

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

April 1, 2021 through March 31, 2023

FILE NO. EO-2023-0408

*Jefferson City, Missouri
October 27, 2023*

**** Denotes Confidential Information ****

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I. Executive Summary

The Missouri Public Service Commission (“Commission”) Staff (“Staff”) reviewed and analyzed a variety of items in examining whether Evergy Missouri West, Inc., d/b/a Evergy Missouri West (“Evergy Missouri West” or “Company”), reasonably and prudently incurred costs associated with its demand-side programs and demand-side programs investment mechanism (“DSIM”) which were approved by the Commission’s *Amended Report and Order*¹ in Case No. EO-2019-0132² (“Cycle 3 Plan”).

This prudence review report (“Report”) reflects Staff’s second prudence review for Evergy Missouri West’s Missouri Energy Efficiency Investment Act³ (“MEEIA”) demand-side programs (“MEEIA Programs”) and DSIM Cycle 3 costs in File No. EO-2019-0132, which included the review period of April 1, 2021 through March 31, 2023 (“Review Period”). This Report addresses prudence review costs for Evergy Missouri West’s Cycle 3 program costs (“Program Costs”), annual energy and demand savings, Throughput Disincentive (“TD”), Earnings Opportunity (“EO”) and interest.

Based on its review, Staff has identified disallowances of expenses for administrative program cost expenses; implementation contractors’ expenses; and Business Demand Response related to Nucor, during the Review Period, identified in Table 1 below. Staff is recommending

¹ On December 11, 2019, the Commission issued its *Report and Order*, and on March 11, 2020, the Commission issued its *Amended Report and Order*.

² On December 27, 2018, the Commission’s *Order Granting Applications to Intervene and Order Granting Motion to Consolidate* granted consolidation of Evergy Missouri Metro’s MEEIA Cycle 3 case, EO-2019-0132, with Evergy Missouri West’s MEEIA Cycle 3 case, EO-2019-0133, with the lead case being EO-2019-0132.

³ Section 393.1075, RSMo. Supp 2017.

1 an ordered adjustment (“OA”) in the amount of \$1,193,650.67 plus interest,⁴ in Evergy Missouri
2 West’s next DSIM Rider rate adjustment filing to adjust for these disallowed expenses.
3 The recommended OA amount is explained in detail later in this Report.

Costs	Explanation of Costs	Recommended Disallowance
Administrative Program Expenses	Page 17	\$ 4,265.30
Implementation Contractors Expenses	Page 20	\$ 13,121.19
Business Demand Response	Page 23	\$ 1,176,264.18
Total		\$ 1,193,650.67

BACKGROUND

4
5
6 On November 29, 2018, Evergy Missouri West filed, in Case No. EO-2019-0132, its
7 application under the MEEIA statute⁵ and the Commission’s MEEIA rules⁶ for approval of
8 Evergy Missouri West’s MEEIA application. On March 11, 2020, in Case No. EO-2019-0132,
9 the Commission authorized through its *Amended Report and Order*, Evergy Missouri West to
10 implement its three-year “Plan” including: 1) twelve (12) MEEIA Programs described in Evergy
11 Missouri West’s November 29, 2018, *MEEIA Cycle 3 2019-2022 Filing*, 2) a technical resource
12 manual (“TRM”), 3) a DSIM, 4) a Research & Pilot budget, and 5) a Pay As You Save®
13 (“PAYS®”) pilot program.⁷ In its *Amended Report and Order*, the Commission also approved
14 rates for the DSIM Rider and approved a DSIM Charge⁸ in Case No. EO-2019-0132 to be
15 effective on January 1, 2020.

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

⁴ Interest is calculated on the Business Demand response disallowance however interest was not calculated on the Administrative Program Expenses or the Implementation Contractors Expenses.

⁵ Section 393.1075, RSMo.

⁶ 20 CSR 4240-20.092, 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 be filed at least 60 days before the program would be put into effect.

⁸ From Evergy Missouri West’s Original Sheet No. 138.09: 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 Staff conduct prudence
 4 reviews of an electric utility’s costs for its DSIM no less frequently than every twenty-four (24)
 5 months. This report documents Staff’s second review of the prudence of Evergy Missouri West’s
 6 Cycle 3 Program Costs, annual energy and demand savings, TD, interest for the Review Period,
 7 and the over/under collection from the Commission approved Cycle 2 and Cycle 3 EO.

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

16 Table 2 (A) below identifies the line items and amounts from Confidential Attachment A
 17 which are the subject of Staff’s prudence review. Table 2 (B) below,⁹ identifies the line items
 18 and Review Period amounts from Confidential Attachment B which are the subject of Staff’s
 19 prudence review.
 20

Table 2 (A)		
Cycle 2 Totals for April 1, 2021 through March 31, 2023		
Category	Descriptor	Period Total
Total Program Costs (\$)	Billed	\$ (355,498)
Total Program Costs (\$)	Actual	\$ 0
Total Program Costs (\$)	Variance	\$ 355,498
Total Program Costs (\$)	Interest	\$ (9,062)

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 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 December 2022 illustrated a difference of 384. 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	\$ 7,668,853
Throughput Disincentive Costs (\$)	Actual	\$ 8,578,490
Throughput Disincentive Costs (\$)	Variance	\$ 909,637
Throughput Disincentive Costs (\$)	Interest	\$ 76,179

