

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held by telephone
and internet audio conference
on the 19th day of August, 2020.

In the Matter of the Second Prudence)
Review of the Missouri Energy Efficiency)
Investment Act (MEEIA) Cycle 2 Energy) **File No. EO-2020-0227**
Efficiency Programs of Evergy Metro, Inc.)
d/b/a Evergy Missouri Metro)

ORDER DENYING MOTION TO LIMIT SCOPE

Issue Date: August 19, 2020

Effective Date: August 19, 2020

This file involves Demand-Side Investment Mechanism (DSIM) prudence reviews of both Evergy Metro, Inc. (“Evergy Metro”) and Evergy Missouri West, Inc. (“Evergy West”) (referenced together as “Evergy”).¹ In both cases, Staff of the Missouri Public Service Commission (“Staff”) recommended certain disallowances or adjustments; the two disallowances relevant here relate to demand response. The disallowances proposed are summarized:

- Disallowance due to Evergy Metro not entering into a capacity sale contract; and
- Disallowances due to Evergy not avoiding Southwest Power Pool (SPP) fees.

Staff argues that the Evergy demand response programs were not implemented in a manner that would maximize benefits at least cost, thus recovery of the full costs associated with those programs are not justified.

¹ File EO-2020-0228 was consolidated into this case on August 5, 2020.

On July 29, 2020, Evergy requested the scope of the proceeding be limited.² Evergy stated that the Commission rule governing demand-side programs prudence reviews, 20 CSR 4240-20.093(11), defines the scope of review as limited to “the costs subject to the DSIM”.³ On August 18, 2020, the Commission received Evergy’s late-filed response to Staff and Public Counsel’s reply.

Evergy states that capacity sales (or lack thereof) are not collected through the DSIM, are not addressed in the Commission’s Missouri Energy Efficiency Investment Act (MEEIA) rule, and do not appear in Evergy’s tariff. Similarly, Evergy states that SPP expenses are not collected through the DSIM. Evergy offers that revenues from capacity sales and reductions in SPP expenses would flow through Evergy Metro’s Fuel Adjustment Clause (FAC), or be included in the cost-of-service calculation in a general rate case.

Staff responded that the program costs, throughput disincentive, and earnings opportunity associated with the Demand Response Incentive program and the Residential Programmable Thermostat program are collected through the DSIM. Staff argues the link between Evergy’s decisions and “costs subject to the DSIM” is that the challenged decisions were made in connection with its MEEIA programs, which led to the programs’ costs being higher or ratepayer benefits being lower, or both. Staff also notes that adjustments are allowed to be made under Evergy’s tariff authorizing Ordered Adjustments.⁴

Evergy argues that decisions regarding capacity contracting and SPP fees made during the implementation of MEEIA Cycle 2 Demand Response programs are not costs subject to the DSIM. Evergy states that Evergy Metro’s FAC tariff provides that off-system

² A corrected motion was filed on July 30, 2020, addressing a typographical error.

³ Subsection 11 reads in part, “A prudence review of the costs subject to the DSIM shall be conducted no less frequently than at twenty-four (24) month intervals.”

sales contracts of one-year or less are recorded and netted against fuel costs recovered in the FAC. Evergy argues the tariff provision requires the revenue represented from a hypothetical capacity contract of one-year or less to be addressed in the FAC, where Evergy's fuel and purchased power costs are recovered.

As to the SPP fees, Evergy's tariff sheets provide that a percentage of SPP transmission costs are recovered through the FAC. Evergy suggests that any adjustment to the amount of SPP fees that are not recovered in the FAC should be addressed in a general rate case.

The Office of the Public Counsel contends that the capacity sales contract that Evergy did not enter into and the SPP fees it did not avoid are relevant to the prudence of Evergy's demand response program. If Staff's assertions are correct, Evergy failed to maximize benefits of that program, making the cost of such programs unjustified and subject to a prudence disallowance. Therefore, Public Counsel argues the Commission should hear evidence about these matters and should deny Evergy's motion.

Evergy responds that Public Counsel's argument would vastly and unreasonably expand the universe of costs and revenues to be considered under a DSIM prudency review, allowing nearly any adjustment related to the cost of providing electric service to be considered since MEEIA programs are designed to improve efficiency.

The Commission finds that Staff has raised allegations of imprudence by Evergy that are relevant to the Commission's determination of whether Evergy has operated its MEEIA programs in a prudent manner. Whether the alleged imprudent acts are costs subject to the DSIM is a question of fact in addition to a question of law. Ultimately, after hearing the evidence, the Commission will find that Evergy has, or has not been prudent. But it must

⁴ Evergy Metro Tariff Sheet 49J.

first hear that evidence. Everyg's request to limit the scope of the review is not well founded and will be denied.

THE COMMISSION ORDERS THAT:

1. Everyg's motion to limit the scope of these reviews is denied.
2. This order shall be effective when issued.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive, flowing style.

Morris L. Woodruff
Secretary

Silvey, Chm., Kenney, Rupp, Coleman, and
Holsman CC., concur.

Hatcher, Regulatory Law Judge