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Witness: Kevin D. Gunn
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: EO-2023-0369/0370

DIRECT TESTIMONY

OF

KEVIN D. GUNN

ON BEHALF OF

**EVERGY MISSOURI METRO and
EVERGY MISSOURI WEST**

**Kansas City, Missouri
April 2024**

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DIRECT TESTIMONY

OF

KEVIN D. GUNN

Case No. EO-2023-0369/0370

1

I. INTRODUCTION

2 **Q: Please state your name and business address.**

3 A: My name is Kevin D. Gunn. My business address is 1200 Main Street, Kansas
4 City, Missouri 64105.

5 **Q: By whom and in what capacity are you employed?**

6 A: I am employed by Evergy Metro, Inc. and serve as Vice President-State and Federal
7 Regulatory Policy for Evergy Metro, Inc. d/b/a as Evergy Missouri Metro (“Evergy
8 Missouri Metro”), Evergy Missouri West, Inc. d/b/a Evergy Missouri West
9 (“Evergy Missouri West”), Evergy Metro, Inc. d/b/a Evergy Kansas Metro
10 (“Evergy Kansas Metro”), and Evergy Kansas Central, Inc. and Evergy South, Inc.,
11 collectively d/b/a as Evergy Kansas Central (“Evergy Kansas Central”) the
12 operating utilities of Evergy, Inc.

13 **Q: Who are you testifying for?**

14 A: I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West
15 (collectively, “Evergy” or the “Company”).

16 **Q: What are your responsibilities?**

17 A: My responsibilities include developing and implementing Evergy’s regulatory
18 policy at the state and federal level, including managing regional transmission

1 organization (“RTO”) policy. Currently, my state duties are limited to Missouri
2 regulatory policy.

3 **Q: Please describe your education, experience, and employment history.**

4 A: I received a Bachelor of Arts from American University in 1992 and a Juris
5 Doctorate from St. Louis University School of Law in 1996. I was a Commissioner
6 on the Missouri Public Service Commission from 2008 to 2013 and served as Chair
7 from 2011-2013. I served on the Commission during the adoption of the Missouri
8 Energy Efficiency Investment Act (“MEEIA”) rule. Prior to being on the
9 Commission, I served as a lawyer in private practice and as a Congressional Chief
10 of Staff. Subsequent to serving on the Commission, I have served as a regulatory
11 affairs consultant and as Executive Director of Regulatory and Political Affairs,
12 Central Region for NextEra Energy Resources.

13 **Q: Have you previously testified in a proceeding at the Missouri Public Service
14 Commission (“MPSC” or “Commission”) or before any other utility
15 regulatory agency?**

16 A: No.

17 II. PURPOSE OF TESTIMONY

18 **Q: What is the purpose of your direct testimony?**

19 A: The purpose of my testimony is to sponsor the Evergy MEEIA Cycle 4 Demand-
20 Side Management Portfolio Filing (“Report”) that is being filed concurrently with
21 my testimony and the Company’s MEEIA Cycle 4 Application (“Application”) in
22 this docket and to introduce Evergy’s witnesses who support the Report and
23 Application. In addition, I describe the value that MEEIA programs provide for

1 customers, how this Application is consistent with statewide policy and the
2 enabling statute¹ and Evergy’s successful history of offering MEEIA programs to
3 its Missouri customers

4 **III. INTRODUCTION OF EVERGY WITNESSES**

5 **Q: Please identify the other witnesses testifying in support of the Company’s**
6 **Application.**

7 A: Brian File, Director of Demand-Side Management Programs, demonstrates how
8 Evergy’s proposed MEEIA Cycle 4 portfolio builds on its successful offering of
9 DSM programs for the past 10 years while addressing new dynamics in the energy
10 landscape, explains how the Company is depending on the plan to deliver expected
11 results, and is a strategic element of our Company’s customer value proposition for
12 customers to take control of their energy use and costs, which will deliver benefits
13 to all customers. In addition, Company witness File offers an overview of the filing
14 details, including the portfolio design process, program implementation,
15 performance metrics to measure the success of the programs, cost management
16 approach, and earnings opportunity design. Lastly, Company witness File provides
17 an overview of the Demand-Side Management Potential Study approach and
18 results, the Technical Resource Manual (“TRM”) and its role in evaluating
19 programs, and plans for Evaluation, Measurement and Verification (“EM&V”) for
20 MEEIA Cycle 4.