1

Table 2 (B)		
Cycle 3 Totals for January 1, 2020 through March 31, 2021		
Category	Descriptor	Period Total
Total Program Costs (\$)	Billed	\$ 38,008,922
Total Program Costs (\$)	Actual	\$ 36,255,916
Total Program Costs (\$)	Variance	\$ (1,753,006)
Total Program Costs (\$)	Interest	\$ (7,408)
Gross Energy Savings (kWh)	Target	105,403,585
Gross Energy Savings (kWh)	Deemed Actual	166,800,702
Gross Energy Savings (kWh)	Variance	61,397,117
Gross Deemed Savings (kW)	Target	45,807
Gross Deemed Savings (kW)	Deemed Actual	169,288
Gross Deemed Savings (kW)	Variance	123,481
Throughput Disincentive Costs (\$)	Billed	\$ 10,619,887
Throughput Disincentive Costs (\$)	Actual	\$ 10,719,541
Throughput Disincentive Costs (\$)	Variance	\$ 99,654
Throughput Disincentive Costs (\$)	Interest	\$ (20,707)

2

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 recommend 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 West 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 twelve (12) 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 West 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	3,096,680	759	ICF	ADM
Residential Demand Response	2,843,654	21,573	CLEAResult	ADM
Business Demand Response	-	5,346	CLEAResult	ADM
Business Smart Thermostat	127,656	933	CLEAResult	ADM
Online Home Energy Audit	-	-	Oracle/Opower	ADM
Online Business Energy Audit	-	-	Oracle/Opower	Guidehouse
Business Custom	9,350,956	1,480	TRC	Guidehouse
Business Process Efficiency	16,851,785	197	TRC	Guidehouse
Business Standard	33,525,468	5,447	TRC	Guidehouse
Home Energy Report	-	-	Oracle/Opower	ADM
Energy Saving Products	16,136,879	1,166	ICF	ADM
Heating, Cooling & Home Comfort	16,585,899	7,260	ICF	ADM
Research & Pilot - Business	1,623,806	257	ICF	ADM
Research & Pilot - Residential	1,623,823	257	ICF	ADM
Pay As You Save (PAYS)	3,636,979	1,132	Eetility	ADM
Evergy West Total	105,403,585	45,807		

Staff Expert: Brooke Mastrogiannis

1 **III. Prudence Review Process**

2 On June 1, 2023, Staff initiated its second prudence review of Cycle 3 costs of Evergy
3 Missouri West’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 West 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 an OA in a future Evergy Missouri West
13 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 West 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-2023-0411.

22 Evergy Missouri West provided a random sample of actual customer bills¹¹ that Staff
23 reviewed and determined Evergy Missouri West was charging the appropriate rates to its
24 customers for the recovery of program and TD costs.

25 During the Review Period of April 1, 2021 through March 31, 2023, Evergy Missouri
26 West billed customers (\$355,499) to recover its estimated energy efficiency programs’ costs for

¹⁰ Evergy Missouri West DSIM Rider Original Sheet No. 138.12: 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 West’s Response to Staff’s Data Request No. 0010.

1 MEEIA Cycle 2. For the same period, Evergy Missouri West actually spent \$0 on its energy
2 efficiency programs. Thus, Evergy Missouri West over-collected (\$355,499) from its customers
3 during the Review Period for MEEIA Cycle 2 program costs. During this same Review Period,
4 Evergy Missouri West billed customers \$38,008,922 to recover its estimated energy efficiency
5 programs' costs for MEEIA Cycle 3. For the same period, Evergy Missouri West actually spent
6 \$36,255,916 on its energy efficiency programs. Thus, Evergy Missouri West over-collected
7 \$1,753,006 from its customers during the Review Period for MEEIA Cycle 3 Program Costs.

8 During the Review Period of April 1, 2021 through March 31, 2023, for MEEIA Cycle 2,
9 Evergy Missouri West billed customers \$7,668,853 for estimated Company TD. For the same
10 period, Evergy Missouri West actually spent \$8,578,490 on actual Company TD. Thus, Evergy
11 Missouri West under-collected \$909,637 from its customers during the Review Period for
12 MEEIA Cycle 2 TD. During this same Review Period, Evergy Missouri West billed customers
13 \$10,619,887 for estimated Company TD for MEEIA Cycle 3. For the same period, Evergy
14 Missouri West actually spent \$10,719,541 on actual Company TD. Thus, Evergy Missouri West
15 under-collected \$99,654 from its customers during the Review Period for MEEIA Cycle 3 TD.

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

21 **2. Summary of Cost Implications**

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

25 **3. Conclusion**

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

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri West’s MEEIA Cycle 2 and Cycle 3 Plan;
- 3 b. Approved MEEIA Energy Efficiency and Demand Side Management
4 Programs Tariff Sheets;
- 5 c. Evergy Missouri West’s work papers included in Case Nos.
6 ER-2021-0411, ER-2022-0150, ER-2022-0335, ER-2023-0184, and
7 ER-2023-0411;
- 8 d. Evergy Missouri West’s Quarterly Surveillance Monitoring Reports,
9 Page 6 and 7; and
- 10 e. Staff Data Requests: 0003, 0005, 0010, and 0020.

