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**MISSOURI PUBLIC SERVICE COMMISSION**

**EO-2019-0132 / EO-2019-0133**

**SURREBUTTAL TESTIMONY**

**OF**

**JAMES OWEN**

**ON BEHALF OF**

**RENEW MISSOURI ADVOCATES**

September 16, 2019

*Renew MO* Exhibit No. 452  
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1 **I. INTRODUCTION**

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

3 A: James Owen, Executive Director, Renew Missouri Advocates d/b/a Renew Missouri  
4 (“Renew Missouri”), 409 Vandiver Dr. Building 5, Suite 205, Columbia, MO 65202.

5 **Q: Are you the same James Owen who submitted rebuttal testimony on behalf of**  
6 **Renew Missouri Advocates (“Renew Missouri”) earlier in this case?**

7 A: Yes, I am.

8 **Q: For what purpose are you providing surrebuttal testimony?**

9 A: First, after reading the Commission Staff’s (“Staff”) report and the testimony of Office of  
10 the Public Counsel’s (“OPC”) Dr. Marke, I wanted to re-iterate what I offered in my  
11 rebuttal – that Renew Missouri supports KCPL’s and GMO’s MEEIA program and wants  
12 to see the energy efficiency offerings expanded. The Staff’s and OPC’s calls to reject or  
13 dramatically pare down these energy savings programs would be a mistake that runs  
14 counter to the state policy. Second, while I disagree with Staff’s and OPC’s calls to reduce  
15 the MEEIA portfolio, I recognize those parties have made efforts to identify additional  
16 ways KCPL and GMO could offer energy savings programs to their customers. Of those  
17 ideas, Dr. Marke’s efforts to identify additional ways KCPL and GMO can offer programs  
18 that benefit all customers echoes my earlier testimony on PAYS® and introduces the  
19 concept of a program to address “urban heat islands.”

20 **II. MISSOURI’S STATE POLICY IS TO ENCOURAGE ENERGY EFFICIENCY**

21 **Q: What is the source of the state policy of encouraging energy efficiency?**

22 A: According to Section 393.1040 RSMo, it is “the policy of this state to encourage  
23 electrical corporations to develop and administer energy efficiency initiatives that reduce

1 the annual growth in energy consumption and the need to build additional electric  
2 generation capacity.”

3 **Q: Has the Legislature provided a way to encourage utilities to meet this policy**  
4 **objective?**

5 A: Yes, the Missouri Energy Efficiency Investment Act (“MEEIA”), at Section 393.1075  
6 RSMo et. seq., provides the framework for utilities in Missouri to make investments in  
7 energy efficiency that will benefit customers while ensuring the utility is able to recover  
8 program costs, and, if the program is successful, earn a performance bonus referred to as  
9 an “earnings opportunity.” Staff notes that utilities might be able to offer efficiency  
10 programs without a MEEIA rider as they did before MEEIA (and Empire continues to do  
11 today). Whether the utility might offer a program outside of MEEIA is irrelevant. The  
12 MEEIA statute exists to encourage energy efficiency by providing utilities a way to recover  
13 costs and suggesting a utility offer programs outside of MEEIA serves only as a dis-  
14 incentive to offering these cost-saving programs.

15 **Q: The Staff’s Report and overview provided in the testimony of Ms. Natelle Dietrich**  
16 **question whether KCPL and GMO meet the statutory requirements. Do you agree?**

17 A: No. Ms. Dietrich testified, and this is echoed in Staff’s “Rebuttal Report”, that the  
18 Companies’ Application “does not comply with the statutory requirements of MEEIA.”<sup>1</sup>  
19 While the Staff appropriately “acknowledges there are public policy reasons to support  
20 DSM and demand response” it inappropriately asserts that the plan does not comply with  
21 the statutory requirements.<sup>2</sup>

22 **Q: What are the statutory requirements of MEEIA that Staff alleges are not met?**

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<sup>1</sup> Dietrich Rebuttal p. 5.

<sup>2</sup> Dietrich Rebuttal, p. 5.