21 Leigh Anne Jones, Senior Director of Corporate Accounting, addresses the
22 financial model used to evaluate the MEEIA Cycle 4 portfolio, the methodology

¹ Section 393.1075 RSMo is the “Missouri Energy Efficiency Investment Act,” or (“MEEIA”).

1 used for the Demand-Side Investment Mechanism (“DSIM”) rate, and the
 2 calculation proposed for the Throughput Disincentive (“TD”) Mechanism.

3 Cody VandeVelde, Senior Director of Strategy and Long Term Planning,
 4 describes the Company’s Integrated Resource Planning (“IRP”) process and how it
 5 supports this Application, and explains how the avoided costs model used for
 6 MEEIA Cycle 4 is calculated and informed by the IRP.

7 **Q: Please identify the witness sponsors of Evergy’s MEEIA 4 filing report.**

8 A: The following table outlines each section of the report and appendices with
 9 corresponding sponsor.

Section	Evergy Witness Sponsor
Section 1 – Executive Summary	Brian File
Section 2 – Plan Overview	Brian File 2.2 Avoided Generation – Cody Vandevelde
Section 3 – Program Portfolio Details	3.1 - 3.5 Natalie Gray 3.6 - Kevin Brannan 3.7 Brian File
Section 4 – Recovery Mechanism	Leigh Anne Jones
Section 5 – Sustaining Success	Brian File
Section 6 – Collaborative Process to Approval	Brian File
Section 7 – MEEIA Rules Requirements	Specified in Section 7
Appendix 8.1 - Program Descriptions	Energy Efficiency programs, Natalie Gray Demand Response programs, Kevin Brannan
Appendix 8.2 - Technical Resource Manual	Brian File
Appendix 8.3 - Measure Incentive Ranges	Brian File
Appendix 8.4 - Detailed EM&V Plan	Brian File
Appendix 8.5 - Earnings Opportunity Matrix	Brian File
Appendix 8.6 - Program Tariff Sheets	
Appendix 8.7 - DSIM Tariff Sheets	
Appendix 8.8 - DSM Potential Study	Brian File
Appendix 8.9 - Witness Details	

10

1 IV. TESTIMONY SUMMARY

2 Q: Will you please summarize the key points of your Direct Testimony?

3 ■ Evergy is requesting the Commission approve Evergy’s proposed
4 DSM portfolio of programs, the proposed DSIM Rider, the proposed tariffs
5 implementing the programs and mechanism, the proposed EM&V plan, the
6 requested variances from Commission rules, and any other approvals or
7 terms the Commission deems necessary related to the Application in this
8 docket.

9 ■ The Company’s proposals are consistent with the MEEIA statute,
10 Commission rules and prior Commission determinations, and they are
11 consistent with the objectives that policymakers in the legislative and
12 executive branches sought to obtain through MEEIA.

13 ■ The MEEIA statute was passed approximately 15 years ago and the
14 state policy and construct remains appropriate and needed in today’s
15 environment. MEEIA has successfully delivered positive results for
16 customers on many levels including engagement opportunities, significant
17 energy reduction, economic impact and overall satisfaction in the state over
18 the past 10 years. Changes in the electric industry in the years since MEEIA
19 became law reinforce the need to promote demand flexibility that MEEIA
20 promotes. The MEEIA framework continues to work and provides
21 flexibility for utilities to adapt programs, which Evergy has done throughout
22 its different cycle offerings.

1 ▪ Evergy has opted to utilize this statutory authority to voluntarily
2 propose and implement Commission-approved DSM programs and has over
3 a 10-year history in developing, implementing and providing successful,
4 innovative DSM programs to its customers.

5 ▪ MEEIA is a key component of Evergy’s strategy and business plan.
6 It is included within Evergy’s preferred IRP as it is a flexible resource that
7 drives down customers’ costs. Commission approval is needed for Evergy
8 to continue offering a robust portfolio of cost-effective DSM programs that
9 provides benefits to all customers.

10 ▪ The Company is confident that its proposed EM&V methodology,
11 similar to methodology previously approved by the Commission which
12 includes Staff’s third-party evaluator and is designed with all customers in
13 mind, will ensure that benefits have been delivered. Similar EM&V
14 approaches have been used repeatedly by the Commission for previous
15 MEEIA cycles.

