

MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT

**SECOND PRUDENCE REVIEW OF CYCLE 3 COSTS
RELATED TO THE
MISSOURI ENERGY EFFICIENCY INVESTMENT ACT**

FOR THE ELECTRIC OPERATIONS

OF

**EVERGY METRO, INC.,
d/b/a EVERGY MISSOURI METRO**

April 1, 2021 through March 31, 2023

FILE NO. EO-2023-0407

*Jefferson City, Missouri
October 27, 2023*

TABLE OF CONTENTS OF STAFF REPORT

SECOND PRUDENCE REVIEW OF CYCLE 3 COSTS
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1

2

3

4

5

6

7

8

9

10 I. EXECUTIVE SUMMARY1

11 II. MEEIA PROGRAMS5

12 III. PRUDENCE REVIEW PROCESS.....6

13 IV. BILLED REVENUE.....6

14 V. RESOURCE INNOVATIONS TRACKING SOFTWARE8

15 VI. ACTUAL PROGRAM COSTS10

16 A. Administrative Costs..... 14

17 B. Implementation Contractors..... 16

18 C. EM&V Contractors 19

19 D. MEEIA Labor 20

20 E. Demand Response..... 21

21 VII. THROUGHPUT DISINCENTIVE (“TD”)22

22 A. Actual TD..... 22

23 B. Gross Deemed Annual Energy and Demand Savings..... 24

24 VIII. EARNING OPPORTUNITY (“EO”)26

25 IX. INTEREST COSTS27

26 ATTACHED:

27 CONFIDENTIAL ATTACHMENT A AND CONFIDENTIAL ATTACHMENT B.....28

of \$77,229.63 plus interest,⁴ in Evergy Missouri Metro’s next DSIM Rider rate adjustment filing to adjust for these disallowed expenses. The recommended OA amount is explained in detail later in this Report.

Table 1

Costs	Explanation of Costs	Recommended Disallowance
Administrative Program Expenses	Page 15	\$ 70,680.48
Implementation Contractors Expenses	Page 19	\$ 6,549.15
Total		\$ 77,229.63

BACKGROUND

On November 29, 2018, Evergy Missouri Metro filed, in Case No. EO-2019-0132, its application under the MEEIA statute⁵ and the Commission’s MEEIA rules⁶ for approval of Evergy Missouri Metro’s MEEIA application. On March 11, 2020, in Case No. EO-2019-0132, the Commission authorized through its *Amended Report and Order* Evergy Missouri Metro to implement its three-year “Plan” including: 1) thirteen (13) MEEIA Programs described in Evergy Missouri Metro’s November 29, 2018 MEEIA *Cycle 3 2019-2022 Filing*, 2) a technical resource manual (“TRM”), 3) a DSIM, 4) a Research and Pilot budget, and 5) a Pay as You Save ® (“PAYS®”) pilot program⁷. In its *Amended Report and Order*, the Commission also approved rates for the DSIM Rider and approved a DSIM Charge⁸ in Case No. EO-2019-0132 to be effective on January 1, 2020.

The Commission’s May 12, 2022, Order Approving Stipulation and Agreement, approves the Non-Unanimous Stipulation and Agreement that was filed on April 29, 2022. In this filing,

⁴ Interest was not calculated on the Administrative Program Expenses or the Implementation Contractors Expenses.

⁵ Section 393.1075 RSMo.

⁶ 20 CSR 4240-20.093 and 20 CSR 4240-20.094.

⁷ In its *Order Clarifying the Time in Which to File the Proposed PAYS Pilot Program*, the Commission clarified that the Company could offer the one year pilot program at a time of its choosing, sometime during the Cycle 3 Plan, and that the proposed PAYS® pilot program to be filed at least 60 days before the program would be put into effect.

⁸ From Evergy Missouri Metro’s Original Sheet No. 49Q: Charges arising from the MEEIA Cycle 3 Plan that are the subject of this DSIM Rider shall be reflected in one “DSIM Charge” on customers’ bills in combination with any charges arising from a rider that is applicable to post-MEEIA Cycle 3 Plan demand-side management programs approved under the MEEIA. This will include any unrecovered amounts for Program Costs, TD from MEEIA Cycle 2 and any Earnings Opportunity, etc. earned/remaining from MEEIA Cycle 2 that is expected to begin recovery in early 2020.

1 the Signature Parties recommended the Commission approve the MEEIA Cycle 3 Plan to be
 2 extended through Calendar year 2023, or Program Year 4, or (“PY4”).

3 Commission Rule 20 CSR 4240-20.093(11) requires that the Commission’s Staff conduct
 4 prudence reviews of an electric utility’s costs for its DSIM no less frequently than every
 5 twenty-four (24) months. This Report documents Staff’s second review of the prudence of
 6 Evergy Missouri Metro’s Cycle 3 Program Costs, annual energy and demand savings, TD,
 7 interest for the Review Period, and the over/under collection from the Commission approved
 8 Cycle 2 and Cycle 3 EO.

9 Commission Rule 20 CSR 4240-20.093(10) requires that Evergy Missouri Metro file a
 10 quarterly Surveillance Monitoring Report. Confidential Attachment A to this Report is Page 6
 11 of Evergy Missouri Metro’s Cycle 2 Quarterly Surveillance Monitoring Reports (“QSMR”)
 12 including status of the MEEIA Programs and DSIM cost and savings for each of the quarter
 13 ended for the Review Period, and cumulative total ended March 31, 2023. Confidential
 14 Attachment B to this Report is Page 7 of Evergy Missouri Metro’s Cycle 3 QSMR including
 15 status of the MEEIA Programs and DSIM cost and savings for each of the quarter ended for the
 16 Review Period, and cumulative total ended March 31, 2023.

17 Table 2 (A) below identifies the line items and Review Period amounts from Confidential
 18 Attachment A which are the subject of Staff’s prudence review. Table 2 (B) below⁹ identifies the
 19 line items and Review Period amounts from Confidential Attachment B which are the subject of
 20 Staff’s prudence review.

21

Table 2 (A)		
Cycle 2 Totals for April 1, 2021 through March 31, 2023		
Category	Descriptor	Period Total
Total Program Costs (\$)	Billed	\$ (279,928)
Total Program Costs (\$)	Actual	\$ 0
Total Program Costs (\$)	Variance	\$ 279,928
Total Program Costs (\$)	Interest	\$ (4,328)

⁹ The kWh and kW savings reported in the QSMR reflect an amount reported on an incremental basis over the Cycle because the Home Energy Reports, Income Eligible Home Energy Reports and Business Demand Response programs were considered to have minimal persistence or one year measure life. Therefore, the amounts for each period are netted by deducting the amounts reported for the same period in the preceding year. The total throughput disincentive as reported in the QSMR for June and December 2022 illustrated a difference of \$572. The differences were corrected in their subsequent quarterly filings, in the cumulative and 12-month totals.

Table 2 (A)		
Cycle 2 Totals for April 1, 2021 through March 31, 2023		
Category	Descriptor	Period Total
Gross Energy Savings (kWh)	Target	0
Gross Energy Savings (kWh)	Deemed Actual	0
Gross Energy Savings (kWh)	Variance	0
Gross Deemed Savings (kW)	Target	0
Gross Deemed Savings (kW)	Deemed Actual	0
Gross Deemed Savings (kW)	Variance	0
Throughput Disincentive Costs (\$)	Billed	\$ 9,486,131
Throughput Disincentive Costs (\$)	Actual	\$ 10,399,271
Throughput Disincentive Costs (\$)	Variance	\$ 913,140
Throughput Disincentive Costs (\$)	Interest	\$ 87,272

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Table 2 (B)		
Cycle 3 Totals for April 1, 2021 through March 31, 2023		
Category	Descriptor	Period Total
Total Program Costs (\$)	Billed	\$ 31,354,027
Total Program Costs (\$)	Actual	\$ 27,859,995
Total Program Costs (\$)	Variance	\$ (3,494,032)
Total Program Costs (\$)	Interest	\$ (117,534)
Gross Energy Savings (kWh)	Target	118,460,031
Gross Energy Savings (kWh)	Deemed Actual	129,047,518
Gross Energy Savings (kWh)	Variance	10,587,487
Gross Deemed Savings (kW)	Target	40,236
Gross Deemed Savings (kW)	Deemed Actual	85,399
Gross Deemed Savings (kW)	Variance	45,163
Throughput Disincentive Costs (\$)	Billed	\$ 13,387,788
Throughput Disincentive Costs (\$)	Actual	\$ 13,165,620
Throughput Disincentive Costs (\$)	Variance	\$ (222,168)
Throughput Disincentive Costs (\$)	Interest	\$ 4,617

3

In evaluating prudence, Staff reviews whether a reasonable person making the same decision would find both the information the decision-maker relied on and the process the decision-maker employed to be reasonable based on the circumstances and information known at the time the decision was made, *i.e.*, without the benefit of hindsight. If either the information relied upon or the decision-making process employed was imprudent, then Staff examines whether the imprudent decision caused any harm to ratepayers. Only if an imprudent decision resulted in harm to ratepayers, will Staff propose a disallowance. However, if an imprudent decision did not result in harm to Evergy Missouri Metro’s customers, then Staff may further evaluate the decision-making process, and may recommend changes to the company’s business practice going forward.

