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MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: EO-2023-0369/0370

REBUTTAL TESTIMONY

OF

BRIAN A. FILE

ON BEHALF OF

EVERGY MISSOURI METRO and EVERGY MISSOURI WEST

Kansas City, Missouri
July 2024

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REBUTTAL TESTIMONY

OF

BRIAN A. FILE

Case No. EO-2023-0369/0370

Q: Please state your name and business address.

A: My name is Brian A. File. My business address is 1200 Main, Kansas City, Missouri 64105.

Q: Are you the same Brian A. File 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, the "Company").

Q: What is the purpose of your rebuttal testimony?

A: The purpose of my rebuttal testimony is to discuss and address topics raised by Missouri Public Service Commission ("MPSC") Staff and Office of Public Council ("OPC") in their direct testimony filed on May 24, 2024. Specifically, I will discuss the following topics:

Section I.	MEEIA portfolio and program design and MEEIA rule compliance
Section II.	EM&V as a tool to validate activities and impacts
Section III.	Impactful income-eligible program parameters and design to deliver equity across DSM programs

Section IV. Current, historical and future Federal funding, including IRA rebates and utility DSM interaction

Section V. Evergy Business Demand Response program and Missouri's recent partial removal of ban of Aggregator of Retail Customers

Section VI. Metrics for MEEIA that drive outcomes of energy and demand savings

Section VII. Other program related topics brought up by Staff and OPC

I. DSM Portfolio and Program Design Process and MEEIA Rule Compliance

Q: Staff witness Luebbert outlines his ideas about a Missouri Energy Efficiency Investment Act ("MEEIA") portfolio design process in his Direct testimony page 29-31. Can you please restate your understanding of his testimony?

A: Witness Luebbert shares his thoughts on a process to design a MEEIA portfolio and breaks the parts down as follows:

Step 1) Identify avoided costs and avoidable earnings opportunities

Step 2) Select and review of programs and measures

Step 3) Finalize the portfolio

Each of these steps have sub-tasks underneath that complete the task and further describe his thoughts on a compliant MEEIA portfolio.

Q: What parts of the process outlined by Mr. Luebbert do you agree are important to designing a compliant MEEIA portfolio?

A: In my opinion, the overall high level three steps he outlines are reasonable with some important exceptions that I'll discuss. He does refer to the MEEIA statute

and rules at various points to support his process[1](e.g. he refers to the MEEIA statute restriction of net energy reduction).

Q: What parts of the process outlined by Mr. Luebbert do you feel are not appropriate and/or not supported by MEEIA statue/rules for designing a MEEIA portfolio?

A: While I am not an attorney, I am advised that some of his key points extend the interpretation beyond the concise language of the MEEIA statue and rules. First, with respect to avoided costs, there has been much discussion of avoided costs throughout the decade of MEEIA proceedings[2] and I am not aware of any case support pointing to the MEEIA statute or laws for the specific approach that Witness Luebbert proposes. For example, in his Direct testimony, Mr. Luebbert states, "A crucial step in this identification [of assets that can be reduced, deferred, or avoided] is the specific nature of the investment, the timing of investment, and identification of the determinant of the required investment"[3]. He points out crucial requirements for avoided costs that are not outlined in the MEEIA statute or rules. While the identified approach and following simplified example are ONE way to

[1] Witness Luebbert – Direct Testimony p. 31 ln 15-16.
[2] EO-2019-0132/0133 - MPSC Order in Evergy's MEEIA Cycle 3 filing – note pages.
[3] Staff Witness Luebbert – Direct Testimony p. 30 ln 4-5.

create a set of avoided costs, it is not the only way or more importantly the required way. Rather, it is Mr. Luebbert's opinion.

Q: How did Evergy approach avoided costs calculations in the development of its MEEIA Cycle 4 filing?

A: Evergy has taken an approach outlined in Company witness Mr. Vandervelde's direct testimony in this case that is actually fairly similar to the approach that Mr. Luebbert outlines in his testimony. Evergy uses the Integrated Resource Plan ("IRP") to be a guide to help determine values for avoided generation capacity costs ($/kW-yr). Those avoided capacity values are informed by cost of builds of different types of resources and the capacity needs of Evergy's jurisdictions to meet Southwest Power Pool ("SPP") resource adequacy requirements.