1 A: There are two main portions of the statute Staff points to: Sections 393.1075.3 and  
2 393.1075.4 RSMo.<sup>3</sup> Section 393.1075.3 states:

3 3. It shall be the policy of the state to value demand-side investments equal  
4 to traditional investments in supply and delivery infrastructure and allow  
5 recovery of all reasonable and prudent costs of delivering cost-effective  
6 demand-side programs. In support of this policy, the commission shall:

7 (1) Provide timely cost recovery for utilities;

8 (2) Ensure that utility financial incentives are aligned with helping  
9 customers use energy more efficiently and in a manner that sustains or  
10 enhances utility customers' incentives to use energy more efficiently; and

11 (3) Provide timely earnings opportunities associated with cost-effective  
12 measurable and verifiable efficiency savings.

13 Section 393.1075.4 states:

14 4. The commission shall permit electric corporations to implement  
15 commission-approved demand-side programs proposed pursuant to this  
16 section with a goal of achieving all cost-effective demand-side  
17 savings. Recovery for such programs shall not be permitted unless the  
18 programs are approved by the commission, result in energy or demand  
19 savings and are beneficial to all customers in the customer class in which  
20 the programs are proposed, regardless of whether the programs are utilized  
21 by all customers. The commission shall consider the total resource cost test  
22 a preferred cost-effectiveness test. Programs targeted to low-income  
23 customers or general education campaigns do not need to meet a cost-  
24 effectiveness test, so long as the commission determines that the program  
25 or campaign is in the public interest. Nothing herein shall preclude the  
26 approval of demand-side programs that do not meet the test if the costs of  
27 the program above the level determined to be cost-effective are funded by  
28 the customers participating in the program or through tax or other  
29 governmental credits or incentives specifically designed for that purpose.

30 **Q: How does the Staff's Report apply Section 393.1075.3 RSMo to the current**  
31 **Application?**

32 A: In its Report, Staff refers to statutory policy found at 393.1075.3 RSMo emphasizing the  
33 phrase "value demand-side investments equal to traditional investments in supply and

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<sup>3</sup> Staff's Rebuttal Report, pp. 21, 29-30.

1 delivery infrastructure” while claiming that the application does not value demand-side  
2 investments appropriately.<sup>4</sup> The crux of Staff’s argument on this point is that, because  
3 KCPL and GMO do not have a present need to invest in supply-side resources (i.e. new  
4 generation), they do not have a need to invest in demand-side (efficiency) resources.<sup>5</sup>  
5 According to the Staff’s logic, adding demand-side programs now does not value the  
6 investments equally because no investment is necessary to serve customers.

7 **Q: How do you respond?**

8 A: This position is similar to the tack taken by the Staff in Ameren Missouri’s most  
9 recent MEEIA case. Staff’s focus on that portion of the statute is too narrow and  
10 inappropriately restricts a utility’s ability to pursue energy efficiency programs.  
11 Importantly, to “allow recovery of all reasonable and prudent costs of delivering  
12 cost-effective demand-side programs”<sup>6</sup> is also found in the statute. Both of the policies in  
13 Section 393.1075 RSMo, as well as the directive in Section 393.1040 RSMo, should be  
14 read together in the context of how the Commission financially incents Missouri  
15 utilities to pursue energy efficiency programs. The policy to “value demand-side  
16 investments equal to traditional investments in supply and delivery infrastructure” is not  
17 meant to be a barrier that prohibits a utility from having a MEEIA program; rather, it is  
18 a policy that should guide how the utility is compensated. After-all, MEEIA itself is a  
19 different function than generating and providing supply-side power. With MEEIA, the  
20 utility is encouraging its customers to save money by using less of the product the utility  
sells. Given this, the value of supply-side resources

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<sup>4</sup> Staff’s Rebuttal Report, p. 21.

<sup>5</sup> Staff’s Rebuttal Report, pp. 22-23.

<sup>6</sup> Section 393.1075.3 RSMo.

1 is a useful data point but should not be used to prohibit the Companies from incenting  
2 customers to use energy more efficiently.