Staff Expert: Brooke Mastrogiannis

II. MEEIA Programs

Evergy Missouri Metro used various request for proposal (“RFP”) processes to contract: 1) implementers for its individual MEEIA Programs, 2) EM&V contractors for its residential and business MEEIA Programs, and 3) its comprehensive demand-side programs’ data management system Resource Innovations.

Table 3 summarizes for each of the thirteen (13) MEEIA Programs, Research & Pilot, and PAYS®: Commission-approved cumulative annual energy and demand savings targets, program implementers and program EM&V contractor:

Table 3				
Cycle 3 April 2021 - March 2023 Evergy Missouri Metro Energy Efficiency Plan				
MEEIA Programs	Energy Savings Targets (kWh)	Demand Savings Targets (kW)	Program Implementers	Program EM&V Contractors
Income-Eligible Multi-Family & Single Family	3,130,398	816	ICF	ADM
Residential Demand Response	2,699,707	20,398	CLEAResult	ADM
Business Demand Response	-	-	CLEAResult	ADM
Business Smart Thermostat	131,202	959	CLEAResult	ADM
Online Home Energy Audit	-	-	Oracle/Opower	ADM
Online Business Energy Audit	-	-	Oracle/Opower	Guidehouse
Business Custom	24,932,977	3,985	TRC	Guidehouse
Business Process Efficiency	16,181,428	157	TRC	Guidehouse
Business Standard	38,363,858	6,096	TRC	Guidehouse
Home Energy Report	-	-	Oracle/Opower	ADM
Income-Eligible Home Energy Report	-	-	Oracle/Opower	ADM
Energy Saving Products	15,076,188	1,119	ICF	ADM
Heating, Cooling & Home Comfort	11,089,068	5,086	ICF	ADM
Research & Pilot - Business	1,601,221	243	ICF	ADM
Research & Pilot - Residential	1,617,005	245	ICF	ADM
Pay As You Save (PAYS)	3,636,979	1,132	EETility	ADM
Evergy Metro Total	118,460,031	40,236		

Staff Expert: Brooke Mastrogiannis

1 **III. Prudence Review Process**

2 On June 1, 2023, Staff initiated its second prudence review of costs of Evergy Missouri
3 Metro’s DSIM in compliance with 20 CSR 4240-20.093(11) as authorized under
4 Sections 393.1075.3 and 393.1075.11, RSMo. This prudence review was performed by members
5 of the Industry Analysis Division. Staff obtained and analyzed a variety of documents, records,
6 reports, data request responses, work papers, and emails, and had numerous phone discussions
7 with Evergy Missouri Metro personnel to complete its prudence review of costs for the DSIM
8 Rider for the Review Period of April 1, 2021 through March 31, 2023. In compliance with
9 20 CSR 4240-20.093(11), this prudence review was completed within one-hundred-fifty (150)
10 days of its initiation.

11 If the Commission were to order any disallowance of costs as a result of prudence reviews
12 and/or corrections, such a disallowance amount shall be returned to customers through an OA in
13 a Cycle 3 DSIM Rider rate adjustment filing.¹⁰

14 *Staff Expert: Brooke Mastrogiannis*

15 **IV. Billed Revenue**

16 **1. Description**

17 For the Review Period, Evergy Missouri Metro billed customers through a separate line
18 item on customers’ bills titled “DSIM Charge” to recover estimated energy efficiency programs’
19 costs and estimated Company TD. The “DSIM Charge” is based on the customer’s monthly
20 consumption and the applicable energy efficiency investment rates approved by the
21 Commission most recently in Case No. ER-2023-0410.

22 Evergy Missouri Metro provided a random sample of actual customer bills¹¹ that Staff
23 reviewed and determined the appropriate rates were being charged to its customer for the
24 recovery of program and TD costs.

25 During the Review Period of April 1, 2021 through March 31, 2023, Evergy Missouri
26 Metro billed customers (\$279,928) to recover its estimated energy efficiency programs’ costs for

¹⁰ Evergy Missouri Metro Original Sheet No. 49T: OA = Ordered Adjustment is the amount of any adjustment to the DSIM ordered by the Commission as a result of prudence reviews and/or corrections under this DSIM Rider. Such amounts shall include monthly interest at the Company’s monthly Short-Term Borrowing Rate.

¹¹ Evergy Missouri Metro’s response to Staff’s Data Request No. 0010.

1 MEEIA Cycle 2. For the same period, Evergy Missouri Metro actually spent \$0 on its energy
2 efficiency programs. Thus, Evergy Missouri Metro over-collected (\$279,928) from its customers
3 during the Review Period for MEEIA Cycle 2 Program Costs. During this same Review Period,
4 Evergy Missouri Metro billed customers \$31,354,027 to recover its estimated energy
5 efficiency programs' costs for MEEIA Cycle 3. For the same period, Evergy Missouri Metro
6 actually spent \$27,859,995 on its energy efficiency programs. Thus, Evergy Missouri Metro
7 over-collected \$3,494,032 from its customers during the Review Period for MEEIA Cycle 3
8 Program Costs.

9 During the Review Period of April 1, 2021 through March 31, 2023, for
10 MEEIA Cycle 2, Evergy Missouri Metro billed customers \$9,486,131 for estimated Company
11 TD. For the same period, Evergy Missouri Metro actually spent \$10,399,271 on actual Company
12 TD. Thus, Evergy Missouri Metro under-collected \$913,140 from its customers during the
13 Review Period for MEEIA Cycle 2 TD. During this same Review Period, Evergy Missouri Metro
14 billed customers \$13,387,787 for estimated Company TD for MEEIA Cycle 3. For the same
15 period, Evergy Missouri Metro actually spent \$13,165,620 on actual Company TD. Thus,
16 Evergy Missouri Metro over-collected \$222,168 from its customers during the Review Period
17 for MEEIA Cycle 3 TD.

18 The monthly amounts that are either over- or under-collected from customers are tracked
19 in a regulatory asset account, along with monthly interest, until Evergy Missouri Metro files for
20 rate adjustments under its DSIM Rider and new energy efficiency investment rates are approved
21 by the Commission. The interest associated with these over- or under-collected amounts is
22 provided in Section IX of this Report.

23 **2. Summary of Cost Implications**

24 If Evergy Missouri Metro was imprudent in its decisions relating to the determination
25 of the "DSIM Charge" for customers' bills, ratepayer harm could result in an increase in
26 billed revenue.

27 **3. Conclusion**

28 Staff found no indication that Evergy Missouri Metro has acted imprudently regarding
29 the determination of the "DSIM Charge" for customers' bills except as discussed below in
30 Section VI Actual Program Costs.

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri Metro’s MEEIA Cycle 3 and Cycle 2 Plan;
3 b. Approved MEEIA Energy Efficiency and Demand Side Management
4 Programs Tariff Sheets;
5 c. Evergy Missouri Metro’s Quarterly Surveillance Monitoring Reports,
6 Page 6 and 7; and
7 d. Staff Data Requests: 0003, 0005, 0010, and 0020.