Q: If Evergy used a fairly similar approach for calculating avoided capacity costs to Mr. Luebbert's, what are other approaches that one would consider?

A: Evergy has built a model for avoided capacity costs that takes IRP inputs in a specific way to calculate annual avoided generation capacity costs. Other utilities throughout the United States may take alternate approaches that would still fit within the MEEIA statute and rules definitions - if the decision was to use them in Missouri. Of the many potential approaches, one way is to base the values on generation capacity markets, however in SPP's case, a capacity market does not exist. Another approach may be to use a straight Cost of New Entry ("CONE") that represents the costs of the next generation resource built in within an Independent System Operator's ("ISO") footprint. These and other approaches (including those

that have been previously approved by the MPSC in MEEIA cases) have their own pros and cons that can be weighed by the regulator and utility.

Q: Does Evergy agree with Staff – Kiesling (page 2) that Energy Independence and Security Act ("EISA") standards should be used for MEEIA program design?

A: Yes, Evergy has already incorporated adjustments to our MEEIA program portfolio design based on the EISA standards and we also have made modifications to what we offer through our HVAC program based upon federal efficiency standard changes.

Q: In Witness Luebbert's portfolio process, he mentions interaction with the Fuel Adjustment Clause ("FAC") as well as a few other places within his direct testimony. What is your understanding of the connection that Mr. Luebbert is making between MEEIA and the FAC?

A: It seems that Mr. Luebbert is recommending that an analysis of the FAC impact from MEEIA programs be done to determine if there is any pressure on cost effectiveness of the programs, specifically for non-participants within a customer class. His thought is to understand if non-participants could be negatively impacted by possible FAC changes.

Q: Do you believe the FAC analysis is important to the development of a MEEIA portfolio and subsequent MPSC approval?

A: No. While the concept that there is some interaction between MEEIA programs and the FAC is an interesting one, the analysis suggested by Staff is not required

by any MEEIA rule and more importantly is not substantive in the calculation of costs and benefits to a customer class.

Q: Can you explain why the analysis is not substantive to the calculation of costs and benefits for a customer class as required by the MEEIA statute?

A: When making sure the portfolio is beneficial to all customers in a class whether they participate or not, the analysis of FAC interaction with MEEIA program impacts is "within the circle" of the analysis. In other words, the benefits for the class are weighed against the costs and in this case, the benefits and costs of the FAC are within the customer class so it's considered a transfer between customers in the same class and therefore no impact on benefit/costs tests.

Q: If the MEEIA rules required an analysis of the FAC interaction, what would Evergy expect in terms of energy savings profiles compared to peak times?

A: One easy way to think about how this might turn out is the energy savings profiles of the majority of the energy reduction, of which 76% is associated with HVAC efficiency. Below is a simple heat map of residential class energy savings over a 24-hour period during each month of the year. The red area clearly shows the incremental savings is concentrated on peak hours (4-9 PM) in summer months which correlate with Evergy's peak hours. This table can be seen in a larger version in **Schedule BAF-1** as well.