11 *Staff Expert: Brooke Mastrogiannis*

12 **V. Resource Innovations Tracking Software**

13 **1. Description**

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

27 The primary implementers that are able to use this tracking system are CLEAResult,
28 TRC, Uplight, EEtility, OATI, Opower and ICF. CLEAResult and OATI uses it for all of the
29 Demand Response and the Thermostat Programs, ICF uses it for all Residential Programs, and

¹² Evergy Missouri West Original Sheet No. 138.10: “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 TRC uses it for all Business Programs. For the low volume programs the incentive amounts and
2 energy and demand savings amounts are manually put into the Resource Innovations system.

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

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

1 **2. Summary of Cost Implications**

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

5 **3. Conclusion**

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

8 **4. Documents Reviewed**

- 9 a. Evergy Missouri West'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 West MEEIA Vendor and Implementer Contracts.

14 *Staff Expert: Brooke Mastrogiannis*

15 **VI. Actual Program Costs**

16 Evergy Missouri West'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 West sought to recover through
20 its DSIM Charge to ensure only reasonable and prudently incurred costs are being recovered
21 through the DSIM Rider. Staff reviewed and analyzed, for prudence, Evergy Missouri West's
22 adherence to contractual obligations, adequacy of controls and compliance with approved tariff
23 sheets. Evergy Missouri West provided Staff accounting records for all programs' costs it
24 incurred during the Review Period. Staff categorized these costs by program and segregated them
25 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 4A as a total for the Review Period and
28 also Table 4B showing the cumulative program costs for Cycle 3 shown below:

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	\$ 550,178	\$ 147,935	\$ 402,243
Income Eligible Mult-Family	\$ 1,524,287	\$ 256,151	\$ 1,268,135
Income Eligible Single Family	\$ 61,329	\$ 1,393	\$ 59,936
Residential Demand Response	\$ 5,042,832	\$ 902,921	\$ 4,139,911
Online Home Energy Audit	\$ 218,224	\$ -	\$ 218,224
Pay As You Save (PAYS)	\$ 1,123,770	\$ 323,203	\$ 800,567
Home Energy Report	\$ 1,266,677	\$ -	\$ 1,266,677
Energy Saving Products	\$ 4,606,536	\$ 2,361,184	\$ 2,245,353
Heating, Cooling & Home Comfort	\$ 4,037,876	\$ 2,430,492	\$ 1,607,384
Subtotal Residential Programs	\$ 18,431,710	\$ 6,423,279	\$ 12,008,431
BUSINESS:			
Research & Pilot-Business	\$ 267,339	\$ 71,534	\$ 195,806
Business Demand Response	\$ 4,962,287	\$ 2,802,584	\$ 2,159,702
Business Smart Thermostat	\$ 191,055	\$ 7,425	\$ 183,630
Online Business Energy Audit	\$ 60,723	\$ -	\$ 60,723
Business Custom	\$ 5,997,316	\$ 3,522,509	\$ 2,474,807
Business Process Efficiency	\$ 317,986	\$ 31,217	\$ 286,768
Business Standard	\$ 6,027,501	\$ 3,224,705	\$ 2,802,795
Subtotal Business Programs	\$ 17,824,206	\$ 9,659,974	\$ 8,164,232
Grand Total--All Programs	\$ 36,255,916	\$ 16,083,254	\$ 20,172,662
COSTS BY SUBACCOUNTS:			
Customer Rebates	\$ 16,083,254		
Program Delivery	\$ 14,383,674		
Evaluation	\$ 1,030,626		
Marketing	\$ 2,151,590		
Administrative	\$ 2,606,773		
Total Program Costs (Subaccounts)	\$ 36,255,916		

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	\$ 633,385	\$ 148,135	\$ 485,250
Income Eligible Mult-Family	\$ 2,432,601	\$ 325,954	\$ 2,106,647
Income Eligible Single Family	\$ 61,329	\$ 1,393	\$ 59,936
Residential Demand Response	\$ 7,137,664	\$ 1,326,621	\$ 5,811,043
Online Home Energy Audit	\$ 413,975	\$ -	\$ 413,975
Pay As You Save (PAYS)	\$ 1,138,244	\$ 323,203	\$ 815,041
Home Energy Report	\$ 2,123,611	\$ -	\$ 2,123,611
Energy Saving Products	\$ 6,906,211	\$ 3,409,147	\$ 3,497,064
Heating, Cooling & Home Comfort	\$ 6,088,334	\$ 3,559,056	\$ 2,529,278
Subtotal Residential Programs	\$ 26,935,353	\$ 9,093,508	\$ 17,841,845
BUSINESS:			
Research & Pilot-Business	\$ 320,421	\$ 71,534	\$ 248,888
Business Demand Response	\$ 8,268,609	\$ 3,962,863	\$ 4,305,746
Business Smart Thermostat	\$ 249,594	\$ 12,475	\$ 237,119
Online Business Energy Audit	\$ 66,029	\$ -	\$ 66,029
Business Custom	\$ 7,005,644	\$ 3,971,489	\$ 3,034,156
Business Process Efficiency	\$ 467,727	\$ 31,217	\$ 436,510
Business Standard	\$ 9,078,593	\$ 5,002,748	\$ 4,075,845
Subtotal Business Programs	\$ 25,456,617	\$ 13,052,326	\$ 12,404,291
Grand Total--All Programs	\$ 52,391,970	\$ 22,145,834	\$ 30,246,136
COSTS BY SUBACCOUNTS:			
Customer Rebates	\$ 22,145,834		
Program Delivery	\$ 21,575,186		
Evaluation	\$ 1,359,072		
Marketing	\$ 2,794,551		
Administrative	\$ 4,517,327		
Total Program Costs (Subaccounts)	\$ 52,391,970		

1 Energys Missouri West 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 Energys Missouri West 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 Energys Missouri West 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. Energys
15 Missouri West has developed internal procedures that provide program managers and other
16 reviewers a detailed and approved method for reviewing invoices. Energys Missouri West also
17 provided Staff with its policies related to reimbursement of employee-incurred business expenses
18 and approval authority for business transactions.