3 As the MEEIA cost-recovery mechanisms have evolved in Missouri, interested  
4 stakeholders agree on the need for three components: 1) program cost recovery; 2) a  
5 mechanism to compensate the utility for value of energy and demand savings caused by its  
6 programs; and 3) an earnings opportunity. Of those three categories, the earnings  
7 opportunity should be most affected by the policy to value demand-side programs equal to  
8 investment in supply-side resources. In fact, the Commission discussed this point in its  
9 *Report and Order* in Ameren Missouri's Cycle 2 Application (and applied to KCPL's and  
10 GMO's Cycle two portfolios), stating:

11 The sole purpose of a "performance incentive" under MEEIA is to give the  
12 company an earnings opportunity to place shareholders in a financial  
13 position comparable to the earnings opportunity they would have had if  
14 those shareholders made a future supply-side investment. **A successfully**  
15 **implemented performance incentive would accomplish the policy goal**  
16 **of valuing equally supply-side and demand-side investments.** (emphasis  
17 added).<sup>7</sup>

18 At most, Staff's argument that the Companies do not currently need additional supply-side  
19 resources is a reason to adjust the earnings opportunity available. In this case, rather than  
20 recommend outright rejection as it did in Ameren Missouri's recent case (before ultimately  
21 reaching a settlement with the parties), Staff has made certain recommendations for the  
22 conditions under which it would support MEEIA programs for KCPL and GMO.<sup>8</sup> In this  
23 regard, those recommendations are an improvement but still fall short of satisfying the state  
24 policy of encouraging energy efficiency.

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<sup>7</sup> EFIS Case No. EO-2015-0055, Doc. No. 289, Report and Order, p. 11.

<sup>8</sup> Staff's Rebuttal Report, pp. 89-92.

1 Q: How does the Staff's Report apply Section 393.1075.4 RSMo to the current  
2 Application?

3 A: Staff refers to the provisions in Section 393.1075.4 RSMo in its report when discussing  
4 benefits to all customers.<sup>9</sup> In pertinent part, Section 393.1075.4 states:

5 4. The commission shall permit electric corporations to implement  
6 commission-approved demand-side programs proposed pursuant to this  
7 section with a goal of achieving all cost-effective demand-side  
8 savings. Recovery for such programs shall not be permitted unless the  
9 programs are approved by the commission, result in energy or demand  
10 savings and are beneficial to all customers in the customer class in which  
11 the programs are proposed, regardless of whether the programs are utilized  
12 by all customers.

13  
14 This section includes two mandates: 1) that the goal is to achieve *all* cost-effective demand-  
15 side savings and 2) that the programs "are beneficial to all customers in the customer class  
16 in which the programs are proposed".

17 Staff's Report relies on its analysis that the "lost earnings opportunity for KCPL  
18 and/or for KCPL/GMO is \$0" to conclude that there are no avoided capacity cost benefits  
19 for KCPL and GMO customers.<sup>10</sup> Extrapolating from that view, Staff states:

20 Non-participants are expected to receive no net benefits from MEEIA Cycle  
21 3 because: 1) avoided energy cost benefits flow to only participants of  
22 MEEIA Cycle 3 programs, and 2) there are expected to be no avoided  
23 capacity cost benefits for any customers (participants and non-participants)  
24 due to deferral of supply-side resources as a result of MEEIA Cycle 3. This  
25 is contrary to Section 393.1075.4 and prior Commission orders.<sup>11</sup>

26 Q: Do you agree with the Staff's conclusion that the portfolio does not comply with the  
27 law?

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<sup>9</sup> Staff's Rebuttal Report, pp. 27, 29-30.

<sup>10</sup> Staff's Rebuttal Report, p. 31.

<sup>11</sup> Staff's Rebuttal Report, p. 31.

1 A: No. As I said above, the goal is to achieve all cost-effective demand-side savings and offer  
2 programs that are beneficial to all customers in the customer class in which the programs  
3 are proposed. The Staff disagrees with the Companies' avoided cost estimates that show  
4 the portfolios and individual programs to be cost effective.<sup>12</sup> Even still, some of the  
5 programs are shown to be cost-effective under Staff's severely restricted avoided cost  
6 analysis. At a minimum, these programs would qualify and should be offered.

7 Moreover, Staff's approach of relying heavily on valuing avoided generation as the  
8 primary means to show benefits to all customers overlooks that the utilities should be  
9 striving to increase customer participation for its programs. When customers participate,  
10 they can save money on their bills and experience direct benefits. Rather than limiting the  
11 programs with an austerity portfolio as Staff suggests, I want to encourage growth in the  
12 program. Customers can realize the full benefits of MEEIA by participating in the  
13 programs and the additional programs proposed by Renew Missouri and OPC make  
14 progress towards benefitting all customers.