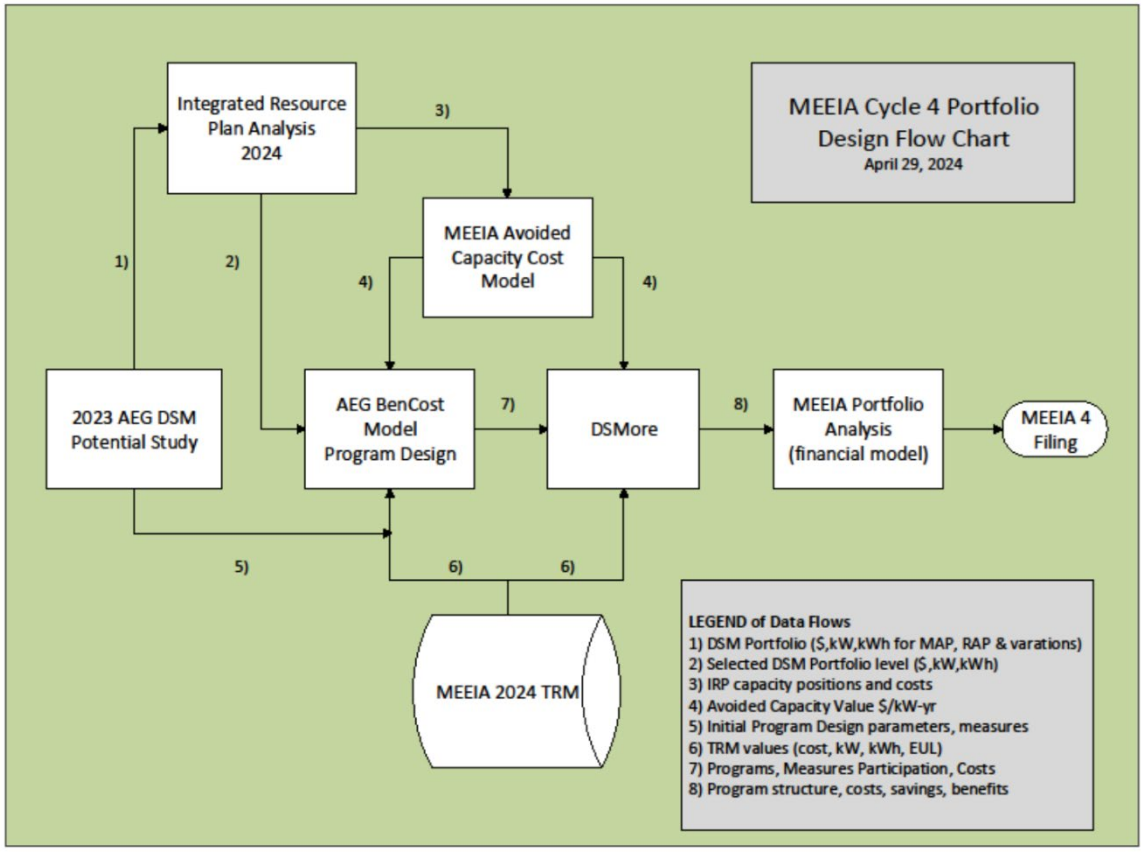
Figure 1.

Incoming		Hour Ending																							
DSMore		Weekday Hours ---------->						Weekday Hours ---------->						Weekday Hours ---------->					Weekday Hours ---------->						
Load Shape		1:00 AM	2:00 AM	3:00 AM	4:00 AM	5:00 AM	6:00 AM	7:00 AM	8:00 AM	9:00 AM	10:00 AM	11:00 AM	Noon	1:00 PM	2:00 PM	3:00 PM	4:00 PM	5:00 PM	6:00 PM	7:00 PM	8:00 PM	9:00 PM	10:00 PM	11:00 PM	Midnight
Residential	Jan	1.33	1.30	1.26	1.25	1.29	1.40	1.54	1.61	1.60	1.52	1.45	1.41	1.37	1.35	1.36	1.42	1.56	1.79	1.96	2.03	2.00	1.91	1.74	1.61
	Feb	1.22	1.18	1.14	1.14	1.18	1.29	1.43	1.52	1.49	1.39	1.33	1.28	1.25	1.23	1.23	1.28	1.40	1.58	1.75	1.85	1.83	1.75	1.62	1.50
	Mar	1.04	1.02	0.98	0.97	1.01	1.13	1.27	1.34	1.29	1.20	1.15	1.11	1.08	1.05	1.06	1.10	1.20	1.34	1.49	1.60	1.64	1.57	1.43	1.31
Pre	Apr	0.90	0.88	0.86	0.87	0.96	1.07	1.15	1.15	1.11	1.08	1.06	1.05	1.03	1.03	1.08	1.16	1.23	1.30	1.38	1.46	1.49	1.40	1.23	1.10
Spring	May	1.01	0.95	0.90	0.90	0.98	1.07	1.14	1.14	1.11	1.11	1.11	1.14	1.18	1.24	1.33	1.47	1.58	1.83	1.86	1.72	1.73	1.64	1.42	1.25
Summer	Jun	1.57	1.43	1.31	1.25	1.26	1.27	1.31	1.39	1.47	1.57	1.72	1.84	1.99	2.15	2.27	2.48	2.63	2.65	2.62	2.57	2.51	2.37	2.17	1.93
	Jul	2.00	1.79	1.61	1.52	1.49	1.51	1.54	1.60	1.75	1.92	2.12	2.34	2.54	2.75	2.96	3.15	3.28	3.29	3.23	3.14	3.04	2.91	2.62	2.34
	Aug	1.91	1.71	1.53	1.46	1.45	1.49	1.54	1.52	1.58	1.75	1.96	2.18	2.36	2.57	2.75	2.91	3.02	3.03	2.98	3.04	2.94	2.69	2.42	2.18
	Sept	1.24	1.15	1.07	1.05	1.11	1.19	1.25	1.25	1.22	1.23	1.28	1.36	1.46	1.60	1.74	1.86	1.96	2.03	2.07	2.08	2.09	1.91	1.64	1.44
Pre	Oct	0.92	0.89	0.86	0.88	0.97	1.09	1.17	1.18	1.14	1.10	1.08	1.06	1.03	1.05	1.10	1.20	1.32	1.42	1.52	1.57	1.52	1.38	1.20	1.08
Fall	Nov	1.08	1.06	1.01	1.00	1.04	1.14	1.27	1.35	1.35	1.28	1.23	1.19	1.17	1.16	1.18	1.25	1.41	1.59	1.73	1.78	1.75	1.67	1.52	1.40
Winter	Dec	1.38	1.33	1.27	1.25	1.28	1.38	1.50	1.59	1.61	1.57	1.51	1.47	1.43	1.41	1.43	1.51	1.70	1.93	2.10	2.17	2.15	2.08	1.92	1.77

