

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

In the Matter of Evergy Missouri Metro and        )  
Evergy Missouri West’s Notice of Intent to        )  
File Applications for Authority to Establish        )  
a Demand-Side Programs Investment                )  
Mechanism    )  
**File No. EO-2019-0132**

**STAFF RESPONSE**

**COMES NOW** the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its recommendation respectfully states:

1. On December 31, 2019, Evergy Missouri Metro and Evergy Missouri West (“Evergy Missouri” or “EMO”) filed an *Application for Clarification and/or Rehearing* (“Motion”) with the Missouri Public Service Commission (“Commission”).

2. EMO requested clarification from the Commission’s *Report and Order* (“Order”), filed on December 11, 2019, regarding the language below:

The utilization of Pay as You Save [“PAYS”] to fund participation in any MEEIA program shall be recovered under the Pay as You Save tariff and shall not be recovered under any other MEEIA tariff.<sup>1</sup>

3. EMO specifically seeks clarification “that it may recover the upfront direct costs of the participating customer’s energy efficiency improvements (upgrades) in the PAYS program through a fixed charge per the PAYS tariff, and that the Company recover administrative program costs, throughput disincentive and earnings opportunity from all customers (within the classes for which the program is offered) through its MEEIA DSIM [Demand-Side Investment Mechanism] tariff.”<sup>2</sup>

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<sup>1</sup> See *Report and Order*, p. 27.

<sup>2</sup> See *Kansas City Power and Light Company’s and KCP&L Greater Missouri Operations Company’s Application for Clarification and/or Rehearing*, p. 3, ¶6.

4. On January 3, 2020, the Commission ordered Staff to respond to EMO's Motion regarding clarification of the Commission's Order no later than January 7, 2020, at noon. All of other parties were given the same opportunity to respond to EMO's motion by the same date and time.

5. EMO's proposal to recover administrative program costs, throughput disincentive, and earning opportunities from all customers through its MEEIA DSIM tariff, as regards the PAYS program, does not appear in the evidentiary record relied upon by the Commission in drafting its Order, as well as the Commission's Agenda discussions on (when and when), 2019. This is the first time such a proposal has been put forth.

6. When looking at the evidentiary record that supports the Commission's Order, the testimony surrounding PAYS comes chiefly from Office Public Counsel ("OPC") witness Mr. Geoff Marke and Renew Missouri witnesses Mr. Mark Cayce, James Owen, and Phillip Fracica. None of these witnesses put forward a proposal reflecting the one found in EMO's Motion.

7. Of the witnesses who provided substantial evidence regarding PAYS, only Mr. Cayce and Fracica attached sample PAYS tariffs as part of their testimony.

8. During Agenda discussions on November 6, 2018, the Commission focused on the testimony and sample tariff of Mr. Cayce, and noted its reliance on Mr. Cayce's testimony as the evidence on the record supporting its PAYS decision,<sup>3</sup> and the PAYS program he administers as general manager of the Ouachita Electric Cooperative Corporation ("OEC"), referred to as HELP PAYS.<sup>4</sup> This program is available to five

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<sup>3</sup> November 6, 2018 Agenda, timestamp 56:09.

<sup>4</sup> Ex. 450, Schedule MC-1

counties in southern Arkansas, and was approved through a *Report and Order* by the Arkansas Public Service Commission.<sup>5</sup>

9. In the Arkansas Public Service Commission's Report and Order, it states:

"If the project is determined to have a positive cost-benefit, it will be subject to funding by the cooperative on a non-discriminatory basis, and when the member begins to see savings, **a charge will be added to the member's bill. The charge will include the following (emphasis added):**

1. Recovery of the direct investment provided for the project over a period of years, which may not exceed the projected life of the project and may not exceed 12 years – the maximum period of time the cooperative is willing to consider for cost recovery.
2. Recovery of the cooperative's cost of interest for money invested in the project at the cooperative's current average cost of financing or the actual cost at the time financing is obtained, if known.
3. Recovery spread across all projects of administrative costs for the Program, including required software, form printing, advertising, etc.
4. Prepayment of any future cost for maintenance checks as determined by the cooperative."