8 *Staff Expert: Brooke Mastrogiannis*

9 **V. Resource Innovations Tracking Software**

10 **1. Description**

11 In January 2016, Evergy Missouri Metro contracted an integrated software tracking
12 system called Nexant to allow Evergy Missouri Metro to store, manage and process data for its
13 DSM portfolio over the life-cycle of each measure in Evergy Missouri Metro’s Cycle 2 and
14 Cycle 3 Plan. Nexant specifically allowed Evergy Missouri Metro to develop operating rules for
15 its approved energy efficiency programs, process customers’ applications, support processing
16 and payment of incentives (rebates)¹² and provide regulatory compliance and management
17 reporting. Before Evergy Missouri Metro contracted with Nexant in Cycle 2 it considered four
18 vendors, and Nexant was selected based on the best overall score for the criteria of meeting core
19 requirements, company experience and performance, growth opportunity, pricing, diversity
20 participation, and Evergy Missouri Metro Information Technology involvement needed.
21 Evergy Missouri Metro extended their contract with Nexant for Cycle 3 MEEIA programs and
22 the contract added support and implementation work called the “Nexant Care Package”.
23 Nexant was acquired by Resource Innovations in May 2021.

24 The primary implementers that are able to use this tracking system are CLEAResult,
25 TRC, Uplight, EEtility, OATI, Opower, and ICF. CLEAResult and OATI uses it for all of the
26 Demand Response and thermostat programs, ICF uses it for all Residential Programs,
27 and TRC uses it for all Business Programs. For the low volume programs the incentive amounts
28 and energy and demand savings amounts are manually put into the Resource Innovations system.

¹² Evergy Missouri Metro Original Sheet No. 49R: “Incentive” means any consideration provided by the Company, including buy downs, markdowns, rebates, bill credits, payments to third parties, direct installation, giveaways, and education, which encourages the adoption of program measures.

1 Evergy Missouri Metro provides rebates and incentive payments based upon the type and
2 nature of measures installed by customers to promote the adoption of energy efficiency measures.
3 Staff reviewed the controls Evergy Missouri Metro has developed to assure demand-side
4 program incentive payments are accounted for properly. Staff also reviewed the incentive
5 amounts paid to customers to verify they complied with incentive levels for individual measures
6 approved for each energy efficiency program. Data management and recordkeeping is critical for
7 the proper administration of the DSIM Rider.

8 Evergy Missouri Metro granted Staff remote on-line access to the Nexant system for
9 Staff's use in conducting Staff's MEEIA prudence review. Staff reviewed a sample of customer
10 data, incentive levels, and annual energy and demand savings for all of Evergy Missouri Metro's
11 approved energy efficiency programs. Staff was able to verify deemed annual energy and demand
12 savings detail at a total program level. During its review, Staff found that while some program
13 reporting in Resource Innovations did match to the incentives reported in Table 4 below, which
14 is created from the general ledger, other programs did not match to total incentives reported in
15 Table 4. Staff had to rely on Evergy Missouri Metro's general ledger to accurately review the
16 total incentives reported in program costs, instead of the data exported from the Resource
17 Innovations system. Evergy Missouri Metro also provided in Staff Data Request No. 0017
18 a reconciliation of incentives paid to residential and commercial customers for the
19 Review Period. This reconciliation provided Staff with additional details for the differences
20 between the general ledger and Resource Innovations. Some reconciliation differences include:
21 1) rebates were inadvertently accrued twice and reversed later; 2) rebates were not accrued in the
22 month it was entered into the general ledger and recognized at a later date; and 3) minor
23 differences in timing of invoices. It should be noted that for the programs Uplight Marketplace,
24 Heating, Cooling and Home Comfort and Income-Eligible Single Family, the total rebates in the
25 general ledger were slightly less than the rebates reported in the Resource Innovations tracking
26 system. These differences have not been fully analyzed but are likely due to relatively minor
27 differences in classification of rebates in invoices and timing of reporting to Resource
28 Innovations and invoicing.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri Metro was imprudent in its decisions relating to the administration
3 and implementation of the Resource Innovations system, ratepayer harm could result in an
4 increase in future DSIM Charge amounts.

5 **3. Conclusion**

6 Staff found no indication that Evergy Missouri Metro has acted imprudently regarding
7 the implementation and administration of the Resource Innovations system.

8 **4. Documents Reviewed**

- 9 a. Evergy Missouri Metro’s Cycle 2 and Cycle 3 Plan;
10 b. Approved MEEIA Energy Efficiency and Demand Side Management
11 Programs Tariff Sheets;
12 c. Staff Data Requests: 0003, 0008, 0017, 0020, and 0024; and
13 d. Evergy Missouri Metro MEEIA Vendor and Implementer Contracts.

14 *Staff Expert: Brooke Mastrogiannis*

15 **VI. Actual Program Costs**

16 Evergy Missouri Metro’s programs’ costs include: 1) incentive payments; 2) program
17 administration costs for residential and business programs; and 3) strategic initiative program
18 costs for general, accounting, regulatory, administrative, implementation and marketing costs.

19 Staff reviewed all actual program costs Evergy Missouri Metro sought to recover
20 through its “DSIM Charge” to ensure only reasonable and prudently incurred costs are being
21 recovered through the DSIM Rider. Staff reviewed and analyzed, for prudence, Evergy Missouri
22 Metro’s adherence to contractual obligations, adequacy of controls and compliance with
23 approved tariff sheets. Evergy Missouri Metro provided Staff accounting records for all
24 programs’ costs it incurred during the Review Period. Staff categorized these costs by program
25 and segregated them between incentive payments and program administrative costs.

26 During this Review Period, there were Cycle 3 program costs. The results of Staff’s
27 categorization of programs’ costs are provided in Table 4 as a total for the Review Period
28 shown below:

1

Table 4A Cycle 3-CURRENT REVIEW PERIOD Actual Rebate and Program Cost Totals Program Costs April 1, 2021 through March 31, 2023			
	TOTAL COSTS	REBATES	PROGRAM ADMINISTRATION
RESIDENTIAL:			
Research & Pilot-Residential	\$ 444,799	\$ 124,175	\$ 320,624
Income Eligible Mult-Family	\$ 1,585,640	\$ 434,024	\$ 1,151,616
Income Eligible Single Family	\$ 57,360	\$ 1,366	\$ 55,994
Residential Demand Response	\$ 4,512,041	\$ 782,650	\$ 3,729,391
Online Home Energy Audit	\$ 222,027	\$ -	\$ 222,027
Pay As You Save (PAYS)	\$ 1,129,241	\$ 268,729	\$ 860,512
Home Energy Report	\$ 755,490	\$ -	\$ 755,490
Home Energy Report Income Eligible	\$ 227,113	\$ -	\$ 227,113
Energy Saving Products	\$ 2,818,944	\$ 1,724,645	\$ 1,094,298
Heating, Cooling & Home Comfort	\$ 2,647,223	\$ 1,484,528	\$ 1,162,695
Subtotal Residential Programs	\$ 14,399,877	\$ 4,820,117	\$ 9,579,760
BUSINESS:			
Research & Pilot-Business	\$ 225,016	\$ 101,081	\$ 123,935
R&P Saving Trees	\$ 21,455	\$ -	\$ 21,455
Business Demand Response	\$ 2,339,541	\$ 1,245,575	\$ 1,093,965
Business Smart Thermostat	\$ 111,517	\$ 4,975	\$ 106,542
Online Business Energy Audit	\$ 58,028	\$ -	\$ 58,028
Business Custom	\$ 4,616,936	\$ 2,044,897	\$ 2,572,040
Business Process Efficiency	\$ 298,472	\$ 2,005	\$ 296,467
Business Standard	\$ 5,789,152	\$ 2,929,487	\$ 2,859,665
Subtotal Business Programs	\$ 13,460,118	\$ 6,328,020	\$ 7,132,098
Grand Total--All Programs	\$ 27,859,995	\$ 11,148,137	\$ 16,711,859
COSTS BY SUBACCOUNTS:			
Customer Rebates	\$ 11,148,137		
Program Delivery	\$ 11,346,858		
Evaluation	\$ 858,394		
Marketing	\$ 1,788,181		
Administrative	\$ 2,718,425		
Total Program Costs (Subaccounts)	\$ 27,859,995		

