Exhibit No.:	
Issue:	MEEIA Programs
Witness:	Kevin D. Gunn
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Evergy Missouri Metro and Evergy Missouri West
Case No.:	EO-2023-0369/0370
Date Testimony Prepared:	July 9, 2024

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: EO-2023-0369/0370

REBUTTAL TESTIMONY

OF

KEVIN D. GUNN

ON BEHALF OF

EVERGY MISSOURI METRO and EVERGY MISSOURI WEST

Kansas City, Missouri
July 2024

REBUTTAL TESTIMONY

OF

KEVIN D. GUNN

Case No. EO-2023-0369/0370

I. INTRODUCTION

Q: Please state your name and business address.

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

Q: Are you the same Kevin D. Gunn who filed direct testimony in these dockets on April 29, 2024?

A: Yes.

Q: Who are you testifying for?

A: I am testifying on behalf of Evergy Metro, Inc. d/b/a as Evergy Missouri Metro ("Evergy Missouri Metro"), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West") (collectively, "Evergy" or the "Company").

Q: What is the purpose of your rebuttal testimony?

A: The purpose of my testimony is to respond to the direct testimony of several Staff witnesses, including Brad Fortson and Sarah Lange, as well as OPC witness Geoff Marke. My testimony will address several topics, including Staff's discussions around Evaluation Measurement & Verification ("EM&V"), impact of the fuel adjustment clause ("FAC") and its relationship to benefits from the program, earnings opportunity ("EO"), financial recovery mechanisms to address the throughput disincentive, certain statute provisions, and customer charges.

Q: What is your general reaction to Staff's overall recommendation[1] as it relates to Evergy's Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 4 application?

A: Staff appears to ignore the fact that multiple cycles of MEEIA programs consistent with the statute and the Missouri Public Service Commission ("MPSC" or "Commission") rules have been in place for over a decade, having received repeated verification from Staff auditors and Commission support and approval on successful results. As I provided in my Direct testimony, Evergy's MEEIA programs have been consistent with state law, public policy, Commission precedent, and Code of State Regulation rules on demand-side management ("DSM") programs and integrated resource planning ("IRP"). All are as relevant today as when MEEIA first became law. While we recognize that Evergy's well-designed portfolios can and have evolved programs over time to leverage process improvements, lessons learned, new industry insights, best practices (which we have embraced through the years) and changing technologies, Staff and OPC essentially ignore the success of past programs and suggest that the Commission has had it all wrong the past 10 years. In fact, as our Company witnesses point out, many of the new interpretations and positions taken by Staff and OPC to now apply to MEEIA are simply not supported by Commission rules and the precedent of past Commission orders.

[1] Brad Fortson Direct Testimony, p. 2, which reads: "Staff's overall position in its direct testimony is that it is not reasonable at this time for the Commission to approve a MEEIA program portfolio and its extraordinary ratemaking authority."

Staff also suggests that the MEEIA programs have run their course, the low-hanging fruit to achieve benefits is gone, and the industry and times have changed to where it is not reasonable to continue the MEEIA programs at this time.[2] As I describe in my Direct testimony, I completely disagree with this assessment and the Company's filing addresses how MEEIA is perhaps needed now more than ever as we enter a period of load growth and capacity constraints.[3]

Q: Are net benefits being created with Evergy's MEEIA Cycle 4 filing?

A: Yes. Since the MEEIA statute went into effect, MEEIA programs have delivered significant benefits to customers. From 2013 to 2022, Evergy's portfolios have delivered $413 million in verified cumulative net benefits for our customers.[4] As described in detail by Company witness File, the proposed MEEIA Cycle 4 DSM portfolio will generate an anticipated $296.7 million[5] in net present value of net benefits for customers. Staff witness Fortson claims that it is hard to say what net benefits have been achieved through MEEIA cycles to date because the calculation of net benefits is very subjective, based on assumptions, and it has never been verified that the benefits ever really happened.[6] In reality, there are significant checks and balances in place throughout the EM&V process to objectively measure the effectiveness of programs, with multiple opportunities for stakeholder input and an independent Commission auditor verifying the results. Company witness File discusses the robustness of the EM&V process in more detail.

