of Cycle 1 and 2. Rather than simply rebating light bulbs, KCP&L is positioned to make a far grander impact by incentivizing rooftop conversions, increasing vegetation, and other coordinated efforts to combat the UHI.[24]

The Companies do not mention any opposition to offering the UHI pilot in their initial brief, so the Commission is left with an inference that the Companies don't have an articulable opposition and would rather not talk about the proposal. OPC offers this program as a way to address "real environmental harms from more energy use due to cooling at peak times to the exacerbation of existing public health concerns like heat stroke."[25] Ameliorating these problems

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[21] *Id.*
[22] Ex. 452, p. 9, Owen Surrebuttal.
[23] OPC Br. 12.
[24] *Id.*
[25] OPC Br. 11.

would offer customers, including those non-participants, broad and lasting benefits. Similar to the PAYS® program supported by Renew Missouri and OPC, offering a UHI pilot program will give the Companies the opportunity to earn a lucrative financial incentive. When it approves the Companies' portfolios, the Commission should require the Companies to pursue OPC's proposed heat island mitigation pilot.

IV. Conclusion

Renew Missouri supports KCPL's and GMO's MEEIA program and wants to see the energy efficiency offerings expanded. Following the Staff's and OPC's calls to reject or dramatically pare down these energy savings programs based on overly narrow interpretations of prior Commission orders would be a mistake that runs counter to state policy. In its Order, the Commission should clarify that deferring supply-side investments is only one component to be considered in evaluating whether a portfolio provides benefits to all customers. Furthermore, the Commission should approve the Companies' application modified to include the PAYS® program aimed at increasing customer participation and the Urban Heat Island Mitigation Pilot to increase benefits realized by nonparticipating customers.

WHEREFORE, Renew Missouri respectfully submits its reply brief.

Respectfully,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 21st day of October 2019:

/s/ Tim Opitz