16 ▪ The cost recovery mechanism requested by Evergy in this
17 application is appropriate for the Commission to approve and is consistent
18 with mechanism that the Commission has determined repeatedly over ten
19 years that Commission-approved MEEIA programs resulted in just and
20 reasonable rates.

21 ▪ Evergy seeks to implement its DSM portfolio January 1, 2025, to be
22 effective through December 31, 2028.

1 V. THE MEEIA STATUTE

2 Q: What is the Missouri Energy Efficiency Investment Act?

3 A: MEEIA is state legislation approved in 2009 which states that “It shall be the policy
4 of the state to value demand-side investments equal to traditional investments in
5 supply and delivery infrastructure and allow recovery of all reasonable and prudent
6 costs of delivering cost-effective demand-side programs. In support of this policy,
7 the commission shall:

- 8 (1) Provide timely cost recovery for utilities;
- 9 (2) Ensure that utility financial incentives are aligned with helping
10 customers use energy more efficiently and in a manner that sustains
11 or enhances utility customers' incentives to use energy more
12 efficiently; and
- 13 (3) Provide timely earnings opportunities associated with cost-effective
14 measurable and verifiable efficiency savings.²

15 A demand-side program referenced in the statute is any program conducted
16 by a utility to modify the net consumption of electricity on the retail customer’s
17 side of the electric meter, including but not limited to energy efficiency measures,
18 rate management, demand response, and interruptible or curtailable load.³ An
19 overview of MEEIA is also described in the Report.⁴

20 Participation under MEEIA is voluntary and utilities do not have to offer
21 demand-side programs⁵. Utilities participate in MEEIA because it authorizes cost

² 393.1075.3.

³ 393.1075.2(3) RSMo.

⁴ Evergy MEEIA Cycle 4 Report Section 1.2 pg 9.

⁵ Section 393.1075.RSMo and Evergy MEEIA Cycle 4 Report Section 6.3.1 Future Considerations pg 64.

1 recovery that allows utilities to value demand-side efficiency equal to traditional
2 investments as an incentive to participate in energy efficiency programs.⁶

3 **Q: Are you familiar with the history and intent of the subsequent rulemaking**
4 **proceeding at the Commission to implement MEEIA?**

5 A: Yes. I served as a commissioner during this time, and specifically as Chair from
6 2011 until when I left the Commission in 2013. The Commission worked with the
7 General Assembly when MEEIA was originally passed and then developed the rule
8 that ultimately implemented MEEIA. The Commission's intent at the time the rules
9 were developed was to encourage efficiency programs that allowed customers to
10 potentially save money as well as creating a least cost option for the utilities to meet
11 load demands. The idea was to encourage innovation by the utilities, even if
12 ultimately some of the programs were not as effective as all the parties had hoped.
13 The utilities were tasked with the development of the programs with oversight from
14 the Staff and its auditor to determine if the programs are cost effective. It was never
15 the intent for Staff to independently develop programs or substitute their judgement
16 for the utilities.

17 **Q: Is the Company's Application consistent with the MEEIA statute and**
18 **Commission rules?**

19 A: Yes. The Company's proposals are consistent with the MEEIA statute, and are
20 consistent with the objectives policymakers in the legislative and executive
21 branches sought to obtain through MEEIA. Importantly, the framework and details
22 of the Company's proposed DSM portfolio of programs, the proposed cost

⁶ *Amended Report and Order*, ¶6, p. 8, File No. EO-2019-0132, issued March 11, 2020.

1 recovery/earnings opportunity mechanism, the proposed tariffs implementing the
2 programs and mechanism, and the proposed EM&V plan are all consistent with
3 how the Commission’s IRP and MEEIA rules have been consistently applied in
4 previous utility MEEIA programs approved by the Commission. The Company’s
5 Report also describes how the application is consistent with the MEEIA statute and
6 Commission rules.⁷

7 **Q: The MEEIA statute was passed approximately 15 years ago. Is the state policy
8 and construct still appropriate and needed in today’s environment?**

9 A: Yes. First of all, the state legislature that sets state policy says it’s still relevant.
10 The state policy set in 2009 to value demand-side investments equal to traditional
11 investments in supply and delivery infrastructure and allow recovery of all
12 reasonable and prudent costs of delivering cost-effective demand-side programs
13 has not been changed by the state legislature. MEEIA has successfully delivered
14 positive results for customers on many levels including engagement opportunities,
15 significant energy reduction, economic impact and overall satisfaction in the state
16 over the past 10 years. In addition, changes in the electric industry as a whole in
17 the years since MEEIA became law only reinforce the need to promote demand
18 flexibility that MEEIA promotes. An interactive grid future is getting closer and the
19 more touchpoints the utility and the customer have to enable dynamic interaction
20 will promote long term value for both. A macro trend we’re seeing across the
21 industry is a significant increase in demand and the need for more capacity from
22 economic development and electrification, especially when coupled with the need

⁷ Evergy MEEIA Cycle 4 Report Section 7.1 MEEIA Rule Requirements pg 65-66.