19 For this current review period, the incentive cost to program administrative cost ratio for
20 Energys Missouri West did improve as compared to the last prudence review. For Cycle 3 costs
21 alone in this review period, 44.4% of total costs were for incentives and 55.6% 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 through Calendar year 2023, or Program Year 4, or (“PY4”). The language
26 for 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 which are provided at no cost as a part of a program. Customer rebates are also included in the incentive category.

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 of
17 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, other miscellaneous 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
29 seek recovery of costs associated with conferences and memberships through DSIM rates if those

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.

costs would not be incurred but for the Company’s offering of MEEIA programs. Evergy shall provide Staff justification to support its claim that these costs would not be incurred but for the Company’s offering of the MEEIA programs.” Staff reviewed all of the information and receipts provided. Evergy provided some explanation and justification on questionable expenses during the review and many of those were justified. However, there still were some expenses that Staff thought were not justified enough to support its claim that these costs would not be incurred but for the Company’s offering of the MEEIA programs. For example, having a sponsorship in addition to membership dues, and generic shirts not specific to MEEIA. Therefore, Staff recommends these administrative expenses should not recoverable through the Evergy Missouri West DSIM Rider and recommends the Commission order an OA in the next DSIM filing.

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

Table 5			
Costs	Month(s)	Reason for Disallowance	Disallowed Cost
St. Joseph Construction Assn.	Feb 21 - Nov 21	No justification provided per Stipulation	\$ 428.50
MES Sponsorship	Jul-22	Sponsorships not necessary in additional to membership	\$ 3,000.00
Natalie Gray-YARDHOUSE	Dec-21	No justification for off-site meeting and expenses over meeting in office	\$ 68.05
Davidson Promotioal	Dec-21	No reference to MEEIA-To General	\$ 768.75
Total			\$ 4,265.30

2. Summary of Cost Implications

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

3. Conclusion

Staff has identified expenses for administrative costs that were either not primarily MEEIA related or the Company did not provide any justification that the costs for the memberships listed would not be incurred but for the Company’s offering of MEEIA programs. Therefore, Staff is recommending the Commission order an OA in the amount of \$4,265.30 plus interest, to be applied to Evergy Missouri West’s next DSIM filing.

1 **4. Documents Reviewed**

- 2 a. Staff Data Requests: 0002, 0002.1, 0003, 0003.1, 0003.2, 0003.3, 0003.4,
3 0007, 0007.1, 0012, 0012.1, 0013, 0014, 0014.1, 0015, 0016, 0019, 0019.1,
4 0026, 0026.1, 0026.2, 0026.3, and 0026.4.

5 *Staff Expert: Cynthia M. Tandy*

6 **B. Implementation Contractors**

7 **1. Description**

8 Evergy Missouri West hired business partners for design, implementation and delivery of
9 its portfolio of residential and business energy efficiency programs to customers. Contracting
10 with competent, experienced and reliable program implementers is extremely important to the
11 success of Evergy Missouri West’s energy efficiency programs and for affording Evergy
12 Missouri West’s customers the greatest benefits.

13 Evergy Missouri West issued RFPs at the beginning of Cycle 3 for program implementers
14 to directly administer one or more of Evergy Missouri West’s energy efficiency programs.
15 Evergy Missouri West selected and contracted with the organizations identified in Table 3 to
16 implement individual MEEIA Programs. All of the implementers identified on Table 3 are
17 nationally recognized contractors that have solid histories of energy efficiency programs’ design
18 and implementation.

19 Staff reviewed Evergy Missouri West’s relationship with its implementers to gauge if
20 Evergy Missouri West acted prudently in the selection and oversight of its program
21 implementers. Staff examined the contracts between Evergy Missouri West and the implementers
22 in an effort to determine if the terms of the contract were followed during the implementation of
23 the residential and business programs. Staff also reviewed a large sample of over 600 invoices
24 paid to the implementers identified in Table 3, and traced these costs to the general ledger,
25 program costs in Data Request No. 0003.

26 Comparing actual cumulative deemed annual energy and demand savings relative to the
27 planned cumulative annual energy and demand savings for the same period is important to
28 understanding the overall performance of Evergy Missouri West’s energy efficiency programs
29 and its implementation contractors.

30 Table 6 below provides a comparison of achieved energy and demand savings and
31 planned deemed energy and demand savings for Evergy Missouri West’s residential and business

1 programs for the Review Period. If Evergy Missouri West was unable to achieve its planned
 2 energy and demand savings levels, that could be an indication the programs were not being
 3 prudently administered by the implementers and by Evergy Missouri West. Although some of
 4 Evergy Missouri West’s individual programs did not meet energy and demand savings targets,
 5 the programs in total achieved and exceeded the overall energy efficiency portfolio annual energy
 6 and demand savings targets. Staff will continue to monitor the achieved energy and demand
 7 savings throughout the course of Cycle 3.