Q: So, compared to Mr. Luebbert's suggested process, what does Evergy's program design process look like when you pull all the pieces together in a flow diagram?

A: The visual below shows the high-level flow of information through the process to design Evergy's MEEIA Cycle 4 portfolio. This process meets requirements of the MEEIA statute and rules while providing a simplified way to look at how the parts come together from the various tools and applications that support the portfolio development.

Figure 2.



Q. Is the above flow diagram the same when compared to Evergy's previous MEEIA filings?

A. Yes, it is largely the same with the exception of different a different potential study or technical resource manual ("TRM") that has been updated for this filing.

II. Evaluation, Measurement, and Valuation ("EM&V") as a tool to validate activities and impacts

Q: Staff witness Fortson claims that the Commission has not had the opportunity to determine whether the benefits of the MEEIA programs exist. Is his claim accurate?

A: No. As required by the MEEIA Rules[4], Evergy hires an *independent* third-party EM&V consultant to evaluate its programs. The program evaluations are rigorous and follow the well documented, best industry practices developed over decades. The independent evaluator follows an open process sharing their methods and protocols with the stakeholder group. The independent evaluator also provides updates during the quarterly DSM Advisory Group meetings with stakeholders. In addition, as required by the Rules, Staff also hires a second third-party independent evaluator who audits Evergy's third-party independent evaluator.

Q: Witness Fortson also mentions that the verification of benefits only occurred for a "relatively small sample size of measures". Does this compromise the accuracy of the EM&V results?

A: No, not at all. As stated above, the EM&V evaluator follows best practices for program evaluation, which includes following best practices for statistically sound methodologies by selecting the appropriates size sample group. Selecting a sample

[4] 20 CSR 4240-20.093(8).

size larger than needed for statistically sound results would be more costly and wasteful of program budget.

Q: How does Evergy's evaluation plan proposed in its MEEIA Cycle 4 filing address concerns from Witness Fortson to drive successful programs?

A: Evergy's EM&V plan is a process of continuous refinement to drive towards success. In every program year, each program is re-evaluated with current data. Program year extensions of Evergy's MEEIA cycle 3 years de-emphasized EM&V impact analysis, and the earnings opportunity ("EO") did not include a demand reduction (kW) or energy savings (kWh) achievement. However, in its MEEIA Cycle 4 filing, Evergy proposes to re-establish an EO that includes performance metrics related to energy savings and demand reductions attributed to the programs. Achievement of these savings and demand and validation by an EM&V process is more important than ever.

Q: Why is achievement of the demand reduction and energy savings and validation by an EM&V process more important than ever?