1 for higher reserve margins, changes to the resource accreditation process, and long
2 wait periods for interconnection queues that are being addressed at the Regional
3 Transmission Organization level. As Company witness VandeVelde describes in
4 detail, in today's environment we need additional capacity sooner than we thought
5 even a year or two ago, and programs we can use to leverage demand flexibility is
6 helpful when responding to these potential grid constraints.

7 **Q: Has Evergy previously opted to utilize this statutory authority to voluntarily**
8 **implement Commission-approved demand-side programs?**

9 A: Yes. Evergy Missouri West first implemented Commission-approved MEEIA
10 programs in February 2013 and Evergy Missouri Metro implemented similar
11 programs in July 2014. Since that time, Evergy has implemented subsequent
12 Commission authorized programs with MEEIA Cycle 2 and MEEIA Cycle 3
13 programs, including one-year extensions. Evergy has over a 10-year history in
14 developing, implementing and providing successful DSM programs to its
15 customers. During this time, the Company has demonstrated continued success
16 with its customers, and also developing innovative programs that are leading in the
17 industry.

18 Evergy has been a strong advocate of DSM programs in Missouri which has
19 resulted in significant positive benefits to the State, individual customers and the
20 community at large, including increased economic activity resulting in jobs,
21 environmental benefits through emissions reductions like CO₂ reduction, and
22 energy savings for customers.

1 From 2013 – 2022, Evergy Missouri West and Evergy Missouri Metro's
 2 combined MEEIA portfolios have delivered \$413 million in cumulative net benefits
 3 to our customers, and consistently delivered strong energy and demand savings.
 4 Below is a summary of Evergy’s investment, first-year energy savings and demand
 5 savings from each of its cycles:

	Timeframe	Investment (program costs)	Energy Savings (first-year incremental)	Demand Savings (first-year incremental)
Cycle 1	Ended 12/31/15 (Metro: 18 months, West: 36 months)	\$107.1 M	403 GWh	123 MW
Cycle 2	Ended 12/31/19 (45 months)	\$136.8 M	641 GWh	329 MW
Cycle 3	1/1/20 to 12/31/22 (36 months)	\$85.1 M	385 GWh	304 MW
Total		\$329.0 M	1,429 GWh	755 MW
Cycle 3, PY 4 Extension (as approved)	1/1/23 to 12/31/23	\$29.03 M	89 GWh	103 MW
Cycle 3, PY 5 Extension (as approved)	1/1/24 to 12/31/24	\$29.04 M	73 GWh	95 MW

6 MEEIA rules define the total resource cost (“TRC”) as the preferred cost-
 7 effectiveness test for the approval of DSM programs and Evergy has demonstrated
 8 that these portfolios are cost effective programs with a TRC well-above 1.0.
 9 Additionally, Evergy has continually designed its portfolios such that it has a
 10 diversity of offerings that gives all customers the opportunity and option to
 11 participate, with providing increased emphasis on income-eligible programs.
 12 Additionally, programs have been comprised of energy efficiency, demand
 13 response, education and pilot programs, as well as funding to support Urban Heat
 14 Island.

1 **VI. EVERGY MEEIA CYCLE 4 REQUEST AND CONSIDERATIONS**

2 **Q: Why is Evergy filing this Application at this time?**

3 A: Evergy’s current MEEIA Cycle 3 Programs are set to expire on December 31, 2024,
4 and Evergy seeks Commission approval to continue to offer a robust portfolio of
5 DSM programs to customers beyond that date.

6 In Docket No. EO-2019-0132, on December 11, 2019, the Commission
7 approved Evergy’s MEEIA Cycle 3 programs for three years effective January 1,
8 2020⁸. On May 12, 2022, the Commission approved a stipulation and agreement
9 extending Evergy’s MEEIA Cycle 3 an additional year to December 31, 2023⁹. On
10 November 16, 2023, The Commission approved another stipulation and agreement
11 extending Evergy’s MEEIA Cycle 3 a second additional year extending the
12 portfolio to December 31, 2024¹⁰.