8 **Table 6**

Cycle 3 April 1, 2021 through March 31, 2023						
	Achieved Annual Energy Savings (kWh)	Planned Annual Energy Savings (kWh)	Variance	Achieved Annual Demand Savings (kW)	Planned Annual Demand Savings (kW)	Variance
MEEIA Programs						
Income-Eligible Multi-Family & Single-Family	2,004,681	3,096,680	(1,091,999)	309	759	(450)
Residential Demand Response	1,612,833	2,843,654	(1,230,821)	11,709	21,573	(9,864)
Business Demand Response	-	-	-	116,607	5,346	111,261
Business Smart Thermostat	157,262	127,656	29,606	302	933	(631)
Online Home Energy Audit	-	-	-	-	-	-
Online Business Energy Audit	-	-	-	-	-	-
Business Custom	34,562,368	9,350,956	25,211,412	8,133	1,480	6,653
Business Process Efficiency	805,427	16,851,785	(16,046,358)	126	197	(71)
Business Standard	30,115,393	33,525,468	(3,410,075)	8,839	5,447	3,392
Home Energy Report	27,894,414	-	27,894,414	7,524	-	7,524
Energy Saving Products	53,909,208	16,136,879	37,772,329	6,955	1,166	5,789
Heating, Cooling & Home Comfort	13,449,529	16,585,899	(3,136,370)	8,409	7,260	1,149
Research & Pilot - Business	329,824	1,623,806	(1,293,982)	61	257	(196)
Research & Pilot - Residential	994,050	1,623,823	(629,773)	131	257	(126)
Pay As You Save (PAYS)	965,713	3,636,979	(2,671,266)	183	1,132	(949)
Evergy West Total	166,800,702	105,403,585	61,397,117	169,288	45,807	123,481

9
 10 During this MEEIA prudence review, Staff evaluated all expenses incurred under the
 11 Implementation Contractor’s invoices and whether they were specific to MEEIA. There were a
 12 couple Implementation Contractors’ invoices where Evergy purchased shirts and a paperweight
 13 that had just the Evergy logo. Staff is of the opinion that these items are not specific to MEEIA.
 14 Also, there were several instances where Evergy Missouri West and ICF held award ceremonies

1 and appreciation events, as well as provided thank you gifts to its trade allies. There were also
 2 promotional items given away at events with no detail of what those promotional items were.
 3 Lastly, there was a gift card given to a customer to compensate for a mistake made by their
 4 Trade Ally. Staff is of the opinion that the award ceremonies, appreciation events, gifts, and
 5 compensation provide no benefit to Evergy Missouri West’s customers. Staff recommends these
 6 “Implementation Contractors Expenses,” should be disallowed and determined not recoverable
 7 through the Evergy Missouri West DSIM Rider. Additional details about the expenses are
 8 identified in Table 7¹⁸ below:

9

Table 7						
JE/Inv/Voucher #	IC/Vendor	GL Month(s)	Reason for Disallowance	Disallowed Cost	G&A Cost	Total Disall
1727936	4imprint	Oct-21	No detail on promotional items	\$ 641.76	\$ 113.72	\$ 755.48
1742563	Vectra Visual	Jan-22	Message on Shirts too general-not related directly to MEEIA	\$ 164.10	\$ 29.08	\$ 193.18
1743766	Vectra Visual	Feb-22	Message on Shirts too general-not related directly to MEEIA	\$ 194.87	\$ 34.53	\$ 229.40
1748669	Taylor Visual	Mar-22	Message on Shirts too general-not related directly to MEEIA	\$ 137.24	\$ 24.32	\$ 161.56
1764316	Taylor Visual	Jun-22	Message on Shirts too general-not related directly to MEEIA	\$ 118.14	\$ 20.93	\$ 139.07
1784716	Zazzle	Oct-22	Need more information on the message promoted	\$ 71.17	\$ 12.61	\$ 83.78
1796289	Monogram Lounge	Oct 22 &	Shareholders should pay for events and alcohol	\$ 1,612.31	\$ 285.70	\$ 1,898.01
1796289	Monogram Lounge	Dec-22	Shareholders should pay for events and alcohol	\$ 2,123.86	\$ 376.35	\$ 2,500.21
1796289	J. Rieger & Co.	Dec-22	Shareholders should pay for events and alcohol	\$ 919.45	\$ 162.93	\$ 1,082.38
1800584	Visa Way to Go	Dec-22	Customers should not have to pay for a trade ally mistake.	\$ 14.96	\$ 2.65	\$ 17.61
1800481	CST Sweets	Dec-22	Customers should not have to pay for thank you gifts.	\$ 1,886.07	\$ 334.21	\$ 2,220.28
1796289	4imprint	Dec-22	Need more information on the promotional items	\$ 3,262.17	\$ 578.06	\$ 3,840.23
Total				\$ 11,146.10	\$ 1,975.09	\$ 13,121.19

10

11 **2. Summary of Cost Implications**

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

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 **3. Conclusion**

2 Staff has found that Evergy Missouri West has acted imprudently by including some
3 implementer contractor’s expenses that provided no benefit to Evergy Missouri West’s
4 customers. Staff recommends the Commission order an OA in the amount of \$13,121.19 plus
5 interest to be applied to Evergy Missouri West’s next DSIM filing.