2

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Table 4B			
Cycle 3-CUMULATIVE			
Actual Rebate and Program Cost Totals			
Program Costs January 1, 2020 through March 31, 2023			
	TOTAL COSTS	REBATES	PROGRAM ADMINISTRATION
RESIDENTIAL:			
Research & Pilot-Residential	\$ 522,184	\$ 124,275	\$ 397,909
Income Eligible Mult-Family	\$ 2,378,441	\$ 450,315	\$ 1,928,126
Income Eligible Single Family	\$ 57,360	\$ 1,366	\$ 55,994
Residential Demand Response	\$ 6,463,799	\$ 1,096,132	\$ 5,367,667
Online Home Energy Audit	\$ 413,480	\$ -	\$ 413,480
Pay As You Save (PAYS)	\$ 1,143,714	\$ 268,729	\$ 874,985
Home Energy Report	\$ 1,308,813	\$ -	\$ 1,308,813
Home Energy Report Income Eligible	\$ 392,380	\$ -	\$ 392,380
Energy Saving Products	\$ 4,837,494	\$ 2,637,541	\$ 2,199,952
Heating, Cooling & Home Comfort	\$ 4,152,514	\$ 2,302,372	\$ 1,850,142
Subtotal Residential Programs	\$ 21,670,178	\$ 6,880,731	\$ 14,789,447
BUSINESS:			
Research & Pilot-Business	\$ 322,992	\$ 147,492	\$ 175,501
R&P Saving Trees	\$ 40,317	\$ -	\$ 40,317
Business Demand Response	\$ 3,974,225	\$ 1,789,113	\$ 2,185,113
Business Smart Thermostat	\$ 167,812	\$ 8,025	\$ 159,787
Online Business Energy Audit	\$ 62,446	\$ -	\$ 62,446
Business Custom	\$ 6,954,903	\$ 3,448,771	\$ 3,506,132
Business Process Efficiency	\$ 475,497	\$ 2,005	\$ 473,492
Business Standard	\$ 9,289,972	\$ 4,748,208	\$ 4,541,764
Subtotal Business Programs	\$ 21,288,165	\$ 10,143,613	\$ 11,144,552
Grand Total--All Programs	\$ 42,958,343	\$ 17,024,344	\$ 25,933,999
COSTS BY SUBACCOUNTS:			
Customer Rebates	\$ 17,024,344		
Program Delivery	\$ 17,849,157		
Evaluation	\$ 1,152,918		
Marketing	\$ 2,546,498		
Administrative	\$ 4,385,425		
Total Program Costs (Subaccounts)	\$ 42,958,343		

2

1 Eversource Missouri Metro incurs administrative costs that are directly related to the
2 implementation of its approved energy efficiency programs. Staff uses the term “administrative”
3 to mean all costs other than incentives.¹³ Staff reviewed each administrative category of cost to
4 determine the reasonableness of each individual item of cost and if the costs being sought for
5 recovery were directly related to energy efficiency programs and recoverable from customers
6 through the “DSIM Charge.”

7 Eversource Missouri Metro provides incentive payments to its customers as part of its
8 approved energy efficiency programs. Incentive payments are an important instrument for
9 encouraging investment in energy efficient technologies and products by lowering higher upfront
10 costs for energy efficiency measures compared to the cost of standard measures. Incentive
11 payments can also complement other efficiency policies such as appliance standards and energy
12 codes to help overcome market barriers for cost-effective technologies.

13 Eversource Missouri Metro has also developed internal controls that allow for review and
14 approval at various stages for the accounting of costs for its energy efficiency programs.
15 Eversource Missouri Metro has developed internal procedures that provide program managers and
16 other reviewers a detailed and approved method for reviewing invoices. Eversource Missouri Metro
17 also provided Staff with its policies related to reimbursement of employee-incurred business
18 expenses and approval authority for business transactions.

19 For this current review period, the incentive cost to program administrative cost ratio for
20 Eversource Missouri Metro did improve as compared to the last prudence review. For Cycle 3 costs
21 alone in this review period, 40% of total costs were for incentives and 59.2% of total costs were
22 for program administrative costs.

23 In Case No. EO-2019-0132, A Non-Unanimous Stipulation and Agreement was filed on
24 April 29, 2022, and approved by the Commission on May 12, 2022, which approved the
25 extension of Cycle 3 for Calendar year 2023, or Program Year 4, or (“PY4”). The language for
26 programs costs is as follows:

27 8. Program Costs: Non-incentive and incentive costs will be monitored at
28 the Residential, Business and Income-Eligible portfolio levels, with the

¹³ Incentives are program costs for direct and indirect incentive payments to encourage customer and/or retail partner participation in programs and the costs of measures that are provided at no cost as part of a program.

1 standard 11-step change process notifications in PY4¹⁴. Costs will be
2 identified in the following categories: 1) Incentives, resulting in
3 measurable energy and demand savings; 2) Administrative, including
4 employee salary and benefits; 3) Delivery, including contractual salary;
5 4) EM&V; and 5) advertising and marketing. Cost categories 2-5
6 collectively should not exceed more than 45% of the MEEIA Cycle 3 PY4
7 period cost expenditures (categories 1-5). For cost category 1 above,
8 Staff's definition of incentives¹⁵ will be used. For the purpose of
9 calculating the percentage of non-incentive to incentive amounts,
10 Research & Development dollars will be excluded from the calculation.
11 This calculation will be confirmed in the annual EM&V process after the
12 completion of PY4. If the Company does not meet the 45% threshold
13 described above, an Earnings Opportunity penalty of 3% of the Total Cap
14 identified on page 1 will be imposed, equating to \$870,960¹⁶.

15 Since the Non-Unanimous Stipulation and Agreement indicates the 45% threshold will be
16 evaluated at the end of PY4, and the current review period only covered the first three months
17 of 2023, Staff will continue to monitor and address the percentage of non-incentive to incentive
18 amounts at the end of PY4.

19 **A. Administrative Costs**

20 **1. Description**

21 During this MEEIA prudence review, Staff evaluated all administrative expenses incurred
22 and identified Cycle 3 expenses that were not specifically MEEIA related under this category or
23 there was missing information to determine eligibility. Staff requested the Company provide
24 invoices related to implementation contractors; conferences and meetings along with the agendas
25 or related information; travel expenses including airfare, meals, transportation; memberships,
26 sponsorships and association fees; and, miscellaneous other administrative program costs.

27 The Commission's *Order Approving Unanimous Partial Stipulation and Agreement*
28 issued on February 17, 2021, in Case No. EO-2020-0227,¹⁷ established that "Evergy shall only

¹⁴ Notifications may be informal to regulatory stakeholders rather than notifications filed through EFIS consistent with PY1-PY3 process.

¹⁵ Incentives are program costs for direct and indirect incentive payments to encourage customer and/or retail partner participation in programs and the costs of measures, which are provided at no cost as a part of a program – MPSC Staff Report – first prudence review of Cycle 3 costs related to the MEEIA and Cycle 2 long-lead projects for the electric operation of Evergy Missouri West – EO-2021-0416; p. 17, Footnote 16.

¹⁶ Non-Unanimous Stipulation and Agreement, page 3.

¹⁷ Evergy Missouri West's MEEIA prudence review, Case No. EO-2020-0228 was consolidated to Case No. EO-2020-0227, Evergy Missouri Metro's previous MEEIA prudence review.

1 seek recovery of costs associated with conferences and memberships through DSIM rates if those
 2 costs would not be incurred but for the Company’s offering of MEEIA programs. Evergy shall
 3 provide Staff justification to support its claim that these costs would not be incurred but for the
 4 Company’s offering of MEEIA programs.” Staff reviewed all of the information and receipts
 5 provided. Evergy provided some explanation and justification on questionable expenses during
 6 the review and many of those were justified. However, there still were some expenses that Staff
 7 thought were not justified enough to support its claim that these costs would not be incurred but
 8 for the Company’s offering of the MEEIA programs. For example, having a sponsorship in
 9 addition to membership dues, generic shirts not specific to MEEIA, invoices that were not
 10 detailed enough for Staff to verify what is prudent, and excessive gift boxes with the generic
 11 Evergy logo not specific to MEEIA. Therefore, Staff recommends these administrative expenses
 12 should not be recoverable through the Evergy Missouri Metro DSIM Rider and recommends the
 13 Commission order an OA in the next DSIM filing.