A: Evergy's IRP plan shows continued investment in DSM is warranted and preferred as Evergy looks at all the ways it can serve our customers energy needs now and into the future. With Evergy's future needs for generation and the changing landscape of energy transition, it is key to include the EM&V feedback loop. The DSM Potential Study, the IRP analysis and EM&V are interrelated, as illustrated

below. All three of these components are important to make programs, and the cycle, the most effective.

Figure 3
DSM as a Resource

Q: Considering its importance, what are some ways that Evergy is proposing the EM&V process adapt for this Cycle?

A: A new framework and approach for EM&V is outlined in Appendix 8.4 of the MEEIA Cycle 4 Report. Key attributes of this approach to drive improvement in the EM&V process are:

1) Recognizing the time variable in savings impacts across residential customers,

2) Continued and expanded use of AMI data to validate savings for demand response,

3) Detailed research into specific areas that have been or are potential for significant savings and

4) Further in-depth analysis of attribution of savings related to new energy efficiency funding sources.

Q: Witness Fortson's direct testimony discusses an example of EM&V and realization of benefits from the past regarding compact fluorescent lamps ("CFLs"). Mr. Fortson's takeaway from his example is that "we know that all CFLs installed in 2015 did not last until 2029"[5]. How do you respond?

A: Mr. Fortson's example is singular and can be further explained. First, a measure's (e.g. a CFL) effective useful life ("EUL") is an estimate, and it does not assume that ALL CFLs of that type last for that length of estimated time. The EUL represents the *median* life, meaning that 50% of the CFLs would last less than the EUL and 50% would last longer than the EUL. Second, determining a measure's EUL is part of the EM&V process following the industry best practices. Third, this process for evaluating useful life is subject to review by the stakeholder group and Staff's auditor in the evaluation process and later in the TRM approval by Staff and Commission. Lastly, Witness Fortson's comments about potential CFL concerns and the prominence of LEDs are not relevant to the EUL of a CFL.

Q: In this CFL example, Witness Fortson also discusses a concern about Evergy being compensated for 9-years of persistence saving. Is this concern valid?

A: No. The next rate case after installation, not the useful life, is when all existing energy efficiency impacts and associated throughput disincentive are taken into account in new rate making, effectively removing throughput disincentive compensation. Evergy Missouri Metro and West were both in rate cases in 2018 that reset savings from measures that were installed in 2015. Additionally, in the calculation of throughput disincentive for MEEIA Cycle 4, as assumed rate case

[5] Fortson direct testimony, Page 7, Line 14.

timing of every 3 years removes the throughput disincentive calculation from the total financial impact. The very nature of throughput disincentive is temporary in a way to keep equal footing with revenue received without MEEIA per the statute.

Q: On pages 7-8 of his direct testimony, OPC witness Geoff Marke argues that the long-term savings (i.e. energy and demand) are not accurate or don't justify the costs that were imposed. He also mentions the elimination of easy-to-claim energy savings from lighting measures will reduce the opportunity for meaningful deferred capital investments. Do you have any comments?

A: First, I respond to Dr. Marke as I did with Mr. Fortson – the EM&V process within MEEIA is important, provides for an inclusive stakeholder with independent auditors to verify results, and a process that is inclusive and relies upon rigorous and industry accepted processes. Second, Dr. Marke's reference to "easy-to-claim energy savings being gone" confirms the transition that the utility industry has been adopting to move away from incenting residential lighting to incenting other efficient home equipment and measures. However, there continues to be a great deal of potential for energy and demand savings as evidenced by Evergy's 2023 Demand Side Management Potential Study[6], which is the basis for Evergy's inputs in its IRP.

[6] Appendix 8.8, Evergy's MEEIA Cycle 4 2025-2028 Report.

Q: Staff Witness Poudel and OPC Witness Marke bring up "rebound effect" as an issue related to an impact from energy efficiency. Can you describe what it is and how it relates to EM&V impact evaluation?

A: Witness Poudel cites literature that explains the term generally refers to when a person becomes more efficient with a piece of equipment, they have the potential or propensity to use the efficient equipment more than their previous inefficient equipment.

Q: Should the "rebound effect" be accounted for in a MEEIA EM&V?