13 **Q: What specifically is Evergy requesting in this proceeding?**

14 A: Evergy is requesting the Commission approve Evergy’s proposed DSM portfolio
15 of programs, the proposed cost recovery/earnings opportunity mechanism, the
16 proposed tariffs implementing the programs and mechanism, the proposed EM&V
17 plan, the requested variances from Commission rules, and any other approvals or
18 terms the Commission deems necessary related to the Application in this docket.

⁸ *Report and Order* issued December 11, 2019, effective January 1, 2020 and *Amended Report and Order* on March 11, 2020, effective April 10, 2020.

⁹ *Order Approving Stipulation and Agreement* issued May 12, 2022, effective date May 12, 2022.

¹⁰ *Order Approving Stipulation and Agreement Extending Evergy’s MEEIA Cycle 3 an Additional Year* issued on November 16, 2023, effective date December 16, 2023.

1 **Q: Please provide an overview of the program portfolio Evergy is proposing.**

2 A: The Company has presented a MEEIA Cycle 4 portfolio that builds on the
3 successful programs in the previous three MEEIA cycles. In presenting our MEEIA
4 Cycle 4 portfolio, we sought continuity for customers for what they have found
5 beneficial, while creating new bundling of programs to enhance accessibility to new
6 offers and pathways to engage deeper in energy efficiency and demand response.
7 We took into account our experience from the previous three MEEIA cycles, what
8 worked well and what needed improvement. However, we have always known that
9 we needed to move past smart thermostats and LED lighting: finding programs that
10 continue to deliver ratepayer benefits beyond the “low hanging fruit.”

11 Evergy Missouri Metro and Evergy Missouri West have proposed separate
12 DSM portfolios that contain the same programs. At a high level, the MEEIA Cycle
13 4 DSM Portfolio is comprised of 12 programs – 3 residential programs, 5
14 commercial programs, 3 hard to reach programs, 1 Urban Heat Island program, plus
15 pilot programs which will span both residential and business customer bases. These
16 programs will deliver an effective and balanced portfolio of energy and demand
17 savings opportunities across all customer segments.

18 Evergy Missouri Metro and Evergy Missouri West are each proposing a
19 four-year MEEIA Cycle 4 portfolio that collectively will invest \$213 million
20 (approximately \$53.3 million per year) and anticipated to produce 401,285 MWh
21 of first year annual energy savings and 312,954 kW of net demand reduction by the
22 fourth year of the Cycle. Each program is designed to leverage the optimal mix of
23 best-practice measures and technologies, delivery strategies, and target markets to

1 most cost-effectively deliver programs and measures to Missouri customers.
2 Section 2 of the MEEIA Report and Appendix 8.1 provide a more detailed overview
3 for each of these program designs and budgets that are part of the portfolio.

4 **Q: Why should the Commission approve Evergy's Application?**

5 A: The Application is a key component of Evergy's strategy and business plan and is
6 included within Evergy's IRP¹¹. It is a flexible resource that drives customer costs
7 down. MEEIA programs are an integral part of Company implementing several of
8 the least cost options and the preferred plan from our IRP and the use of DSM
9 programs help lower the overall cost of providing retail electric service in the State
10 of Missouri.

11 The Commission has previously stated that a successful MEEIA
12 Application is dependent on multiple program offerings in the categories of energy
13 efficiency, demand response, low-income, and pilot programs.¹² Evergy has
14 program offerings in all of those categories, including both business and residential
15 programs. The proposed programs are cost effective and result in energy or demand
16 savings and are beneficial to all customers in the customer class in which the
17 programs are proposed, regardless of whether the programs are utilized by all
18 customers. The utility financial incentives are consistent with previously approved
19 incentives and are aligned with helping customers use energy more efficiently and
20 in a manner that sustains or enhances utility customers' incentives to use energy
21 more efficiently.

¹¹ *Evergy Metro and Evergy Missouri West 2024 Triennial Integrated Resource Plan* filed on April 1, 2024, in Docket Nos. EO-2024-0153 and EO-2024-0154.

¹² *Amended Report and Order*, ¶10, p. 9, File No. EO-2019-0132, issued March 11, 2020.

