

**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) **File No. EO-2019-0132**
Application for Authority to Establish a Demand-)
Side Programs Investment Mechanism)

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

STAFF'S STATEMENT OF POSITION

COMES NOW the Staff of the Missouri Public Service Commission, by and through the undersigned counsel, and for its *Statement of Positions* states as follows:

1. Should the Commission approve, reject, or modify the Company's MEEIA Cycle 3 Plans ("MEEIA 3"), along with the waivers in the Company's application intended to enable its implementation?

The Commission should not approve KCPL's and GMO's applications as filed. At a high level, the Company's MEEIA 3 fails to produce any avoided capacity costs, as there is no supply side investment being deferred during the 20 year planning horizon as a result of its programs.¹ Staff's analysis shows that when correctly taking into account the lack of avoided capacity costs, MEEIA Cycle 3 does not pass the total resource cost test, meaning it is not cost-effective.² On a combined basis, MEEIA Cycle 3 results in a net cost to all customers of \$5.7 million.³ This net cost to all customers highlights the striking lack of benefits to all customers, contrary to the statutory mandate in MEEIA to provide benefits to all customers.⁴ As shown in Staff's Rebuttal Report, Staff's detailed analysis of the Company's capacity needs, avoided cost

¹ Staff Rebuttal Report, p. 17, l. 11-22.

² *Id.* at p. 32, l. 1-9.

³ *Id.*

⁴ *Id.*

calculations, other potential avoided costs, calculations of net costs and benefits to all customers, and program design, Staff must recommend rejection of the Company's MEEIA 3, as non-participants will pay more in increased DSM charges than they would receive in offsetting benefits.

a. If MEEIA 3 should be modified, how should the plans be modified?

If the Commission determines it is appropriate to approve the proposed MEEIA Cycle 3, Staff recommends the Commission modify the Application, subject to certain conditions,⁵ as recommended in Staff's rebuttal report. Of the utmost concern, Staff recommends that the Commission 1) determine appropriate values of avoided capacity costs; and 2) only allow earnings opportunities for programs that are cost-effective and defer supply-side resources.

Staff also recommends the following modifications and conditions, as explained in more detail in Staff's Rebuttal Report.

- Remove the Residential Level 2 Charging Station Charging Program Pilot
- Remove the Home Energy Reports, including the Income Eligible portion.
- For Demand Response
 - Only allow an earning opportunity on Cycle 3 demand response that exceeds the incremental peak demand savings in Cycle 2, or defers or avoids an investment in necessary infrastructure investments.
 - Only allow customers that have not opted out to participate in business demand response.
 - Redesign the Residential Demand Response program in a manner that would lean on the sunk cost of investments made in thermostats in MEEIA Cycle 2 and DERMS, provide clear monetary incentives for meaningful participation areas that will benefit customers as a whole, minimize cost, focus on calling events based on location specific needs, target events that could decrease peak load coincident with the SPP zonal monthly peak, and maximize tangible savings to

⁵ Modifications are changes that the Commission would determine are appropriate and the conditions stated require action by KCPL/GMO.

provide benefits to customers regardless of participation in the program.

- Redesign the Business Demand Response program to minimize cost, focus on calling events based on location specific needs, target events that could decrease peak load coincident with the SPP zonal monthly peak, maximize tangible savings to provide benefits to customers 1 regardless of participation in the program.
- The costs from Business Demand Response related to MEEIA participants should be allocated to each non-residential rate class based upon participation, except, if opt outs are allowed to participate, then those costs should be allocated to all non-lighting classes based on kWh sales.
- Require demand response to pass the UCT, to ensure non-participants are benefiting from the program, as well as ensuring incentive payments are cost-effective.
- Require the Company to file a complete TRM, with the 2020 IRP annual update, that provides an explanation for why each estimation is appropriate and specific citations for each and every assumption utilized to estimate savings from measures.

2. When it developed MEEIA 3, did the Company value demand-side investments equal to traditional investments in supply and delivery infrastructure?

No, the Company has not valued demand-side investments equal to traditional investments in supply and delivery infrastructure. In following SPP's treatment of KCPL and GMO as a single load serving entity, Staff analyzed the Company's capacity requirements on a combined basis.⁶ The Company will not be avoiding any supply side investments during the 20 year planning horizon due to MEEIA Cycle 3.⁷ Nor will customers benefit from avoided transmission and distribution costs, as not only are programs not designed to avoid these costs, but even giving the benefit of the doubt to the Company regarding SPP fees, the avoided SPP fees would be minimal and not make MEEIA Cycle 3 cost-effective.⁸ As there is no lost supply-side investment opportunity, the Company is not forgoing an earnings opportunity in which MEEIA encourages the Company to

⁶ Staff's Rebuttal Report, p. 14, l. 24-27.