A: Third-party EM&V evaluators and MPSC Staff auditors have the opportunity to raise any research topics that they are interested in to determine more about potential impacts to savings calculations. The Company, Staff, OPC and other stakeholders have the opportunity to weigh on the value/cost of the new research and determine if a scope is warranted. To my knowledge, the topic of rebound effect has not been brought up in Evergy's EM&V process to date.

Q: What else should we know about rebound effect?

A: Mr. Poudel didn't bring up the "value in use" of a piece of equipment potentially increased by the increasing efficiency (e.g. more comfortable home). This should be considered in the overall benefits of the energy efficiency.

Q: Witness Luebbert also highlights that a Technical Resource Manual ("TRM") is essential for good planning on p. 27 of his direct testimony. Does Evergy agree with Staff that it is important to have a reliable TRM?

A: Yes. A TRM informed by continuous EM&V results contains the energy and demand savings values for a wide array of energy efficiency measures each with its own usage characteristics (e.g. measure life).

Q: How does Evergy's plan assure the reliability of the TRM?

A: Evergy's plan assures that the TRM remains up-to-date through annual updates. Following the annual stakeholder EM&V process, the TRM is updated with all the relevant data and inputs to the calculation of the energy and demands savings.

III. Impactful income-eligible program parameters and design to deliver equity across DSM programs

Q: Do you feel that Staff Eichholz's concern is valid that Evergy's programs are not reaching those who are truly in need with income levels set at or below 80% AMI or 200% FPL?

A: No, I do not agree with her. Evergy's programs are designed in accordance with the Department of Energy ("DOE") guidelines. A low-income customer is defined as one who's income level is at or below 200% of the Federal Poverty Level ("FPL")[7]. Evergy has continually strived to increase its reach and impact with low-income customers through its MEEIA programs. For example, Evergy has developed an energy burden dashboard that is designed to quickly identify its customers who are in need of assistance at different FPLs. This allows us to target these customers for

[7] www.energy.com/scep/wap/poverty-income-guidelines.

program participation and provide visual representations to identify locational clusters of those in need.

One of the key features of the energy burden dashboard is having the ability to display layered maps. These maps visually represent the customers who are in need and who qualify for programs but have not yet participated in the low-income programs. This tool significantly enhances our ability to provide timely and effective assistance to our customers. Our objective is to ensure that we are effectively reaching these customers and providing them with the necessary assistance.

Q: Are those truly in need possibly denied assistance due to homes being in disrepair?

A: Evergy has recognized that homes needing major repairs are a deterrence to participation in weatherization programs. Evergy has taken measures to address this issue. In our current MEEIA cycle, Evergy partners with a local non-profit agency that contracts with local disadvantaged business enterprise ("DBE") companies to make necessary repairs/upgrades to homes that were previously deferred in the income-eligible weatherization program. Evergy has proposed to continue utilizing the income-eligible single family ("IESF") weatherization ready offer to address homes in disrepair in this MEEIA Cycle 4. We would expect to achieve similar and positive results in our MEEIA Cycle 4 program as our current program delivery.

Q: Per Witness Eicholz's additional concern on p. 4 of her direct testimony, does the "Income-Eligible" definition and its program availability allow for customers with homes in disrepair to opt out of the EEIC or participate in the Income-Eligible programs?

A: First, I'll clarify that Evergy's recovery mechanism for MEEIA programs is called Demand-Side Investment Mechanism ("DSIM") and as I understand the concern, it is a non-issue as residential customers are not allowed to opt out of Evergy's DSIM rate. Second, these income-eligible customers will directly benefit from participation in these programs as the program is designed to fund the home repairs/upgrades, which will then allow energy efficient upgrades to be made, as noted previously in this testimony.

IV. Current, historical and future Federal funding, including IRA rebates and utility DSM interaction

Q: What is your understanding of Staff witnesses Eichholz and Keisling comments regarding IRA funding?