[2] File No. EO-2023-0369/0370, Brad Fortson Direct Testimony, pp. 2-3.
[3] File No. EO-2023-0369/0370, Kevin Gunn Direct Testimony, pp. 9-10.
[4] Additional $40.7 Million TRC net benefits as calculated in Evergy MEEIA PY2023 Final EM&V – 7/1/24
[5] Net Present Value of TRC benefits for the four-year program implementation for both jurisdictions combined.
[6] File No. EO-2023-0369/0370, Brad Fortson Direct Testimony, pp. 6, ll. 8-11.

Staff witness Fortson suggests that the EM&V process is not independent and is unduly influenced by the utility. Company witness File describes this multi-step process[7] and shows how this claim is unfounded and undermines the EM&V process annually approved by the Commission where multiple stakeholders have been involved in evaluations for many years. Staff has not presented any evidence that Evergy has had inappropriate influence on the EM&V process. The information needed for the EM&V process comes from the utility because the utility is the entity running the programs, similar to other DSM programs run by utilities around the country.

Q: How has Evergy met the requirement to design a MEEIA cycle that results in benefits to all customers in a class?

A: Staff asserts complications arise because upfront program costs are borne immediately by ratepayers within a class, while the benefits are less certain, and are spread over a longer period of time and across classes.[8] Evergy's proposed MEEIA Cycle 4 portfolio is designed to be beneficial to all customers in a customer class as presented in our MEEIA Cycle 4 Report.[9] The Commission has stated how MEEIA programs can benefit all customers in a customer class in its order

[7] File No. EO-2023-0369/0370, Brian File Rebuttal Testimony, Section II p 8.
[8] File No. EO-2023-0369/0370, Sarah Lange Direct Testimony, pp. 10-12.
[9] MEEIA Cycle 4 2025-2028 Report, pp. 38-39 (filed April 29, 2024).

approving Evergy's MEEIA Cycle 3 application, and I discuss this in my Direct testimony.[10]

Q: Staff identifies how it interprets an EO should be determined for a MEEIA program,[11] and also states that Evergy should not receive an EO if no investment is being avoided.[12] How do you respond to this claim?

A: Staff witness Fortson cites Commission Rule 20 CSR 4240-20.094(4)(C)4 and concludes that this provision requires demonstration that the DSM programs in that MEEIA application impact any postponement or new supply-side resources and the early retirement of existing supply-side resources, including annual and net present value of any lost utility earnings (EO) related to that MEEIA application.[13]

Nowhere does the MEEIA statute state that a supply-side resource must be avoided or deferred. Staff's position is inconsistent with the MEEIA statute – the Commission found that "MEEIA is not a program for managing generation and providing supply-side power. MEEIA is designed to compensate the utility for promoting energy efficiency as it encourages its customers to save money by using less of the product the utility sells."[14] The purpose of MEEIA is to encourage energy efficiency, and as my Direct testimony states, the Commission has provided clear direction on this in its decision for Evergy's MEEIA Cycle 3 application.[15]

Staff also claims that Evergy should not be eligible for EO associated with MEEIA because Evergy is not foregoing any earnings by implementing the

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[10] File No. EO-2023-0369/0370, Kevin Gunn Direct Testimony, pp. 17-19.
[11] File No. EO-2023-0369/0370, Brad Fortson Direct Testimony, pp. 10, ll. 17.
[12] Id. at 10, ll. 15-16.
[13] Id. at 11, ll. 23-26.
[14] *Amended Report and Order*, p. 13, para. 34, File No. EO-2019-0132 (issued March 11, 2020).
[15] File No. EO-2023-0369/0370, Kevin Gunn Direct Testimony, p. 16.

programs. This is inconsistent with MEEIA, which provides the Commission's unqualified obligation ("shall") to provide earnings opportunities for savings from cost-effective measurable and verifiable DSM programs[16] like the ones proposed by Evergy.