⁷ *Id.* at p. 15, l. 1-9.

⁸ *Id.* at p. 24, l. 13-26.

invest in demand side resources instead of supply side resources.⁹ This is not simply just Staff's opinion; as the Commission stated in Case No. EO-2015-0055, unless a utility's MEEIA portfolio results in energy and demand reductions *such that construction of a power plant would be cancelled or materially postponed, the shareholders will not have experienced a foregone supply-side earnings opportunity.*¹⁰

3. Is the proposed MEEIA 3, as designed by the Company, expected to provide benefits to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers?

No they are not. Staff's analysis demonstrates that customers that do not participate in programs will not receive net benefits through the implementation of MEEIA Cycle 3 programs. This issue is tied to the avoided cost issues Staff has raised. As the Commission has noted, the justification behind approval of a MEEIA plan depends on if non-participating ratepayers would be better off paying to help some ratepayers reduce usage than they would be paying a utility to build a power plant.¹¹ The Company's MEEIA 3 fails that standard. Non-participants will pay for the return of and on existing supply side resources, planned investment in supply side resources or capacity needs, and for the program costs, earnings opportunity and throughput disincentive of MEEIA 3.¹²

4. If the Commission approves or modifies MEEIA 3, what DSIM provisions should be approved to align recovery with the MEEIA statute?

Staff recommends the Commission not approve an earnings opportunity. Staff has four additional recommendations concerning DSIM provisions to align recovery with the MEEIA statute;

⁹ *Id.* p. 31, l. 1-8.

¹⁰ *In the Matter of Union Electric Company d/b/a Ameren Missouri's 2nd Filing to Implement Regulatory Changes in Furtherance of Energy Efficiency as Allowed by MEEIA*, File No. EO-2015-0055, *Report and Order*, p. 11-13.

¹¹ *Id.*

¹² Staff's Rebuttal Report, p. 36, l. 1-22.

at the same time, Staff understands that the Company has agreed to Staff's recommendations in its Surrebuttal Report.

- Staff recommends that the Company uses a NTG factor of .85 in calculating the MEEIA Cycle 3 TD, which provides a reasonably accurate NTG factor and still provides the ability to adjust for an EM&V result lower than 0.85. If the Commission approves KCPL/GMO's proposed NTG, then Staff recommends that the EO be able to be adjusted below zero.¹³
- Staff recommends that tariff sheets be modified to retain the MEEIA Cycle 2 tariff sheets in the tariff books for both utilities until they are no longer necessary.¹⁴
- Staff recommends that tariff sheets be modified to include provisions such that any remaining reconciliations related to recovery and true-up of MEEIA Cycle 1 Program Cost Reconciliation, Throughput Disincentive Reconciliation and Performance Incentive Reconciliation will be incorporated into the initial period MEEIA Cycle 3 PC, TD and EO to fully reconcile MEEIA Cycle 1 so that additional calculations related to MEEIA Cycle 1 do not have to continue.¹⁵
- Staff recommends that KCPL and GMO uses the same margin rates that took effect on December 6, 2018, for the initial MEEIA Cycle 3 period, subject to update in future general rate cases.¹⁶

5. Should Opt-Out Customers be eligible to participate in Business Demand Response programs?

Since program design has not been finalized, it is unclear to Staff that the Business Demand Response program is an interruptible or curtailable rate schedule or tariff. If the Commission

¹³ *Id.* p. 91, l. 21-24.

¹⁴ *Id.* l. 19-20.

¹⁵ *Id.* p. 90, l. 13-18.

¹⁶ *Id.* p. 91, l. 25-26.

determines that Business Demand response program is an interruptible or curtailable rate schedule or tariff, the Staff recommends that the Commission allow opt-out participation. If the Commission determines that the Business Demand Response program is not an interruptible or curtailable rate schedule or tariff, the Staff recommends that the Commission not allow opt-out participation.

a. MECG sub issue: “Should GMO be required to publish in its tariff the participation payment to customers that participate in the Business Demand Response programs?”

At minimum, Staff recommends that the participation payment to customers be made available to Staff prior to implementation, and that any changes to those payments should be provided to Staff expediently.

WHEREFORE, Staff submits the foregoing Statements of Position pursuant to the Commission’s prior order.

Respectfully Submitted,

/s/ Nicole Mers

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 18th day of September, 2019, to all counsel of record.

/s/ Nicole Mers