1 **Q: How does the IRP consider the proposed MEEIA programs?**

2 A: When we think of flexibility, Evergy believes in a balanced supply portfolio to
3 serve our customer needs, and we want exposure to a broad swath of generation
4 technologies, fuel types and locations – we need all of the above and not put all our
5 eggs in one basket. That said, flexible demand is an important part of this portfolio
6 as in my opinion we are in the midst of one of the most significant transitions of
7 energy supply in U.S. history.

8 Section 5 of the MEEIA report and Company witness VandeVelde provide
9 a detailed overview of the Company’s IRP process and interaction with MEEIA
10 programs. Capacity planning for electric utilities is, of necessity, focused on the
11 long-term because supply side resources are long-lived, costly and often take years
12 to put in place. Long-term planning cannot be undertaken with any meaningful
13 degree of reliability if significant variables used in that analysis change
14 substantially from year to year. The long-term planning process of the IRP is how
15 the Company informs its resource decisions. The Company is not trying to solve
16 capacity issues year to year. While each new IRP plan, similar to new MEEIA
17 proposals, recalculates and evaluates components of the plans, there is not a drastic
18 overhaul to what is presented each time. Said another way, if we are not planning
19 and implementing MEEIA programs as long-term resources we shouldn’t be doing
20 them.

21 A Missouri regulated electric utility seeking to utilize demand-side
22 programs and demand-side programs investment mechanisms is required to use the
23 IRP and risk analysis used in its most recently adopted preferred resource plan to

1 calculate its avoided costs, unless the Commission grants it a variance from the
2 request for good cause shown.¹³ The value of avoided capacity costs to use for the
3 assessment of cost-effective demand-side programs is a significant variable in long-
4 term capacity planning, as is the expected level of demand-side programs over the
5 planning period. The preferred resource plans of Evergy assume meaningful levels
6 of demand reductions due to demand-side programs over the next twenty years.

7 These programs can directly impact our ability to push out or defer supply
8 side investments through the IRP process, although the Commission has previously
9 ruled that the MEEIA statute does not limit avoided costs to those associated with
10 the deferral of capacity or require deferral of capacity.¹⁴ In addition, the
11 Commission has also ruled that demand-side programs that produce capacity
12 savings have an avoided cost greater than zero even if the subject utility is long on
13 capacity. Otherwise, this would reduce the number of cost-effective programs
14 offered by companies that have excess capacity.¹⁵ When a resource reduces the
15 present value of long-run utility costs, the benefits of choosing that resource are
16 independent of whether the utility is long or short of capacity.

17 That being said, the Company's current capacity position is different from
18 what it has been for the previous three cycles in that the Evergy system is no longer
19 long capacity. Evergy needs megawatts to serve projected demand and to be in a
20 position to meaningfully compete to land economic development projects that will

¹³ *Amended Report and Order*, Conclusions of Law, ¶L, p. 22, File No. EO-2019-0132, issued March 11, 2020.

¹⁴ *Amended Report and Order*, Findings of Fact, ¶29, p. 12 and ¶L, p. 22, File No. EO-2019-0132, issued March 11, 2020.

¹⁵ *Id.* Findings of Fact, ¶33, p. 13.

1 provide a multitude of benefits for the State of Missouri. MEEIA programs are a
2 low-cost way to maintain maximum flexibility of our generation fleet. Company
3 witness VandeVelde describes in detail how the proposed MEEIA programs are
4 needed to defer supply side investments in the near term based on the Company's
5 growing short-term and long-term capacity needs, and how that informs the avoided
6 cost methodology used for the MEEIA Cycle 4 proposed portfolio.

7 **Q: Are the proposed MEEIA programs cost effective?**

8 A: Yes. The importance of avoided costs is that they are used to calculate whether a
9 demand side program is cost-effective as part of the TRC test. As I shared earlier,
10 the TRC test is a preferred cost-effectiveness test under MEEIA, and the
11 Commission allows recovery under MEEIA for cost-effective programs as
12 determined utilizing the TRC test.¹⁶ The TRC test, in part, determines whether all
13 customers in a customer class receive benefits from a program.¹⁷

14 The TRC test compares the costs to deliver the program (including
15 incentives paid to customers, administrative costs, the costs to do the evaluation,
16 measurement and verification, and any out-of-pocket expenses paid by the
17 customer) to the value of the program benefits (calculated as any energy savings in
18 kWh, times the avoided cost of energy plus any capacity savings times the avoided
19 costs of capacity equals the present value of the benefits). If the TRC results for a
20 program are greater than one, the benefits are greater than the costs and the program
21 is determined to be cost-effective.¹⁸

¹⁶ Id. Findings of Fact, ¶16, p. 10.