14 Additional details on the reason for disallowance on specific administrative program costs
 15 are identified in Table 5 below:
 16

Table 5			
Costs	Month(s)	Reason for Disallowance	Disallowed Cost
Brian File, Yardhouse	May-22	Employee Recognition is not MEEIA Related	\$ 162.17
MES Sponsorship	Jul-22	Sponsorships not necessary in additional to membership	\$ 3,000.00
Elizabeth Ruder - IPROMOTEU.COM INC	Apr-21	Gift boxes sent to potential businesses to participate in BDR. Allowed \$575.53 for the letter explaining the costs benefits, but the remaining amount was excessive and used generic Evergy Logo.	\$ 25,558.18
Christopher DeLaTorre - KC Business Journal	May-21	Should be charged as a General Expense, Not MEEIA specific	\$ 140.00
Elizabeth Ruder - Grapevine Designs, KC	Jul-01	Message on Shirts too general-not related directly to MEEIA	\$ 133.33
Elizabeth Ruder - IPROMOTEU.COM INC	Sep-21	Message on Shirts too general-not related directly to MEEIA	\$ 486.77
Elizabeth Ruder - IPROMOTEU.COM INC	Oct-21	Message on Shirts too general-not related directly to MEEIA	\$ 299.50
Elizabeth Ruder - IPROMOTEU.COM INC	Jan-22	Message on Shirts too general-not related directly to MEEIA	\$ 343.21
Brian File - Flowers By Emily	Jan-22	Sympathy Flowers should not be charged to customers.	\$ 97.87
Elizabeth Ruder - IPROMOTEU.COM INC	Mar-22	Message on Shirts too general-not related directly to MEEIA	\$ 465.32
Elizabeth Ruder - IPROMOTEU.COM INC	Apr-22	Message on Shirts too general-not related directly to MEEIA	\$ 323.36
Natalie Gray - Bridging the Gap	Sep-22	Cannot verify what portion of the invoices are travel	\$ 17,548.00
Kevin Brannan - BURNS & MCDONNELL ENGINEERING CO INC	Oct-22	Lost receipt	\$ 126.27
Natalie Gray - Bridging the Gap	Nov-22	Cannot verify what portion of the invoices are travel	\$ 21,996.50
Total			\$ 70,680.48

1 **2. Summary of Cost Implications**

2 If Evergy Missouri Metro was imprudent in its decisions relating to the accountability of
3 expenses of the Residential and Business Energy Efficiency Programs, ratepayer harm could
4 result in an increase in future DSIM Charge amounts.

5 **3. Conclusion**

6 Staff has identified expenses for conferences and meetings that were either not primarily
7 MEEIA related or the Company did not provide any justification that the costs for the
8 memberships listed would not be incurred but for the Company’s offering of MEEIA programs.
9 Therefore Staff is recommending the Commission order an OA in the amount of \$70,680.48 plus
10 interest, to be applied to Evergy Missouri Metro’s next DSIM filing.

11 **4. Documents Reviewed**

- 12 a. Staff Data Requests: 0002, 0002.1, 0003, 0003.1, 0003.2, 0003.3, 0007,
13 0007.1, 0012, 0012.1, 0013, 0014, 0014.1, 0015, 0016, 0019, 0019.1, 0026,
14 0026.1, 0026.2, 0026.3, 0026.4, 0026.5, and 0026.6.

15 *Staff Expert: Amanda C. Conner*

16 **B. Implementation Contractors**

17 **1. Description**

18 Evergy Missouri Metro hired business partners for design, implementation and delivery
19 of its portfolio of residential and business energy efficiency programs to customers. Contracting
20 with competent, experienced and reliable program implementers is extremely important to the
21 success of Evergy Missouri West’s energy efficiency programs and for affording
22 Evergy Missouri Metro’s customers the greatest benefits.

23 Evergy Missouri Metro issued RFPs at the beginning of Cycle 3 for program
24 implementers to directly administer one or more of Evergy Missouri Metro’s energy efficiency
25 programs. Evergy Missouri Metro selected and contracted with the organizations identified in
26 Table 3 to implement individual MEEIA Programs. All of the implementers identified on Table 3
27 are nationally recognized contractors that have solid histories of energy efficiency programs’
28 design and implementation.

29 Staff reviewed Evergy Missouri Metro’s relationship with its implementers to gauge if
30 Evergy Missouri Metro acted prudently in the selection and oversight of its program
31 implementers. Staff examined the contracts between Evergy Missouri Metro and the

1 implementers in an effort to determine if the terms of the contract were followed during the
 2 implementation of the residential and business programs. Staff also reviewed a large sample of
 3 over 600 invoices paid to the implementers identified in Table 3, and traced these costs to the
 4 general ledger, program costs in Data Request No. 0003.

5 Comparing actual cumulative deemed annual energy and demand savings relative to the
 6 planned cumulative annual energy and demand savings for the same period is important to
 7 understanding the overall performance of Evergy Missouri Metro’s energy efficiency programs
 8 and its implementation contractors.

9 Table 6 below provides a comparison of achieved energy and demand savings and
 10 planned deemed energy and demand savings for Evergy Missouri Metro’s residential and
 11 business programs for the Review Period. If Evergy Missouri Metro was unable to achieve its
 12 planned energy and demand savings levels, that could be an indication the programs were not
 13 being prudently administered by the implementers and by Evergy Missouri Metro. Although
 14 some of Evergy Missouri Metro’s individual programs did not meet energy and demand savings
 15 targets, the programs in total achieved and exceeded the overall energy efficiency portfolio
 16 annual energy and demand savings targets. Staff will continue to monitor the achieved energy
 17 and demand savings throughout the course of Cycle 3.

18 **Table 6**

Cycle 3 April 1, 2021 through March 31, 2023						
	Achieved Energy Savings (kWh)	Planned Energy Savings (kWh)	Variance	Achieved Demand Savings (kW)	Planned Demand Savings (kW)	Variance
MEEIA Programs						
Income-Eligible Multi-Family & Single-Family	2,558,634	3,130,398	(571,764)	535	816	(281)
Residential Demand Response	1,623,324	2,699,707	(1,076,383)	11,879	20,398	(8,519)
Business Demand Response	-	-	-	44,688	-	44,688
Business Smart Thermostat	106,827	131,202	(24,375)	248	959	(711)
Online Home Energy Audit	-	-	-	-	-	-
Online Business Energy Audit	-	-	-	-	-	-
Business Custom	20,321,363	24,932,977	(4,611,614)	3,925	3,985	(60)
Business Process Efficiency	25,058	16,181,428	(16,156,370)	4	157	(153)
Business Standard	28,394,620	38,363,858	(9,969,238)	5,573	6,096	(523)
Home Energy Report	21,553,466	-	21,553,466	7,219	-	7,219
Income-Eligible Home Energy Report	1,095,579	-	1,095,579	295	-	295
Energy Saving Products	43,506,824	15,076,188	28,430,636	5,634	1,119	4,515
Heating, Cooling & Home Comfort	7,933,096	11,089,068	(3,155,972)	5,068	5,086	(18)
Research & Pilot - Business	113,176	1,601,221	(1,488,045)	51	243	(192)
Research & Pilot - Residential	996,872	1,617,005	(620,133)	114	245	(131)
Pay As You Save (PAYS)	818,679	3,636,979	(2,818,300)	166	1,132	(966)
Evergy Metro Total	129,047,518	118,460,031	10,587,487	85,399	40,236	45,163

During this MEEIA prudence review, Staff evaluated all expenses incurred under the Implementation Contractor’s invoices and whether they were specific to MEEIA. There were a couple Implementation Contractors’ invoices where Evergy purchased shirts and a paperweight that had just the Evergy logo. Staff is of the opinion that these items are not specific to MEEIA. Also, there were several instances where Evergy Missouri Metro and ICF held award ceremonies and appreciation events, as well as provided thank you gifts to its trade allies. There were also promotional items given away at events with no detail of what those promotional items were. Lastly, there was a gift card given to a customer to compensate for a mistake made by their Trade Ally. Staff is of the opinion that the award ceremonies, gifts, and compensation, provide no benefit to Evergy Missouri Metro’s customers. Staff recommends these “Implementation Contractors Expenses,” should be disallowed and determined not recoverable through the Evergy Missouri Metro DSIM Rider. Additional details about the expenses are identified in Table 7¹⁸ below:

JE/Inv/Voucher #	IC/Vendor	GL Month(s)	Reason for Disallowance	Disallowed Cost	G&A Cost	Total Disall
1727936	4Imprint	10/21	No detail on promotional items	\$ 569.11	\$ 100.85	\$ 669.96
1742563	Vectra Visual	01/22	Message on Shirts too general-not related directly to MEEIA	\$ 151.47	\$ 26.84	\$ 178.31
1743766	Vectra Visual	02/22	Message on Shirts too general-not related directly to MEEIA	\$ 172.80	\$ 30.62	\$ 203.42
1748669	Taylor Visutal	03/22	Message on Shirts too general-not related directly to MEEIA	\$ 126.68	\$ 22.45	\$ 149.13
1764316	Taylor Visutal	06/22	Message on Shirts too general-not related directly to MEEIA	\$ 109.05	\$ 19.32	\$ 128.37
1784716	Zazzle	10/22	Need more information on the message promoted	\$ 63.12	\$ 11.18	\$ 74.30
1796289	Monogram Lounge-Dep	10/22 &	Shareholders should pay for events and alcohol	\$ 1,074.87	\$ 190.47	\$ 1,265.34
	Monogram Lounge-Bal	12/22	Shareholders should pay for events and alcohol	\$ 1,415.91	\$ 250.90	\$ 1,666.81
1796289	J. Rieger & Co.	12/22	Shareholders should pay for events and alcohol	\$ 612.96	\$ 108.62	\$ 721.58
1800584	Visa Way to Go	12/22	Customers should not have to pay for a trade ally mistake.	\$ 9.98	\$ 1.77	\$ 11.75
1800481	CST Sweets	12/22	Customers should not have to pay for thank you gifts.	\$ 1,257.38	\$ 222.81	\$ 1,480.19
Total				\$ 5,563.33	\$ 985.82	\$ 6,549.15

¹⁸ Each Disallowed cost includes an additional 17.72% added for a General & Administrative Expense (G&A). This represents operating costs incurred by ICF. The G&A costs include, but are not limited to, Procurement & Subcontract administration expenses, Media Placement, Accounting, Treasury, and other various corporate back-office departments’ time to voucher, compliance reviews, and facilitate expense recording and validation, as well as administer payments and perform audits and reconciliations. One example would include, ICF has a team of individuals dedicated to thoroughly reviewing and auditing all print and media vendor invoices prior to the allocation of those expenses to a direct project.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri Metro was imprudent in its decisions related to the selection and
3 supervision of its program implementers and the expenses that are incurred by the program
4 implementers, ratepayer harm could result in an increase in the future DSIM Charge amounts.

5 **3. Conclusion**

6 Staff has found that Evergy Missouri Metro has acted imprudently by including some
7 implementer contractor’s expenses that provided no benefit to Evergy Missouri Metro’s
8 customers. Staff recommends the Commission order an OA in the amount of \$6,549.15 plus
9 interest to be applied to Evergy Missouri Metro’s next DSIM filing.

10 **4. Documents Reviewed**

- 11 a. Evergy Missouri Metro’s Cycle 3 Plan, along with Standard 11-Step
12 Change Process Notification in PY4 Case No. EO-2019-0132;
13 b. Approved MEEIA Energy Efficiency and Demand Side Management
14 Programs Tariff Sheets; and
15 c. Staff Data Requests: 0002, 0002.1, 0003, 0003.1, 0003.2, 0003.3, 0007,
16 0007.1, 0012, 0012.1, 0013, 0014, 0014.1, 0016, 0019, 0019.1, 0026,
17 0026.1, 0026.2, 0026.3, and 0026.4.

18 *Staff Experts: Amanda C. Conner and Brooke Mastrogiannis*

19 **C. EM&V Contractors**

20 **1. Description**

21 Evergy Missouri Metro is required to hire independent contractor(s) to perform and report
22 EM&V of each Commission-approved demand-side program. Commission rules allow Evergy
23 Missouri Metro to spend up to 5% of its total program costs budget for EM&V.¹⁹ On May 12,
24 2022, the Commission issued its Order Approving Stipulation and Agreement, which approved
25 the Non-Unanimous Stipulation and Agreement that was filed on April 29, 2022. In this filing,
26 the Signature Parties recommended the Commission approve the MEEIA Cycle 3 Plan to be
27 extended through Calendar year 2023, or Program Year 4 (“PY4”). Also in this filing, the parties
28 agreed that PY4 EM&V budgets will be set at 3.0% of the total budget. Guidehouse Inc.
29 (“Guidehouse”) and ADM Associates, Inc. (“ADM”) conducted and reported the
30 EM&V results for Evergy Missouri Metro’s Cycle 3 programs²⁰

¹⁹ 20 CSR 4240-20.093(8)(A) Each utility’s EM&V budget shall not exceed five percent (5%) of the utility’s total budget for all approved demand-side program costs.

²⁰ See Table 3 for the breakout of programs between ADM and Guidehouse.

1 During the Review Period, Evergy Missouri Metro expended \$858,394 for Cycle 3
2 EM&V. This amount, combined with the \$198,803 EM&V Cycle 3 cumulative costs
3 reported previously, amounts to \$1,057,197, or 1.90% of the \$55,528,401 total programs' costs
4 budget for Cycle 3. Thus, the costs associated with the EM&V did not exceed the 3% maximum
5 cap for Cycle 3. Staff will continue to monitor EM&V costs throughout the life of Cycle 3, to
6 ensure Evergy Missouri Metro does not exceed the 3% maximum cap of the total Cycle 3 budget.

7 **2. Summary of Cost Implications**

8 If Evergy Missouri Metro was imprudent in its decisions relating to the selection and
9 supervision of its EM&V contractors then ratepayer harm could result in an increase in future
10 DSIM Charge amounts.

11 **3. Conclusion**

12 Staff found no indication that Evergy Missouri Metro has acted imprudently regarding
13 the selection and supervision of its EM&V contractors.

14 **4. Documents Reviewed**

- 15 a. Evergy Missouri Metro's Cycle 3 Plan;
16 b. Approved MEEIA Energy Efficiency and Demand Side Management
17 Programs Tariff Sheets; and
18 c. Staff Data Requests: 0002, 0003, 0005, 0006, 0009, and 0018.

19 *Staff Expert: Teresa Denney*

20 **D. MEEIA Labor**

21 **1. Description**

22 For MEEIA Cycle 3, Evergy Missouri Metro included labor costs that are allocated
23 towards the MEEIA DSIM Rider and excluded from base rates in its cost of service. The Review
24 Period during Staff's review of April 1, 2021 through March 31, 2023 falls between two different
25 rate cases. In the most recent general rate case which had an effective date of January 2022, a
26 total of 11.75 Full Time Employees ("FTE's") were excluded from base rates. In the general rate
27 case prior to this which had an effective date of December 2018, a total of 12.5 FTE's were
28 excluded from base rates. Evergy Missouri Metro provided Staff with a file that included hours
29 charged monthly to MEEIA by individual to total chargeable hours for those individuals. This
30 file illustrated that the number of FTE's charged to MEEIA was less than the number adjusted in

1 the payroll true-up adjustments for each jurisdiction in the 2018 and 2022 rate cases.
2 Evergy Missouri Metro also provided Staff with a file that included the total direct labor charged
3 to MEEIA for the Review Period, and compared that to the pro-rated annual direct labor
4 adjustments from the 2018 and 2022 rate cases. This file illustrated that the direct labor charged
5 to MEEIA for recovery was less than the rate case direct labor payroll adjustment. All of this
6 information provided assured Staff that the amount of direct labor included for recovery in
7 MEEIA was not more than the amount of FTE's that are recoverable through the DSIM Rider.

8 **2. Summary of Cost Implications**

9 If Evergy Missouri Metro was imprudent in its reporting and/or calculating labor charged
10 towards MEEIA, ratepayer harm could result in an increase DSIM Charge amounts.

11 **3. Conclusion**

12 Staff found no indication that Evergy Missouri Metro has acted imprudently regarding
13 the calculation of MEEIA labor.

14 **4. Documents Reviewed**

- 15 a. Evergy Missouri Metro's Cycle 3 Plan;
- 16 b. Tariff sheets 49Q-49Z; and
- 17 c. Staff Data Requests: 0023 and 0023.1.

18 *Staff Expert: Brooke Mastrogiannis*

19 **E. Demand Response**

20 **1. Description**

21 **a. Residential Demand Response Program**

22 In this review period, Evergy Missouri Metro offered eligible smart thermostats at
23 discounted prices along with discounted or no-cost installation options. Eligible devices included
24 Google Nest Thermostat, Google Nest Learning Thermostat, Ecobee3 Lite, and Ecobee Smart
25 Thermostats. In the Residential Demand Response Program, customers can participate in Energy
26 Savings Events. These Energy Savings Events allow for customers' thermostats to be remotely
27 turned up on extreme heat days. Enrolled customers get paid to participate in the Energy Savings
28 Events with an annual incentive of \$25 after the first year of participation.