15 **III. ADDITIONAL PROGRAMS TO EXPAND BENEFITS TO CUSTOMERS**

16 **Q: You mentioned you want the Commission to approve KCPL and GMO's proposed**  
17 **portfolio of programs and additional efforts can improve and help expand the benefits**  
18 **customers will experience. What can KCPL and GMO do to expand these offerings**  
19 **to customers?**

20 A: First, I again want to re-iterate my support for a robust portfolio that fits the traditional  
21 model of programs that include standard rebates and other custom programs as proposed  
22 by the Companies. These kinds of offerings have helped many customers save money on

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<sup>12</sup> Staff's Rebuttal Report, p. 42.

1 their energy bills and reduced energy usage. That said, as I alluded to in my rebuttal  
2 testimony (and confirmed in Staff's Rebuttal Report), some stakeholders do not believe  
3 enough customers are benefitting from these kinds of offerings. Rather than reduce those  
4 offerings, the Commission should encourage ways to increase customer participation and  
5 expand the scope of the benefits.

6 One way Renew Missouri proposes to expand the program and encourage greater  
7 participation is by adding a PAYS®-type tariff. In addition to my own testimony on the  
8 program, Renew Missouri submitted testimony by Philip Fracicia and Mark Casey  
9 providing an exemplar program tariff and describing the success of a PAYS® program in  
10 an Arkansas utility.

11 **Q: Does any other party offer testimony supporting a PAYS® program?**

12 **A:** Yes, OPC "strongly supports introducing a PAYS option[.]"<sup>13</sup> Dr. Marke explains his  
13 support for the program, stating "PAYS enables deeper, energy efficiency and demand  
14 savings to customers that do not have thousands of dollars of disposable income to make  
15 energy-related investments, which includes most of the residential customers across  
16 KCPL's service territory if key economic indicators are to be believed. If stakeholders are  
17 really serious about energy efficiency, they should support a PAYS program."<sup>14</sup>

18 **Q: Do you agree with Dr. Marke's assessment?**

19 **A:** Overall, yes. He recognizes the efforts Missouri utilities have taken in studying this  
20 program and has offered a "pilot" that the Companies could follow in this case designed to  
21 be rolled out as a full program in the Companies' next MEEIA cycles.<sup>15</sup> While I would

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<sup>13</sup> Marke Rebuttal, p. 24.

<sup>14</sup> Marke Rebuttal, p. 45.

<sup>15</sup> Marke Rebuttal, pp. 44-45.

1 prefer that the Companies offer a full program in this case, I support his efforts to move  
2 forward with a PAYS® program in a tangible way that allows for an opportunity to address  
3 whatever reservations stakeholders continue to hold about this program. Ultimately,  
4 moving forward with this kind of program is a significant way the Companies can increase  
5 customer participation in MEEIA and experience the benefits of saving energy first-hand.

6 **Q: Dr. Marke also testifies about “urban heat islands”, what is your response to his  
7 proposal?**

8 A: Dr. Marke states this proposal stems from his belief, shared with the Staff, that there is “no  
9 supply-side deferral in the 20-year planning period for KCPL.”<sup>16</sup> The implication is that he  
10 is concerned that not all customers would benefit from a MEEIA program. However, Dr.  
11 Marke offers the heat island pilot as a way forward, explaining “the Kansas City Urban  
12 Heat Island presents a problem in which a MEEIA-like tailored effort could help solve;  
13 thus producing benefits for all ratepayers.”<sup>17</sup> He proposes a limited budget for research and  
14 development as well as outlines a robust stakeholder engagement aimed at reducing the  
15 heat island impact which can, in turn, reduce customers use of cooling measures and reduce  
16 the amount of energy consumed.<sup>18</sup>

17 While I still support traditional MEEIA programs to a far greater degree than Dr.  
18 Marke does in his testimony, his proposal to address the urban heat island phenomenon is  
19 an additional component to a MEEIA portfolio I support.

20 **Q: Does this conclude your testimony?**

21 A: Yes.

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<sup>16</sup> Marke Rebuttal, p. 49.

<sup>17</sup> Marke Rebuttal, p. 49.

<sup>18</sup> Marke Rebuttal, p. 49 figure 9.