¹⁷ Id. Conclusion of Law, ¶J, p. 22.

¹⁸ Id. Findings of Fact, ¶15, p. 10.

1 Section 2.2 of the MEEIA Report and Company witness File provide
2 detailed support for how the Company administered the TRC test and how the
3 results indicate that Evergy’s proposed MEEIA Cycle 4 programs are cost effective.
4 It should be noted that “cost effective” is a single bar to overcome in order to be
5 approved. There is no requirement, nor should there be that these programs are the
6 “most cost effective” or that there are alternatives that may appear to be more cost
7 effective.

8 **Q: Are the current proposed MEEIA programs beneficial to all customers in a**
9 **customer class as required by the MEEIA statute?**

10 A: Yes. MEEIA requires that all customers in the class for which MEEIA programs
11 are offered benefit, regardless of whether they participate in the programs. The
12 MEEIA statute does not indicate the level of benefits non-participants are to
13 receive. Furthermore, the Commission has stated that customers participating in
14 MEEIA energy efficiency programs will get the benefit of a lower bill because they
15 will have less usage than non-participants. Benefits from a reduction in a
16 customer’s bill is not the only benefit to customers. There are also indirect societal
17 benefits, such as improved health and safety, investment in local economies, and
18 local job creation.¹⁹ Again, these programs do not have to be the “most” beneficial.
19 The perfect cannot be the enemy of the good in this case.

20 Company witness File provide details for how the Company’s Application
21 of proposed MEEIA programs meet this requirement consistent with how the
22 Commission has reviewed and approved previous MEEIA applications. As

¹⁹ Id. Findings of Fact, ¶¶43-44, p. 15.

1 demonstrated through the IRP, the TRC test, and proposed EM&V, Evergy's
2 Application proposes cost-effective programs that result in energy or demand
3 savings and are beneficial to all customers in the customer class in which the
4 programs are proposed, regardless of whether the programs are utilized by all
5 customers. Through managed DSM programs, customers who directly participate
6 can benefit from the program investment by unlocking enhanced customer
7 experience, additional short-term and long-term cost savings, and more efficient
8 grid operations. Customers benefit not only through receiving incentives, such as
9 rebates for purchasing efficient equipment, but also through education that can lead
10 to behavioral change of how customers view and manage their energy consumption.
11 Of significant value as well, the proposed DSM programs are designed to reduce
12 the energy burden for hard-to-reach customers, specifically with low or no cost
13 options for efficient upgrades. Evergy programs also provide benefits for the
14 broader community by partnering with other state and community agencies to
15 deliver societal and health-related benefits from the delivery of the programs.

16 **Q: How does the Company ensure that customers receive the expected benefits**
17 **from MEEIA?**

18 A: Appendix 8.4 of the MEEIA Report and Company witness File describe in detail
19 the EM&V methodology Evergy proposes to use for MEEIA Cycle 4, which is
20 similar to the approach used repeatedly by the Commission in past MEEIA cycles.
21 EM&V completed in previous MEEIA cycles have continually shown net energy
22 benefits to customers for previous cycles, and MEEIA Cycle 4 programs are
23 designed with all customers in mind. A third-party evaluator has evaluated MEEIA

1 programs that have been verified by a Commission Staff auditor for 10 years
2 detailing the benefits to all customers. Evergy agrees that EM&V is important and
3 has worked with the Staff's auditors' effective participation over the last cycles
4 ensuring that benefits have been delivered to customers.

5 **Q: Are the cost recovery mechanisms requested by Evergy in this Application**
6 **appropriate for the Commission to approve?**

7 A: Yes. Section 4 of the MEEIA report and Company witness Jones describe in detail
8 the proposed cost recovery mechanism for the MEEIA Cycle 4 Application, which
9 is largely consistent with mechanism where the Commission has determined
10 repeatedly over ten years that Commission-approved MEEIA programs resulted in
11 just and reasonable rates. The Commission has acknowledged that MEEIA is
12 designed to compensate the utility for promoting energy efficiency as it encourages
13 its customers to save money by using less of the product the utility sells.²⁰
14 Continuing to leverage the historical three-legged stool inclusive of program cost
15 recovery, the throughput disincentive mechanism, and an earnings opportunity is
16 consistent with the state statute and supports achievement of state policy goals.
17 Ultimate effectiveness will be determined by the EM&V of the particular program.
18 However, initial program implementation costs are still recoverable in order to
19 incent the utility to offer these programs.