1 **b. Business Demand Response Program**

2 Eversource Missouri Metro’s Business Demand Response Program (“BDR”) compensates
3 commercial customers who reduce, or curtail, their electrical load during high-demand days.
4 Participants work with Eversource Missouri Metro to identify electrical load that can be eliminated
5 or shifted during curtailment events, which are typically during the hottest days of the summer.
6 Eversource Missouri Metro and the participant work together to determine which strategies are best
7 for the unique business needs and create a curtailment plan. When curtailment events are
8 anticipated, Eversource Missouri Metro will notify the customer with instructions to execute their
9 plan. At the end of the curtailment season, Eversource Missouri Metro pays the customer for the
10 load reduced.

11 **2. Summary of Cost Implications**

12 If Eversource Missouri Metro was imprudent in its management of its Demand Response
13 Programs, ratepayer harm could result in an increase to the DSIM Charge amounts.

14 **3. Conclusion**

15 Staff found no indication that Eversource Missouri Metro has acted imprudently regarding
16 the management of its Demand Response Programs.

17 **4. Documents Reviewed**

- 18 a. Eversource Missouri Metro Responses to Staff Data Requests: 0025, 0026, and
19 0027.

20 *Staff Experts: Jordan T. Hull and Brad J. Fortson*

21 **VII. Throughput Disincentive (“TD”)**

22 **A. Actual TD**

23 **1. Description**

24 For a utility that operates under a traditional regulated utility model a “throughput
25 disincentive” is created when a utility’s increase in revenues is linked directly to its increase in
26 sales. This relationship between revenues and sales creates a financial disincentive for the utility
27 to engage in any activity that would decrease sales, such as utility sponsored energy
28 efficiency programs.

29 The TD allows the utility to recover its lost margin revenues associated with the
30 successful implementation of the MEEIA programs. The Cycle 3 TD calculation is described in

1 Evergy Missouri Metro's tariff Sheet Nos. 49U through 49W and tariff Sheet No. 49Z (for the
2 net margin revenue rates). Generally, the TD for each program is determined by multiplying the
3 monthly energy savings²¹ by the net margin revenue rates and by the net to gross factor for
4 contemporaneous TD recovery.

5 Staff has verified each component of the TD calculation that was provided by
6 Evergy Missouri Metro in the response to Data Request No. 0020. Staff recalculated a sample of
7 the monthly TD calculations and found no errors. Staff has also verified the TD calculation
8 workpapers, and compared the kWh savings impact and TD with the MEEIA rate adjustment
9 filings, along with the QSMRs. In Data Request No. 0020, Evergy Missouri Metro provided a
10 reconciliation reflecting adjustments made to their TD calculation workpapers. Staff found no
11 discrepancies between Evergy Missouri Metro's TD calculation workpapers, QSMRs, and the
12 MEEIA rate adjustment filings. The MEEIA rate adjustment filings and the QSMRs both
13 demonstrate TD that customers are responsible for paying is \$13,165,620 for Cycle 3
14 and \$10,399,271 for Cycle 2.

15 **2. Summary of Cost Implications**

16 If Evergy Missouri Metro was imprudent in its reporting and/or calculating the
17 Company TD, ratepayer harm could result in an increase in DSIM Charge amounts.

18 **3. Conclusion**

19 Staff found no indication that Evergy Missouri Metro has acted imprudently regarding
20 the calculation of its TD.

21 **4. Documents Reviewed**

- 22 a. Evergy Missouri Metro's Cycle 2 and Cycle 3 Plan;
- 23 b. Tariff sheets 49Q-49Z;
- 24 c. Evergy Missouri Metro work papers included in Case No. ER-2021-0410,
25 ER-2022-0149, ER-2022-0334, ER-2023-0183, and ER-2023-0410; and
- 26 d. QSMR;
- 27 e. Staff Data Requests: 0005, 0020, and 0024.

28 *Staff Expert: Brooke Mastrogiannis*

²¹ Monthly savings are obtained by taking the sum of all programs' monthly savings and applying monthly loadshapes.

B. Gross Deemed Annual Energy and Demand Savings

1. Description

Staff reviewed the monthly calculation of kWh savings from Evergy Missouri Metro's MEEIA Programs calculated with the Resource Innovations software. Evergy Missouri Metro provided Staff additional details supporting the Resource Innovations system results to show how the kWh savings were calculated during the Review Period.

To begin its review of Evergy Missouri Metro's calculations of its monthly kWh savings for the Review Period, Staff verified that the total kWhs and kW for each program as reported in Resource Innovations were in agreement with the QSMRs, the kWh savings used in the Throughput Disincentive calculations, and the Company workpapers provided.

The Company provided workpapers to support the kWh savings for the program measures. These workpapers provided individual detailed project savings pulled from Resource Innovations with a calculation of the kWh and kW savings per measure per customer. Staff chose a sample of program measures and compared the kWh savings as reported in the Company details to the measure savings as reported in the TRM and subsequent updates to the TRM²².

Staff also compared the Total Resource Cost ("TRC") test for each program to the TRC targets identified in the Cycle 3 Plan. Staff notes that in the Company response to Staff Data Request No. 0025, provides TRC results for Cycle 3 Program Year 2021 and Program Year 2022. One program reflects a TRC of less than 1.0 in Program Year 2021: ** [REDACTED] ** and two programs reflects a TRC of less than 1.0 in Program Year 2022: ** [REDACTED] **. Commission Rule 20 CSR 4240-20.094(6)(B) states in part that:

If the TRC calculated for a demand-side program not targeted to low-income customers or a general education campaign is not cost effective, the electric utility shall identify the causes why and present possible demand-side program modifications that could make the demand-side program cost-effective. If analysis of these modified demand-side program designs suggests that none would be cost effective, the demand-side program may be discontinued. In this case, the utility shall describe how it intends to end the demand-side program and how it intends to achieve the energy and demand savings initially estimated for the discontinued demand-side program.

²² The TRM was updated in Case No. EO-2019-0132 by a Commission *Order Approving Modifications to Evergy Missouri Metro and Evergy Missouri West's Modified Technical Resource Manual* on December 15, 2021 and again by a Commission *Order Approving Evergy's Modified Technical Resource Manual* on December 21, 2022.

1 Nothing herein requires utilities to end any demand-side program which is
2 subject to a cost-effectiveness test deemed not cost-effective immediately.

3 The Business Process Efficiency program has been discontinued as of January 1, 2023.
4 The Company and its stakeholders continue to work to improve the PAYS program. Staff will
5 continue to monitor the cost-effectiveness of the Cycle 3 programs and may make
6 recommendations in future Staff Reports if a pattern of non-cost-effectiveness persists.

7 In reviewing all sources of kWh savings and kW savings, Staff was able to verify the
8 reported 129,047,517²³ kWh of energy savings and 85,399²⁴ kW of demand savings for the
9 MEEIA Programs during the Review Period by reconciling the Quarterly Surveillance Reports,
10 the Resource Innovations database, and the Company's workpapers provided.

11 **2. Summary of Cost Implications**

12 If Evergy Missouri Metro was imprudent in its decisions related to calculating the gross
13 energy and demand savings of each program, ratepayer harm could result in an increase in future
14 DSIM Charge amounts.

15 **3. Conclusion**

16 Staff found no indication that Evergy Missouri Metro has acted imprudently regarding
17 the calculation of the gross energy and demand savings.

18 **4. Documents Reviewed**

- 19 a. Evergy Missouri Metro's Cycle 3 Plan;
20 b. QSMR;
21 c. Technical Resource Manual, updated 1-1-21 and 1-1-22; and
22 d. Staff Data Requests: 0008, 0020, 0024, and 0025.

23 *Staff Expert: Brooke Mastrogiannis*

²³ This amount of kWh savings is provided from Data Request No. 0024. It is reflected in Table 6 above and also in the TD calculations, by removing 7,623,277 kWh for the HER program as Evergy was ordered to do as of August 2022. However it does not reflect the amount of kWh savings that are adjusted for incremental savings in the QSMR, which would reflect an adjusted total of 106,745,709 kW.

²⁴ This amount of kW savings is provided from Data Request No. 0024 and is also reflected in Table 6 above. However it does not reflect the amount of kW savings that are adjusted for incremental savings in the QSMR, which would reflect an adjusted total of 34,630 kW.