6 **4. Documents Reviewed**

- 7 a. Evergy Missouri West’s Cycle 3 Plan, along with Standard 11-Step Change
8 Process Notification in PY4 Case No. EO-2019-0132;
9 b. Approved MEEIA Energy Efficiency and Demand Side Management
10 Programs Tariff Sheets; and
11 c. Staff Data Requests: 0002, 0002.1, 0003, 0003.1, 0003.2, 0003.3, 0007,
12 0007.1, 0012, 0012.1, 0013, 0014, 0014.1, 0016, 0019, 0019.1, 0026,
13 0026.1, 0026.2, 0026.3, 0026.4, 0026.5, and 0026.6.

14 *Staff Experts: Cynthia M. Tandy and Brooke Mastrogiannis*

15 **C. EM&V Contractors**

16 **1. Description**

17 Evergy Missouri West is required to hire independent contractor(s) to perform and report
18 EM&V of each Commission-approved demand-side program. Commission rules allow Evergy
19 Missouri West to spend up to 5% of its total program costs budget for EM&V.¹⁹ On May 12,
20 2022, the Commission issued its Order Approving Stipulation and Agreement, which approved
21 the Non-Unanimous Stipulation and Agreement that was filed on April 29, 2022. In this filing,
22 the Signature Parties recommended the Commission approve the MEEIA Cycle 3 Plan to be
23 extended through Calendar year 2023, or Program Year 4, or (“PY4”). Also in this filing, the
24 parties agreed that PY4 EM&V budgets will be set at 3.0% of the total budget. Guidehouse Inc.
25 (“Guidehouse”) and ADM Associates, Inc. (“ADM”) conducted and reported the EM&V results
26 for Evergy Missouri West’s Cycle 3 programs²⁰.

27 During the Review Period, Evergy Missouri West expended \$855,593 for Cycle 3
28 EM&V. This amount, combined with the \$236,350 EM&V Cycle 3 cumulative costs reported
29 previously, amounts to \$1,091,943, or 1.61% of the \$68,028,025 total programs’ costs budget for

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 Cycle 3. Thus, the costs associated with the EM&V did not exceed the 3% maximum cap for
2 Cycle 3. Staff will continue to monitor EM&V costs throughout the life of Cycle 3, to ensure
3 Evergy Missouri West does not exceed the 3% maximum cap of the total Cycle 3 budget.

4 **2. Summary of Cost Implications**

5 If Evergy Missouri West was imprudent in its decisions relating to the selection and
6 supervision of its EM&V contractors then ratepayer harm could result in an increase in future
7 DSIM Charge amounts.

8 **3. Conclusion**

9 Staff found no indication that Evergy Missouri West has acted imprudently regarding the
10 selection and supervision of its EM&V contractors.

11 **4. Documents Reviewed**

- 12 a. Evergy Missouri West's Cycle 3 Plan;
- 13 b. Approved MEEIA Energy Efficiency and Demand Side Management
14 Programs Tariff Sheets; and
- 15 c. Staff Data Requests: 0002, 0002.1, 0002.2, 0003, 0005, 0006, 0009, and
16 0018.

17 *Staff Expert: Teresa Denney*

18 **D. MEEIA Labor**

19 **1. Description**

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

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

6 **2. Summary of Cost Implications**

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

9 **3. Conclusion**

10 Staff found no indication that Evergy Missouri West has acted imprudently regarding the
11 calculation of MEEIA labor.

12 **4. Documents Reviewed**

- 13 a. Evergy Missouri West's Cycle 3 Plan;
- 14 b. Tariff sheets 138.09-138.18; and
- 15 c. Staff Data Requests: 0023 and 0023.1.

16 *Staff Expert: Brooke Mastrogiannis*

17 **E. Demand Response**

18 **1. Description**

19 **a. Residential Demand Response Program**

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

27 **b. Business Demand Response Program**

28 Evergy Missouri West's Business Demand Response Program ("BDR") compensates
29 commercial customers who reduce, or curtail, their electrical load during high-demand days.

1 Participants work with Evergy Missouri West to identify electrical load that can be eliminated or
2 shifted during curtailment events, which are typically during the hottest days of the summer.
3 Evergy Missouri West and the participant work together to determine which strategies are best
4 for the unique business needs and create a curtailment plan. When curtailment events are
5 anticipated, Evergy Missouri West will notify the customer with instructions to execute their
6 plan. At the end of the curtailment season, Evergy Missouri West pays the customer for the load
7 reduced.

8 Evergy Missouri West's Tariff for Special Rate for Incremental Load Service
9 ("Schedule SIL") Sheet No. 157 states:

10 Service under this tariff may not be combined with service under an
11 Economic Development Rider, an Economic Redevelopment Rider, the
12 Renewable Energy Rider, Community Solar program, service as a Special
13 Contract, or be eligible for participation in programs offered pursuant to
14 the Missouri Energy Efficiency Investment Act (MEEIA), or for
15 participation in programs related to demand response or off-peak
16 discounts, unless otherwise ordered by the Commission when approving
17 a contract for service under this tariff.