Staff shows a list of expected supply-side generation needs identified in the IRP's preferred resource plans and characterizes the payment of an EO under MEEIA as "double compensation" when it occurs alongside investments in supply-side resources that Evergy will also earn on by including those investments in rate base. However, this completely ignores how energy efficiency and demand response programs fit into a resource portfolio and that Evergy's IRP preferred plan clearly indicates a need for both MEEIA programs and supply-side investments to meet customers' needs in the most reliable and affordable way possible. The Direct testimony of Company witness VandeVelde specifically shows that over the 20-year planning horizon the Company's preferred plan with DSM as part of the portfolio with other supply-side generation has a net present value revenue requirement ("NPVRR") of $250 million below that of the no DSM plan for Evergy Metro, and $307 million below that of the no DSM plan for Evergy Missouri West[17]. Staff witness Fortson ignores the Company's Direct testimony and incorrectly concludes that "based on the preferred resource plan discussion above, any current or near-term MEEIA application is not expected to postpone or avoid the need for the large buildout of renewable and non-renewable supply-side

[16] Section 393.1075, RSMo.
[17] File No. EO-2023-0369/0370, Cody VandeVelde Direct Testimony, pp. 8-9.

generation.[18] However, Company witness VandeVelde clearly states that for years 2025 - 2028 during MEEIA Cycle 4, this plan requires about 240 MW less of accredited supply side resource additions for Evergy Missouri Metro and 270 MW less of accredited supply side resource additions for Evergy Missouri West, compared to each company's plan with no DSM.[19]

Q: What is your understanding of concerns raised by Staff witness Lange associated with the impact of MEEIA programs on FAC costs?

A: Staff witness Lange identifies several concerns related to the FAC and its impact on the cost/benefit implications for MEEIA programs.[20] Ms. Lange observes that different energy efficiency measures may save energy at different times, and therefore be subject to different market prices. She states that unless the avoided energy sales are of above-average wholesale cost per kWh, the avoided energy sales will result in an increase in the FAC rates, which is not a benefit for all customers and may offset any other benefits received by all customers. However, this scenario only occurs if the avoided wholesale market energy costs occur at a price that is lower than the FAC tariff's "Base Factor", which is a quantification of the amount of net energy costs that are presumed to be recovered from customers associated with each kWh of energy sold under the Company's retail tariff. This might apply to a measure that has most of its savings during off-peak periods, which are typically subject to lower market prices (and likely below the Base Factor of the FAC). This scenario, in turn, increases the FAC rate. On the other hand, energy

[18] File No. EO-2023-0369/0370, Brad Fortson Direct Testimony, pp. 11-12.
[19] File No. EO-2023-0369/0370, Cody VandeVelde Direct Testimony, pp. 7-8.
[20] File No. EO-2023-0369/0370, Sarah Lange Direct Testimony, pp. 10-11.

efficiency measures with more on-peak savings are avoiding energy costs at higher priced times, thereby helping to reduce the FAC rate.

Q: What is your response to these concerns?

A: The reality is that Staff's hypothetical scenario is highly unlikely because it is not what is required by the rule and, as Company witness File explains in his Rebuttal testimony, when looking at the load profiles of Evergy's MEEIA energy efficiency measures, the concentration of energy savings and demand savings are during on-peak times.[21] The fundamental criteria for cost effectiveness in MEEIA also takes this into account in such that the measures with higher savings during peak times (kW) and high energy times achieve higher cost effectiveness. Company witness File describes how Evergy's MEEIA programs are designed to result in market savings during peak times and metrics are set up to incent achievement as designed. Furthermore, capacity savings from deferred or avoided cost savings associated with investment in infrastructure affect base rates determined in rate cases and do not flow through the FAC. These benefits from capacity reduction, which are not impacted at all by this FAC concern raised by Ms. Lange, far outweigh the benefits from energy reduction of the programs that do flow through the FAC[22]. Therefore, even if more of energy savings were to occur during times of low prices as in Ms. Lange's hypothetical and potentially raise the base factor of the FAC, the cost effectiveness tests would be minimally impacted and still result in net benefits to

[21] File No. EO-2023-0369/0370, Brian File Rebuttal Testimony, Section II pp. 6-7.