²⁰ Id. Findings of Fact, ¶¶34, p. 13.

1 **VII. REQUESTED VARIANCES**

2 **Q: Is Evergy seeking any variances in conjunction with its MEEIA application?**

3 A: Yes. In Section 7.2 of the Report, Evergy has requested variances be granted from
4 five Commission rules:

- 5 1. Variances related to the incentive to be implemented and based on
6 prospective analysis rather than achieved performance verified by EM&V,
7 and the proposed utilization of a Technical Resource Manual for purposes
8 of calculating Throughput Disincentive: 20 CSR 4240-
9 20.092(1)(HH);20.092(1)(M); 20.092(1)(R); 20.093(2)(I) 20.093(2)(I)3;
10 20.092(1)(N)
- 11 2. Variances related to allowing adjustments to Demand-Side Investment
12 Mechanism (DSIM) rates for the Throughput Disincentive DSIM utility
13 incentive revenue requirement as well as the DSIM cost recovery: 20 CSR
14 4240- 20.093(4); 20.093(4)(C)
- 15 3. Variances related to “revenue requirement” where the Throughput
16 Disincentive is excluded from the cost recovery revenue requirement: 20
17 CSR 4240-20.092(1)(Q); 20.092(1)(UU); 20.092(1)(P); 20.092(1)(R);
18 20.093(2)(J); 20.092(1)(F)
- 19 4. Variances related to allowing flexibility in setting the incentives and
20 changing measures within a program: 20 CSR 4240-14.
- 21 5. Variances related to the methodology for calculating avoided costs, 20 CSR
22 4240-20.092(1)(C).

1 **VIII. CONCLUSION**

2 **Q: Please summarize Evergy’s request before the Commission related to the**
3 **Application to approve Evergy’s MEEIA Cycle 4 filing.**

4 A: Evergy is requesting the Commission approve Evergy’s proposed DSM portfolio
5 of programs, the proposed Demand Side Investment Mechanism (DSIM) Rider, the
6 proposed tariffs implementing the programs and mechanism, the proposed EM&V
7 plan, the requested variances from Commission rules, and any other approvals or
8 terms the Commission deems necessary related to the Application in this docket.

9 **Q: What effective date is Evergy requesting for its DSM proposal?**

10 A: Evergy seeks to implement its DSM portfolio January 1, 2025, to be effective
11 through December 31, 2028. Evergy is requesting a four-year cycle to better align
12 with upcoming resource needs in the near-term horizon as well as the
13 commensurate effort it takes to develop, review and approve a MEEIA plan. This
14 term builds more certainty in the planning process and removes costs (time and
15 money) from the system of development and approval since every new filing
16 creates incremental costs for all parties.

17 **Q: Does that conclude your testimony?**

18 A: Yes, it does.

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

In the Matter of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro's Notice of Intent to File an) File No. EO-2023-0369
Application for Authority to Establish a Demand-)
Side Programs Investment Mechanism)

In the Matter of Evergy Missouri West, Inc. d/b/a)
Evergy Missouri West's Notice of Intent to File an) File No. EO-2023-0370
Application for Authority to Establish a Demand-)
Side Programs Investment Mechanism)

AFFIDAVIT OF KEVIN D. GUNN

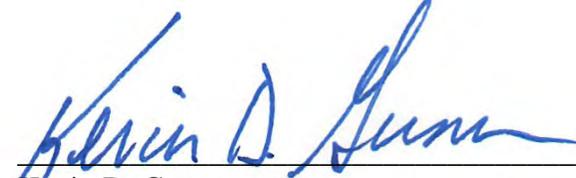
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Kevin D. Gunn, being first duly sworn on his oath, states:

1. My name is Kevin D. Gunn. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Vice President-State and Federal Regulatory Policy.

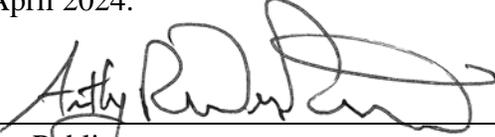
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of twenty-two (22) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Kevin D. Gunn

Subscribed and sworn before me this 29th day of April 2024.



Notary Public

My commission expires: 4/26/2025