18 The response for Data Request No. 0022 stated that Nucor Maryville and Nucor Sedalia
19 are participants to Evergy Missouri West's Business Demand response program for the review
20 period of April 1, 2021 through March 31, 2023. Staff then sent a follow up Data Request
21 No. 0031 clarifying why Nucor Maryville and Nucor Sedalia were participants to the Business
22 Demand response program if they are also under the Schedule SIL Rate, as the Tariff Sheet
23 quoted above states service under this tariff may not be combined if they participate in programs
24 offered pursuant to the MEEIA. The Company responded in Data Request No. 0031:

25 Nucor has been taking service under the Special Rate for Incremental Load
26 Service (SIL) tariff in 2019 and also participated in MEEIA Business
27 Demand Response (BDR) starting in 2020. After review of both the SIL
28 tariff and the BDR Program tariff, it appears the customer is eligible for
29 both individually but not both tariffs at the same time per the language
30 cited in the data request. The customer has been removed from the
31 MEEIA BDR program effective in September 2023.

32 It appears to Staff that Evergy Missouri West has now recognized that Nucor should not
33 have been participating in the BDR Program tariff and the SIL tariff. Therefore, to refund
34 non-Nucor customers the incentives that were paid to Nucor that otherwise would not have been
35 if they were not participating in both tariffs, Staff is recommending the Commission order an

1 OA in the amount of \$1,170,224.13²¹, plus \$6,040.05 for interest, for a total adjustment of
2 \$1,176,264.18 to be applied to Evergy Missouri West’s next DSIM filing.

3 **2. Summary of Cost Implications**

4 If Evergy Missouri West was imprudent in its management of its Demand Response
5 Programs, ratepayer harm could result in an increase to the DSIM Charge amounts.

6 **3. Conclusion**

7 Staff has found that Evergy Missouri West has acted imprudently by allowing Nucor to
8 be a participant in the Business Demand Response Program while also being on the Schedule
9 SIL tariff. Staff recommends the Commission order an OA in the amount of \$1,170,224.13, plus
10 interest of \$6,040.05, for a total adjustment of \$1,176,264.18 to be applied to Evergy Missouri
11 West’s next DSIM filing.

12 **4. Documents Reviewed**

- 13 a. Evergy Missouri West Responses to Staff Data Requests: 0022, 0027,
14 0028, 0029, 0031, and 0032; and
15 b. Evergy Missouri West’s Tariff for Special Rate for Incremental Load
16 Service Sheet No. 157.

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

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

19 **A. Actual TD**

20 **1. Description**

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

26 The TD allows the utility to recover its lost margin revenues associated with the
27 successful implementation of the MEEIA programs. The Cycle 3 TD calculation is described in
28 Evergy Missouri West’s tariff sheet nos. 138.13 through 138.15 and sheet no. 138.18 (for the net

²¹ This amount is summed up from the incentives paid to Nucor Maryville and Sedalia for both 2021 and 2022, given in Data Request Response No. 0032.

1 margin revenue rates). Generally, the TD for each program is determined by multiplying the
2 monthly energy savings²² by the net margin revenue rates (tariff sheet no. 138.8) and by the net
3 to gross factor for contemporaneous TD recovery.

4 Staff has verified each component of the TD calculation that was provided by Evergy
5 Missouri West in the response to Data Request No. 0020. Staff recalculated a sample of
6 the monthly TD calculations and found no errors. Staff has also verified the TD calculation
7 work papers, and compared the kWh savings impact and TD with the MEEIA rate adjustment
8 filings, along with the QSMRs. In Data Request No. 0020, Evergy Missouri West provided a
9 reconciliation reflecting adjustments made to their TD calculation workpapers. Staff found no
10 discrepancies between Evergy Missouri West's TD calculation workpapers, QSMRs, and the
11 MEEIA rate adjustment filings. The MEEIA rate adjustment filings and the QSMRs both
12 demonstrate TD that customers are responsible for paying is \$10,719,541 for Cycle 3 and
13 \$8,578,491 for Cycle 2.

14 2. Summary of Cost Implications

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

17 3. Conclusion

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

20 4. Documents Reviewed

- 21 a. Evergy Missouri West's Cycle 2 and Cycle 3 Plan;
- 22 b. Tariff Sheets Nos. 138.09 through 138.18;
- 23 c. Evergy Missouri West's work papers included in Case Nos.
24 ER-2021-0411, ER-2022-0150, ER-2022-0335, ER-2023-0184, and
25 ER-2023-0411;
- 26 d. QSMR; and
- 27 e. Staff Data Requests: 0005, 0020, and 0024.

28 *Staff Expert: Brooke Mastrogiannis*

²² 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 West’s MEEIA Programs calculated with the Resource Innovations software. Evergy Missouri West provided Staff additional details supporting the Resource Innovation system results to show how the kWh savings were calculated during the Review Period.

To begin its review of Evergy Missouri West’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 QSMR, the kWh savings used in the TD calculations, and the Company work papers provided.

The Company provided work papers to support the kWh savings for the program measures. These work papers 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 TRM.²³

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 Data Request No. 0025 provides TRC results for Cycle 3 Program Year 2021, and Program year 2022. One programs reflected a TRC of less than 1.0: ** [REDACTED] ** and four programs reflects a TRC of less than 1.0 in Program year 2022: ** [REDACTED]

[REDACTED]

[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

²³ 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 the discontinued demand-side program. Nothing herein requires utilities
2 to end any demand-side program which is subject to a cost-effectiveness
3 test deemed not cost-effective immediately.