[22] As shown in the MEEIA 4 DSMore Batch Tool _EMM (and _EMW) "calculations" tab, total portfolio net present value of avoided energy production benefits are only 16% and 19% of all benefits for Evergy Missouri West and Evergy Missouri Metro, respectively.

customers in a customer class because of the overwhelming amount of benefits are derived from capacity savings.

Finally, the impact of avoided energy sales that are flowing through the FAC is temporary until the FAC is rebased during a rate case. At that point, the energy efficiency measures reduce base rates from that point forward. Given the average measure life associated with a measure for Evergy's most recent program year of existing programs in effect is 10.1 years, and the frequency of rate cases in recent years, very little of benefits from MEEIA programs flow through the FAC at all. This reinforces how Staff's allegation that the mechanics and cost allocation impacts of the FAC are severely overblown and have little impact on achieving MEEIA benefits to all customers in a customer class.

Q: Do you agree with Staff's position related to the existing Throughput Disincentive ("TD") mechanism?

A: No. Despite prior support of the Company's Demand-Side Investment Mechanism ("DSIM"), which uses this TD mechanism in prior MEEIA Cycles not only from stipulations with Staff as well as decisions issued by the Commission,[23] Staff now states that under current conditions use of this mechanism is unlawful.[24] The Company's TD mechanism structure has been largely consistent since it went into effect with MEEIA Cycle 2 over eight years ago.

[23] Evergy MEEIA Cycle 2 – EO-2015-0240/0241 - Report & Order 3/2/2016; MEEIA Cycle 3 – EO-2019-0132/0133 - Amended Report & Order 3/11/2020; Ameren MEEIA Cycle 2 – EO-2015-0055 Order Approving Non-Unanimous Stipulation & Agreement –2/10/2016; Ameren MEEIA Cycle 3 – EO-2018-0211 Order Approving Stipulation and Agreement and Granting Waivers – 12/5/2018.

[24] File No. EO-2023-0369/0370, Sarah Lange Direct Testimony, pp. 26-27.

Staff suggests that the enactment of Subsection 386.266.3 RSMo in 2018 as making it unlawful "for the Commission to authorize a MEEIA mechanism to account for the impact on utility of increases or decreases in residential and commercial customer usage due to variations caused by supply-side programs"[25] as a result of Evergy's election to utilize plant in service accounting ("PISA") deferrals associated with its capital investment program.

The passage of 386.266.3 RSMo did not amend or repeal the authority that has existed under MEEIA law since 2013, and it is under the authority of the MEEIA statute 393.1075 RSMo that we are seeking approval of our DSIM with the TD mechanism. Furthermore, the Commission has approved Evergy MEEIA programs and DSIM filings on multiple occasions since the PISA law went into effect and Evergy selected to participate in PISA. These facts reinforce why Staff's suggestion that approving a DSIM with the existing TD mechanism is now suddenly illegal are unsupported. Finally, decoupling is listed as an option, not mandate, in Section 386.266.3. Companies can voluntarily elect either PISA or decoupling (not both) as an option under the statute. For utilities like Evergy that elected PISA, not decoupling, there remains a throughput disincentive to offer energy efficiency programs that the Commission must address to align incentives as required under the MEEIA statute. Staff are not policy makers, and this is a prime example of Staff attempting to remake policy to suit what they would like the policy to be, but that is not the role of Staff, not what the statutes say, and not how the Commissions have repeatedly implemented its rules in prior cases.

