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 Metro, Inc. d/b/a Evergy Missouri Metro	)))))	**File No. EO-2023-0407**
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**

STAFF'S STATEMENTS OF POSITION

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through counsel, hereby submits its Statements of Position:

1. Did Evergy Missouri West violate the express language of its Special Rate for Incremental Load Service ("SIL") tariff sheet (Original Sheet No. 157) by allowing Nucor Sedalia to participate in both the Business Demand Response ("BDR") Program and the SIL tariff?

Yes. Evergy Missouri West violated its tariff because it allowed Nucor-Sedalia to participate in the BDR program, while the SIL tariff stated that service under this tariff may not be combined with service for participation in programs offered pursuant to the MEEIA.[1]

Evergy Missouri West's Tariff for Special Service ("Schedule SIL") Sheet No. 157 states the following:

> Service under this tariff may not be combined with service under an Economic Development Rider, an Economic Redevelopment Rider, the Renewable Energy Rider, Community Solar program, service as a Special Contract, or be eligible for participation in programs offered

[1] Direct Testimony of Jordan Hull, pg. 3.

> pursuant to the Missouri Energy Efficiency Investment Act, or for participation in programs related to demand response or off-peak discounts, unless otherwise ordered by the Commission when approving a contract for service under this tariff.

2. Should the Commission find that Evergy Missouri West acted imprudently by allowing Nucor Sedalia's participation in both the BDR Program and the SIL tariff?

Yes. Evergy Missouri West did not provide Staff with material evidence demonstrating that customer bills were inherently lowered by Nucor-Sedalia being able to participate in the BDR program. Further, the costs to ratepayers for Nucor-Sedalia's wrongful participation in the BDR program are material; those costs have been recognized by ratepayers because the costs are included in Evergy Missouri West's DSIM Rider. However, those alleged "benefits" are deemed, perceived "benefits" that have not been verified. Evergy Missouri West's justification for violating its tariff have likely not occurred, and may never occur.

3. Did Evergy Missouri West customers benefit by Nucor Sedalia participating in the Business Demand Response program?

No. The benefits that Evergy Missouri West's witness Mr. File inaccurately uses in his cost/benefit calculation are demand savings multiplied by the avoided capacity costs based on deemed demand savings values for the BDR program. However, there is no process currently in place to verify savings that actually occur as they were deemed to have. Therefore, the cost/benefit calculation used by Mr. File uses a theoretical benefit amount divided by material real costs.

Evergy Missouri West financially gained in violation of its tariff by being awarded an earnings opportunity from allowing Nucor-Sedalia to participate in the BDR program. Therefore, Evergy Missouri West harmed its ratepayers by using ratepayer funds to provide an incentive to Nucor-Sedalia and also recovering from ratepayers an earnings opportunity in violation of its tariff.

Furthermore, Staff's recommended disallowance did not include the earnings opportunity that Evergy Missouri West wrongfully recovered from its ratepayers by allowing Nucor-Sedalia to participate in violation of its tariff. There is very likely some amount of administrative costs that should not have been recovered from ratepayers by allowing Nucor-Sedalia to participate in BDR in violation of Evergy Missouri West's tariff.[2]

4. Should the Commission order an OA to be applied to Evergy Missouri West's next DSIM filing related to Nucor Sedalia's participation in the BDR Program?

Yes. The Commission should order an OA to be applied to Evergy Missouri West's next DSIM filing as the order will be compliant with Evergy Missouri West's current tariff.

a. Should any ordered OA include an amount to account for the incentives Evergy Missouri West paid to Nucor-Sedalia for Nucor-Sedalia's participation in the BDR Program?

Yes. Staff's recommended OA is $1,143,651.18 (including interest).[3]

b. Should any ordered OA include an amount to account for the earnings opportunity Evergy Missouri West received due to Nucor-Sedalia's participation in the BDR Program?

Yes. Evergy Missouri West made a financial gain by being awarded an earnings opportunity by wrongfully allowing Nucor to participate in the BDR program. Therefore, there was ratepayer harm in the form of Evergy Missouri West using ratepayer funds to not only provide an incentive to Nucor-Sedalia but also recovering from ratepayers an earnings opportunity.

[2] Rebuttal Testimony of Jordan T. Hull, pgs. 2 – 3.
[3] Direct Testimony of Jordan Hull, pg. 5.

Staff's recommended disallowance is a conservative amount since Staff's disallowance did not include the earnings opportunity that Evergy recovered from ratepayers by allowing Nucor-Sedalia to participate. There is also likely some amount of administrative costs that should not have been recovered from ratepayers by allowing Nucor-Sedalia to participate.

c. What should be the total amount of any ordered OA to account for Nucor Sedalia's participation in the BDR Program while taking service under the SIL tariff?

Staff's recommended OA is $1,143,651.18 (including interest), However, Staff supports the OPC's recommendation for an additional disallowance to account for the earnings opportunity (see Staff response to 4.b).

5. Should the Commission adopt Staff's proposed disallowances of expenses for administrative program cost expenses, implementation contractors' expenses, and conference expenses during the review period of $77,229.63 plus interest for Evergy Missouri Metro and $17,386.49 plus interest for Evergy Missouri West?

Yes. Staff has recommended this disallowance due to Evergy's lack of justification and verification in regards to the prudency of these expenses. Evergy's witness Mr. File did not provide support and reasonable justification for the Commission to determine these expenses to be prudent, he simply states that the costs would not have been incurred if it were not for MEEIA. He went as far as lumping each adjusted amount together.

Mr File's testimony does not support that Evergy has provided reasonable justification for each of these expenses.[4] Some examples of these are:[5]

a. Alcohol purchases and events parties, whether by the company or Implementation Contractors;

b. Invoices for Bridging the Gap, for which there is no itemization of the travel costs, no additional receipts for these costs;

c. Purchasing a Sponsorship as well as a membership to the same organization is an unnecessary cost for the ratepayers to bear, as an employee could attend a conference with just a membership, not both;

d. Gifts, awards, and other recognition items and/or parties for participants, Contractors, or employees; and

e. Using a generic Evergy Logo with no reference to MEEIA or Energy Efficiency for shirts and promotional items.

Respectfully submitted,

/s/ Eric Vandergriff
Eric Vandergriff
Associate Counsel
Missouri Bar No. 73984
P.O. Box 360
Jefferson City, MO 65102
573-522-9524 (Voice)
Eric.Vandergriff@psc.mo.gov

Staff Counsel for the
Missouri Public Service Commission

[4] Rebuttal Testimony of Amanda C. Conner, page 9 lines 8 through 12.
[5] These costs are mentioned in Amanda C. Conner's Direct and Rebuttal Testimonies, EO-2024-0407 & EO-2024-0408

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all parties and/or counsel of record on this 17th day of May, 2024.

/s/ Eric Vandergriff