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

9 In reviewing all sources of kWh savings and kW savings, Staff was able to verify the
10 reported 166,800,702²⁴ kWh of energy savings and 169,288²⁵ kW of demand savings for the
11 Cycle 3 MEEIA Programs during the Review Period by reconciling the QSMR, the Resource
12 Innovations data base, and the Company's workpapers provided.

13 **2. Summary of Cost Implications**

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

17 **3. Conclusion**

18 Staff found no indication that Evergy Missouri West has acted imprudently regarding the
19 calculation of the gross energy and demand savings.

20 **4. Documents Reviewed**

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

25 *Staff Expert: Brooke Mastrogiannis*

²⁴ 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 6,897,090 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 136,294,922 kWh.

²⁵ 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 52,788 kW.

1 **VIII. Earnings 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 West’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 against
12 planned targets. The Company’s EO will be \$10.4M²⁶ if 100%
13 achievement of the planned targets are met. EO is capped at \$20.0M,
14 which reflects adjustment for TD verified by EM&V. Potential Earnings
15 Opportunity adjustments are described on Sheet No. 138.6. The Earnings
16 Opportunity Matrix outlining the payout rates, weightings, and caps can
17 be found in 138.8.

18 Evergy Missouri West’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 \$9,065,667 if 100% achievement of the planned targets are met. EO is
23 capped at \$14,511,690. Potential Earnings Opportunity adjustments are
24 described on Sheet No. 138.16. The Earnings Opportunity Matrix
25 outlining the payout rates, weightings, and caps can be found at Sheet No.
26 138.18. The Combined Companies’ (Evergy Missouri Metro and Evergy
27 Missouri West) EO for 2023 (Extension) will be \$4,733,030 if 100%
28 achievement of the planned targets are met. The Combined Companies’
29 EO is capped at \$4,926,305. Potential Earnings Opportunity adjustments
30 are described on Sheet No. 138.19. The Combined Companies’ EO will
31 be allocated to each jurisdiction by respective program cost spend.

32 Staff reviewed the Cycle 2 and Cycle 3 EO from the calculations provided in response
33 to Data Request No. 0030 and the calculations in the DSIM Riders in dockets ER-2021-0411,

²⁶ 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 ER-2022-0150, ER-2022-0335, ER-2023-0184, and ER-2023-0411 for the months in this
2 Review Period. During the review, Staff was able to verify that Evergy Missouri West did not
3 recover more than its approved EO for Cycle 2 and Cycle 3. EO awarded for Cycle 2 during
4 this Review Period was \$4,646,044. EO awarded for Cycle 3 during this Review Period was
5 \$2,585,963.

6 **2. Summary of Cost Implications**

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

9 **3. Conclusion**

10 Staff has verified that Evergy Missouri West did not recover more than its approved EO
11 for Cycle 2 and Cycle 3.

12 **4. Documents Reviewed**

- 13 a. Evergy Missouri West's Cycle 2 and Cycle 3 Plan;
- 14 b. Evergy Missouri West's Quarterly Surveillance Monitoring Report,
15 Page 6;
- 16 c. Tariff Sheets Nos. 138 through 138.19;
- 17 d. Evergy Missouri West's work papers included in Case Nos.
18 ER-2021-0411, ER-2022-0150, ER-2022-0335, ER-2023-0184, and
19 ER-2023-0411; and
- 20 e. Staff Data Requests: 0002, 0003, 0009, and 0030.

21 *Staff Expert: Brooke Mastrogiannis*

22 **IX. INTEREST COSTS**

23 **1. Description**

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

During the Review Period Evergy Missouri West’s total for the interest amount accrued for the Company’s program costs as reported on Evergy Missouri West’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	\$ (9,062)	Over	\$ 219,384	Under
MEEIA Cycle 3	\$ (7,409)	Over	\$ 13,078	Under
TD Cycle 2	\$ 76,178	Under	\$ 151,240	Under
TD Cycle 3	\$ (20,706)	Over	\$ (20,834)	Over

2. Summary of Cost Implications

If Evergy Missouri West 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 West interest calculations and interest amounts for inclusion in its March 31, 2023, response to 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 West 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)
Investment Act (MEEIA) Cycle 3 Energy)
Efficiency Programs of Evergy Missouri)
West, Inc. d/b/a Evergy Missouri West)

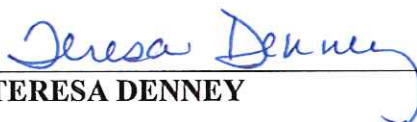
File No. EO-2023-0408

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

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-2023-0408
Investment Act (MEEIA) Cycle 3 Energy)
Efficiency Programs of Evergy Missouri)
West, Inc. d/b/a Evergy Missouri West)

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-2023-0408
Investment Act (MEEIA) Cycle 3 Energy)
Efficiency Programs of Evergy Missouri)
West, Inc. d/b/a Evergy Missouri West)

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-2023-0408
Investment Act (MEEIA) Cycle 3 Energy)
Efficiency Programs of Evergy Missouri)
West, Inc. d/b/a Evergy Missouri West)

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

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-2023-0408
Investment Act (MEEIA) Cycle 3 Energy)
Efficiency Programs of Evergy Missouri)
West, Inc. d/b/a Evergy Missouri West)

AFFIDAVIT OF CYNTHIA M. TANDY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW CYNTHIA M. TANDY 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.


CYNTHIA M. TANDY

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 25th 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