[25] Id. at 27, ll. 13-17.

Q: Should Staff's recommended mechanism for financial incentives be adopted?

A: No. Staff suggests that if the Commission determines that it would be lawful for it to authorize (under 393.1075.3.(2)) a mechanism like the existing TD for a utility that has elected PISA, then it would also be lawful for the Commission to authorize under 393.1075.3.(2) some other mechanism that accounts "for the impact on utility revenues of increases or decreases in residential and commercial customer usage due to variations in" conservation so long as it also "ensure[s] that utility financial incentives are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently."[26] Staff recommends the creation of a new avoided revenues mechanism based on the net variable revenues established in the last rate case to be updated in future general rate cases. Staff's proposed mechanism tracks actual net variable revenue for each of the residential and Small General Service ("SGS") classes against the rate case level, and reconciles the difference through the MEEIA rate charged to these classes. For other classes, Staff recommends continued use of the Net Throughput Disincentive mechanism, with refinements.[27]

Staff's proposal is essentially a decoupling mechanism for the residential and SGS rate classes and the MEEIA statute does not authorize decoupling. While PISA allows decoupling as an option, Evergy's election of PISA in 2019 prevents it from using the decoupling provision within that same statutory framework. Evergy did not elect the decoupling option under PISA because it would result in negative financial impacts on the Company in an environment where it may

[26] Id. at 26-28.
[27] Id. at 4-5.

experience any load growth at all “but for” its DSM programs. My Direct testimony describes the significant demand and load growth forecasts that Evergy is projecting in its IRP due to economic development and electrification. Decoupling would take away the financial benefit Evergy might receive from expected load growth. The benefits of that growth due to regulatory lag from use of the historical test year that sets rates in Missouri can help offset the effects of negative regulatory lag and help the utility have an opportunity to recover its prudently incurred costs of providing service to customers, particularly in an environment of increasing utility O&M expense costs over time. Staff’s proposal removes this benefit to the utility, removes part of the framework identified in the MEEIA statute that aligns incentives to promote energy efficiency, and creates a disincentive for the utility to elect to do MEEIA programs.

Furthermore, Staff's proposed mechanism does not meet the definition of throughput disincentive in MEEIA Regulation 4 CSR 4240-20.092 (TT): Throughput disincentive means the electric utility’s lost margin revenues that result from decreased retail sales volumes due to its demand-side programs" and 4 CSR 4240-20.093.2(H): Any throughput disincentive component of DSIM shall be based on energy or energy and demand savings from utility demand-side programs approved by the commission. Clearly, Staff’s alternative mechanism is driven by many factors other than the decreased retail sales volumes due to its DSM programs and is not based only on energy and demand savings.

Q: What residential and SGS avoided revenue mechanism should be adopted?

A: As Company witness Jones describes in her Direct testimony, the Company's DSIM Rider recovery mechanism as proposed continues to meet the criteria set forth in the MEEIA statute and rules and regulations. It provides for timely recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs. It ensures that utility financial incentives are aligned with customers through the inclusion of the throughput incentive and earnings opportunity based on verifiable energy and demand savings determined in a rigorous Evaluation, Measurement & Verification process. The DSIM Rider provides for the reasonable, appropriate apportioning of costs to each customer class. The semi-annual adjustment provides for timely updates based on the latest projection of program performance and adjustments for any over- or under-recovery of each cost component by customer class.

MEEIA does not impose a remedy like decoupling on utilities. The existing TD mechanism in use today aligns the Company's incentives as outlined in the MEEIA statute, such that it can promote energy efficiency and help customers save money without financially harming itself.