10. As EMO notes in its Motion, the Commission's Order specifically states:

"The utilization of Pay As You Save to fund participation in any MEEIA programs shall be recovered under the Pay As You Save tariff and **shall not be recovered under any other MEEIA tariff.**"<sup>6</sup> [emphasis added]

11. The Commission's Order further states that:

"The pilot program shall include customer protections by **capping administrative costs** (including total advertising costs as allocated to the total number of projects) **for each individual customer project to a percentage of the total loan costs...**" [emphasis added].<sup>7</sup>

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<sup>5</sup> *Id.*, Schedule MC-2.

<sup>6</sup> See *Report and Order*, p. 27.

<sup>7</sup> *Id.*

12. The evidentiary record in the case suggests that all costs associated with a PAYS program (including administrative costs, the throughput disincentive, and the earnings opportunity) shall only be recovered through an individual customer's bill through the PAYS tariff. Further, the Commission's Order does not seem to contemplate providing EMO the opportunity to recover any costs through the DSIM or any other part of the MEEIA tariff; rather, it explicitly states that the utilization of PAYS "**shall not be recovered under any other MEEIA tariff.**"<sup>8</sup> [emphasis added]

**WHEREFORE**, Staff respectfully submits this *Response*, and prays the Commission accept the same as satisfying the Commission's *Order*.

Respectfully submitted,

**/s/ Nicole Mers**

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<sup>8</sup> *Id.*

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all parties and/or counsel of record on this 7<sup>th</sup> day of January, 2020.

**/s/ Nicole Mers**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Evergy Missouri	)	
Metro and Evergy Missouri West’s	)	File No. EO-2019-0132
Notice of Intent to File Applications	)	
for Authority to Establish a Demand-	)	
Side Programs Investment Mechanism	)	

**AFFIDAVIT OF BRAD J. FORTSON**

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

1. My name is Brad J. Fortson.
2. I am a utility regulatory manager.
3. I am employed by the Missouri Public Service Commission as Manager of Energy Resources Department.
4. I have previously testified before the Missouri Public Service Commission as a member of the Commission Staff.
5. On December 31, 2019, Evergy Missouri Metro and Evergy Missouri West (“Evergy Missouri” or “EMO”) filed an *Application for Clarification and/or Rehearing* (“Motion”). EMO is seeking clarification from the Commission’s December 11, 2019, *Report and Order* (“Order”) as to whether they can recover the upfront direct costs of the participating customer’s energy efficiency improvements in the Pay As You Save (“PAYS”) program with a fixed charge through the PAYS tariff and separately recover administrative costs, the throughput disincentive, and an earnings opportunity through the Companies Demand-Side Investment Mechanism (“DSIM”) tariff.
6. On January 3, 2019, the Commission filed its *Order Directing Staff to File a Response and Setting Deadline for Other Responses*. The Commission ordered Staff to file a response to EMO’s Motion no later than January 7, 2020, at noon.
7. EMO’s Motion requests recovery, through its DSIM, of certain costs associated with administering a PAYS program. Staff notes the only evidence provided in this case in regards to a PAYS tariff was from the Office of Public Counsel (“OPC”) witness Dr. Geoff Marke and Renew Missouri (“Renew”) witnesses Mr. Philip Fracica, Mark Cayce, and James Owen. Of the witnesses in this case that presented evidence in regards to a PAYS tariff, Mr. Fracica and Mr. Cayce are the only witnesses that provided an exemplar PAYS tariff as part of their testimony. The evidence in the record does not include discussion

January 7, 2020

related to recovery of administrative costs, the throughput disincentive or an earnings opportunity through the DSIM.

8. Further, of the two exemplar PAYS tariffs provided in testimony, the PAYS tariff offered by Mr. Cayce is the only one that has been approved by a Public Service Commission and is currently in effect at an electric utility.<sup>1</sup> In the Arkansas Public Service Commission's Order that approved Ouachita Electric Cooperative Corporation's PAYS program it states:

"If the project is determined to have a positive cost-benefit, it will be subject to funding by the cooperative on a non-discriminatory basis, and when the member begins to see savings, a charge will be added to the member's bill. The charge will include the following (emphasis added):

1. Recovery of the direct investment provided for the project over a period of years, which may not exceed the projected life of the project and may not exceed 12 years – the maximum period of time the cooperative is willing to consider for cost recovery.
2. Recovery of the cooperative's cost of interest for money invested in the project at the cooperative's current average cost of financing or the actual cost at the time financing is obtained, if known.
3. Recovery spread across all projects of administrative costs for the Program, including required software, form printing, advertising, etc.
4. Prepayment of any future cost for maintenance checks as determined by the cooperative."