1 **VIII. Earning Opportunity (“EO”)**

2 **1. Description**

3 Commission Rule 20 CSR 4240-20.092(1)(S) defines the earnings opportunity
4 component of a DSIM as the methodology approved by the Commission in a utility’s filing for
5 demand-side program approval to allow the utility to receive an earnings opportunity. The Rule
6 further states that any earnings opportunity component of a DSIM shall be implemented on a
7 retrospective basis, and all energy and demand savings used to determine a DSIM earnings
8 opportunity amount shall be verified and documented through EM&V Reports.

9 Evergy Missouri Metro’s tariff sheet defines the Cycle 2 EO as:

10 “Cycle 2 Earnings Opportunity” (EO) means the incentive ordered by the
11 Commission based on actual performance verified through EM&V
12 against planned targets. The Company’s EO will be \$7.4M²⁵ if 100% of
13 the planned targets are achieved. EO is capped at \$15.5M, which
14 reflects adjustment for TD verified by EM&V. Potential Earnings
15 Opportunity adjustments are described on Sheet No. 49M. The Earnings
16 Opportunity Matrix outlining the payout rates, weightings, and caps can
17 be found in 49P.

18 Evergy Missouri Metro’s tariff sheet defines the Cycle 3 EO as:

19 “Cycle 3 Earnings Opportunity” (EO) means the annual incentive ordered
20 by the Commission based on actual performance verified through EM&V
21 against planned targets. The Company’s EO for 2020-2022 will be
22 \$8,017,172 if 100% achievement of the planned targets are met. EO is
23 capped at \$11,446,706. Potential Earnings Opportunity adjustments are
24 described on Sheet No. 49X. The Earnings Opportunity Matrix outlining
25 the payout rates, weightings, and caps can be found at Sheet No. 49Z The
26 Combined Companies’ (Evergy Missouri Metro and Evergy Missouri
27 West) EO for 2023 (Extension) will be \$4,733,030 if 100% achievement
28 of the planned targets are met. The Combined Companies’ EO is capped
29 at \$4,926,305. Potential Earnings Opportunity adjustments are described
30 on Sheet No. 49AA. The Combined Companies’ EO will be allocated to
31 each jurisdiction by respective program cost spend.

²⁵ In the Commission’s February 27, 2019 *Order Approving Stipulation and Agreement* in Case No. EO-2019-0132 approved a *Stipulation and Agreement Regarding Extension of MEEIA 2 Programs During Pendency of MEEIA 3 Case* that was filed on February 15, 2019, the Commission approved the total cycle budget, Plan Energy (kWh) and Demand (kW) savings targets, and Earnings Opportunity (EO) targets and caps to increase by 25%.

1 Staff reviewed the Cycle 2 and Cycle 3 EO from the calculations provided in response to
2 Data Request No. 0030 and the calculations in the DSIM Riders in dockets ER-2021-0410,
3 ER-2022-0149, ER-2022-0334, ER-2023-0183, and ER-2023-0410 for the months in this
4 Review Period. During the review, Staff was able to verify that Evergy Missouri Metro
5 did not recover more than its approved EO for Cycle 2 and Cycle 3. EO awarded for Cycle 2
6 during this Review Period was \$3,257,577. EO awarded for Cycle 3 during this Review Period
7 was \$1,830,171.

8 **2. Summary of Cost Implications**

9 If Evergy Missouri Metro was imprudent in its reporting and/or calculation of the EO,
10 ratepayer harm could result in an increase in future DSIM Charge amounts.

11 **3. Conclusion**

12 Staff has verified that Evergy Missouri Metro did not recover more than its approved
13 EO for Cycle 2 and Cycle 3.

14 **4. Documents Reviewed**

- 15 a. Evergy Missouri Metro's Cycle 2 and Cycle 3 Plan;
- 16 b. Evergy Missouri Metro's Quarterly Surveillance Monitoring Report,
17 Page 6;
- 18 c. Tariff sheets 49-49AA;
- 19 d. Evergy Missouri Metro work papers included in Case No. ER-2021-0410,
20 ER-2022-0149, ER-2022-0334, ER-2023-0183, and ER-2023-0410; and
- 21 e. Staff Data Requests: 0002, 0003, 0009, and 0030.

22 *Staff Expert: Brooke Mastrogiannis*

23 **IX. Interest Costs**

24 **1. Description**

25 Staff reviewed the interest calculations for program costs and TD, broken out by cycles,
26 as provided in Evergy Missouri Metro's response to Data Request No. 0005 for the
27 Review Period of April 1, 2021 through March 31, 2023. Evergy Missouri Metro's tariff
28 sheets provide that for program costs and TD: "Such amounts shall include monthly interest on
29 cumulative over- or under-balances at the Company's monthly Short-Term Borrowing Rate."

Staff verified the Company’s average monthly short-term borrowing rates were applied correctly to the over- or under-recovered balances for program costs and TD.

During the Review Period, Evergy Missouri Metro’s total for the interest amount accrued for the Company’s program costs as reported on Evergy Missouri Metro’s QSMRs were as follows:

**Table 8
 INTEREST**

	For Review Period April 1, 2021 through March 31, 2023	(Over)/ Under Billed	Cumulative Interest	(Over)/ Under Billed
MEEIA Cycle 2	\$ (4,328)	Over	\$ 309,942	Under
MEEIA Cycle 3	\$ (117,536)	Over	\$ (91,084)	Over
TD Cycle 2	\$ 87,273	Under	\$ 208,183	Under
TD Cycle 3	\$ 4,617	Under	\$ 7,612	Under

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent in its reporting and/or calculating of the interest associated to over- or under-recovery of energy efficiency programs’ costs and/ or TD, ratepayer harm could result in an increase in future DSIM Charge amounts.

3. Conclusion

Staff has verified that Evergy Missouri Metro interest calculations and interest amounts for inclusion in its March 31, 2023 Data Request No. 0005 are correct and are calculated properly on a monthly basis as provided in the Staff Data Request Response No. 0005 for the Review Period.

4. Documents Reviewed

- a. Approved MEEIA Energy Efficiency and Demand Side Management Programs Tariff Sheets;
- b. Evergy Missouri Metro Quarterly Surveillance Monitoring Reports; and
- c. Staff Data Requests: 0005 and 0009.

Staff Expert: Teresa Denney

Attached: Confidential Attachment A and Confidential Attachment B

ATTACHMENT A

and

ATTACHMENT B

HAVE BEEN DEEMED

CONFIDENTIAL

IN ENTIRETY

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Second Prudence)
Review of the Missouri Energy Efficiency) File No. EO-2023-0407
Investment Act (MEEIA) Cycle 3 Energy)
Efficiency Programs of Evergy Metro, Inc.)
d/b/a Evergy Missouri Metro)

AFFIDAVIT OF TERESA DENNEY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)


COMES NOW TERESA DENNEY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


TERESA DENNEY

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 24th day of October 2023.


Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Second Prudence)
Review of the Missouri Energy Efficiency) File No. EO-2023-0407
Investment Act (MEEIA) Cycle 3 Energy)
Efficiency Programs of Evergy Metro, Inc.)
d/b/a Evergy Missouri Metro)

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

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 *Staff Report*; and that the same is true and correct according to his best knowledge and belief.

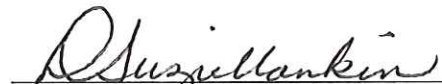
Further the Affiant sayeth not.



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 24th day of October 2023.



Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Second Prudence)
 Review of the Missouri Energy Efficiency) File No. EO-2023-0407
 Investment Act (MEEIA) Cycle 3 Energy)
 Efficiency Programs of Evergy Metro, Inc.)
 d/b/a Evergy Missouri Metro)

AFFIDAVIT OF JORDAN T. HULL

STATE OF MISSOURI)
) ss.
 COUNTY OF COLE)

COMES NOW JORDAN T. HULL and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Report*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



JORDAN T. HULL

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 24th day of October 2023.



 Notary Public

D. SUZIE MANKIN
 Notary Public - Notary Seal
 State of Missouri
 Commissioned for Cole County
 My Commission Expires: April 04, 2025
 Commission Number: 12412070

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Second Prudence)
Review of the Missouri Energy Efficiency) File No. EO-2023-0407
Investment Act (MEEIA) Cycle 3 Energy)
Efficiency Programs of Evergy Metro, Inc.)
d/b/a Evergy Missouri Metro)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


BROOKE MASTROGIANNIS

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 24th day of October 2023.


Notary Public