Staff raises concerns that with the rollout of time-of-use ("TOU") rates in Evergy's service territory, the existing TD mechanism would "need to create dozens or hundreds of time-and measure-specific margin rates to continue to limp the 2014 mechanism along."[28] In recognition of Evergy's adoption of TOU based rate schedules for its residential customers, in our Direct filing the Company

[28] Id. at 29, ll. 10-12.

proposes to enhance the existing TD mechanism and segment the calculation of TD related to residential program energy savings by Evergy's TOU pricing periods and end use measure categories (heating, ventilation and air conditioning ("HVAC") and other). Company witness Jones describes these enhancements in more detail. Based on a review of the separate end use measure load shapes the Company determined that the HVAC category, consisting of residential cooling and residential heating end use measures, made up a substantial proportion (approximately 76%) of the anticipated savings in the Whole Home Efficiency and Income Eligible programs. This category also includes the end use measure categories that have the most significant variability in savings by month and by time of use pricing period as compared to all other end use measure categories that were relatively flat throughout the months and pricing periods. These enhancements appropriately account for the impact of residential customers on different TOU rates, and Staff's suggestion that hundreds of time-and measure-specific margin rates to continue use of the TD mechanism is unnecessary to get an accurate value of lost revenues associated with the adoption of TOU rates.

Q: On pages 6-7 of his direct testimony, witness Geoff Marke testifies that OPC is not supporting the presently-filed application, but he makes recommendations for options for the future.[29] On page 15 of his direct testimony, he begins discussing four recommendations.[30] Do you have any comments about his recommendations?

A: Yes. For the reasons that are further explained in Witness File's testimony, I disagree with most of Dr. Marke's recommendations. I do agree the Commission should approve Evergy's MEEIA Cycle 4 plan consistent with the Statute and prior orders.

Q: Dr. Marke also testifies that the Commission has the option to dismiss his concerns and move forward with programs like it has approved in the past.[31] Do you have any comments?

A: While I strongly agree that it would be preferable to approve MEEIA programs that are generally consistent with past orders, I believe that the current portfolio of MEEIA programs are improvements over previous MEEIA cycles and should be adopted. I disagree with Dr. Marke that these programs have overstated savings or do not properly consider supply-side investments, needlessly increase customers' bills, or result in an overall loss of efficiency. The Commission should reject such unsupported assertions of the existing or proposed MEEIA programs.

[29] File No. EO-2023-0369/0370, Geoff Marke Direct Testimony, pp. 6-7.
[30] Id. at 15.
[31] Id. at 16.

Q: On page 34 of his direct testimony, Dr. Marke requests that Evergy commit not to raise customer charges for a set period of time (e.g., six years).[32] Should this recommendation be adopted?

A: No. The Commission should continue its current practice of reviewing customer service charges in the context of general rate cases. Historically, the Commission has reviewed customer-related costs in such cases and determined the appropriate level of customer service charges. This historic practice should continue in the future.

Q: Do you have any concluding comments?

A: In summary, despite Staff's testimony, the fundamental core of Evergy's MEEIA filing remains the same: The Company's proposals are consistent with the MEEIA statute, Commission rules and prior Commission determinations, and they are consistent with the objectives that policymakers in the legislative and executive branches sought to obtain through MEEIA. Evergy has opted to utilize this statutory authority to voluntarily propose and implement Commission-approved DSM programs and has over a 10-year history in developing, implementing, and providing successful, innovative DSM programs to its customers. The Company is confident that its proposed EM&V methodology, similar to methodology previously approved by the Commission which includes Staff's third-party evaluator and is designed with all customers in mind, will ensure that benefits have

[32] Id. at 34.

been delivered. Similar EM&V approaches have been used repeatedly by the Commission for previous MEEIA cycles.

Q: Does that conclude your testimony?

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 Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2023-0369
In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism	))))	File No. EO-2023-0370

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 Rebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of seventeen (17) 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

Kevin D. Gunn

Subscribed and sworn before me this 9th day of July 2024.

Anthony R. Westenkirchner

Notary Public

My commission expires: 4/26/2025

ANTHONY R. WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2025
PLATTE COUNTY
COMMISSION #17279952