9. The Arkansas Public Service Commission further found that since **the program charge for participation in the PAYS program is tied to the cooperative member's electric meter and premises**, it is a charge for electric service [emphasis added]. If all of the PAYS program costs are recovered through a PAYS tariff, only the PAYS program participants would be covering those costs. By allowing the administrative costs, the throughput disincentive, and an earnings opportunity associated with the PAYS program to be recovered through the Companies DSIM tariff, ALL of the Companies residential customers would be covering those costs for PAYS program participants. Again, the evidence in the record does not include discussion related to recovery of any costs related to the PAYS program through the DSIM tariff.

10. The Commission's Order states in paragraph 2(f), "The utilization of Pay As You Save to fund participation in any MEEIA program shall be recovered under the Pay As You Save tariff and **shall not be recovered under any other MEEIA tariff.**" [emphasis added] Paragraph 2(e) in the Order states that, "The pilot program shall include customer protections by capping **administrative costs** (including total advertising costs as allocated to

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<sup>1</sup> On February 8, 2016, the Arkansas Public Service Commission approved Ouachita Electric Cooperative Corporation's "Pay As You Save®" Optional On-Bill Program.

January 7, 2020

the total number of projects) for *each individual customer project to a percentage of the total loan costs...*” [emphasis added]

11. In the December 11, 2019, Commission Agenda, where the Commission’s Order was unanimously approved, Judge Clark made note of changes that were made between versions 5 and 6. One change was in paragraph 2(f) of the Order. According to the discussion, it originally stated:

The utilization of Pay As You Save to fund participation in any MEEIA program shall be **counted** under the Pay As You Save tariff and shall not be recovered under any other MEEIA tariff.” [emphasis added]

For version 6, the final Order, the language was changed to read:

The utilization of Pay As You Save to fund participation in any MEEIA program shall be **recovered** under the Pay As You Save tariff and shall not be recovered under any other MEEIA tariff.” [emphasis added]

Further, in the Commission’s November 6, 2019 Agenda discussion, the Commissioners had the following dialogue regarding the PAYS program funding:

Commissioner Kenney: “Ok, who sets up the pilot program?”

Commissioner Rupp: “Well, the utility would set it up.”

Commissioner Kenney: “Where’s the money come from?”

Commissioner Rupp: “The utility pays it, and then the customer pays the utility back through their monthly bills.”

Later in the discussion, the issue of funding the PAYS program came up again:

Chairman Silvey: “What’s the, what are we thinking? 10 to 15?”

Commissioner Rupp: “I’d say a floor of 10. I’m more concerned of the floor than I am, than I am the cap.”

Commissioner Kenney: “So where’s the money come from? The Company is required to put it up? Shareholder money? I mean, or borrow it, or whatever they want?”

Commissioner Rupp: “I mean they put up the money, and they prove the energy efficiency for people, they get paid back and they get a return on it.”

12. The evidentiary record, as well as Commission discussions in the November 6 and December 11, 2019 Commission Agendas, suggests that all costs associated with a PAYS program (including administrative costs, the throughput disincentive, and the earnings opportunity) shall only be recovered through an individual customer’s bill through the PAYS tariff. Further, the Commission’s Order does not seem to contemplate providing the Companies the opportunity to recover any costs through the DSIM or any other MEEIA tariff; rather it explicitly states that the utilization of PAYS “**shall not be recovered under any other MEEIA tariff.**” [emphasis added].



File No. EO-2019-0132  
January 7, 2020

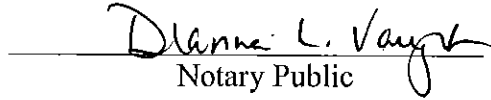
**COMES NOW BRAD J. FORTSON** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
**BRAD J. FORTSON**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 7<sup>th</sup> day of January 2020.

  
Notary Public