A: Both witnesses define the Inflation Reduction Act ("IRA") and discuss other past federal funding opportunities. Evergy acknowledges that Missouri is planning to participate in both the Federal funded programs of Home Efficiency Rebates ("HOMES") to fund whole house energy efficiency retrofits and the Home Electrification and Appliance Rebates ("HEEHRA") to help low-moderate income households "go electric" through qualified appliance rebates. Evergy also understands that no final program design for these two programs has been decided. Additionally, at the time of this rebuttal, Missouri Department of Natural Resources ("MO DNR") website states that "[t]he rebates may not be made available until

mid-2025 at the earliest and potentially as late as 2026. Participating consumers will be allowed to receive Home Energy Rebates in combination with certain other funding sources, such as utility rebates, to improve households' access to eligible energy efficiency improvements. Consumers should be aware that federal funding is limited and will only be sufficient to reach a limited set of households."[8]

Q: Do you agree with Mr. Kiesling premise that all customers would benefit more if IRA funding were to supplant MEEIA programs?

A: No, I do not. The breadth of impact from Evergy's MEEIA Cycle 4 portfolio will be far greater than the impact from federal rebates. Until federal rebates can be verifiably proven sources of demand-side savings it would be highly unlikely that federal rebates would be able to result in the level of savings that Evergy's DSM portfolio has delivered in the past decade and is expected to deliver in MEEIA Cycle 4. For reference, Evergy estimates show that the IRA funding could impact only around 1.88% of Missouri residents.

Q: Does Evergy agree that the DNR low interest loan program is comparable to MEEIA programs as stated by Staff witness Kiesling?

A: No, the DNR program provides low interest loans for customers. While this can help a customer pay for the project costs up front, they are still paying back the entirety of the project plus interest at some point in the future. This fundamentally differs from Evergy's MEEIA programs as we are trying to lower the incremental

[8] https://dnr.mo.gov/energy/what-were-doing/inflation-reduction-act-home-energy-rebates-programs.

cost for upgrading to more efficient equipment and making the total project costs more affordable.

Q: How might the future IRA programs interact with Evergy MEEIA programs?

A: First, the IRA is not the first federal or other program outside of MEEIA to encourage energy efficiency to customers. For example, the Weatherization Assistance Program ("WAP") has existed for several years and has co-existed with MEEIA programs, as well as USDA low-interest loans and grants to rural small businesses and agriculture producers for energy saving projects. MEEIA programs have been evaluated alongside state and federal programs that promote energy efficiency for years and major concerns have not been raised about attribution of MEEIA program impacts or compatibility of MEEIA program goals and guidelines with all activities eligible for funding under the complimentary programs. It is also important to keep in mind that the statutorily defined goal of MEEIA programs is "achieving all cost-effective demand-side savings," not providing customers with rebates for which no other rebates are available in the market. The statute explicitly contemplates the existence of complementary governmental funding opportunities operating alongside MEEIA programs by stating that "Nothing herein shall preclude the approval of demand-side programs that do not meet the [cost effectiveness] test if the costs of the program above the level determined to be cost-effective are funded by the customers participating in the program or through tax or other governmental credits or incentives specifically designed for that purpose." 393.1075(4). In an effort to best serve Evergy Missouri customers Evergy and its implementer for MEEIA 4 would strive to coordinate services with the State of

Missouri and its implementer for HOMES and HEERA to share data at the time of participation on whether a customer is receiving both federal funds and MEEIA funds to identify IRA participants. Evergy would work with EM&V vendor to survey customers to identify participation in federal programs/tax credits and evaluate those participating customers distinctly from customers who solely participated in MEEIA programs.

Q: How do tax credits interact with Evergy MEEIA programs?

A: Tax credits aid in the cost effectiveness of utility demand side programs. In the California Standard Practice Manual, which is a standard for cost effectiveness tests of utility programs, states: "Any tax credits are considered a reduction to costs in this test." This means that federal tax credits (and rebates) are actually beneficial to the cost effectiveness of utility programs, especially when viewed from a TRC perspective.

Q: Does Evergy consider the federal rebates to be of "generous" amounts?

A: At first glance, the multi-million-dollar budget does seem generous, however, when you start breaking down the budgets to individual states and individual utility customer impacts it's minimal. With the approval of MEEIA programs it will open the door for even more customers to participate in energy efficiency on an even broader scale with additional measures that the federal rebates cannot provide.

Q: How does the IRA interact with fuel switching and does Evergy have a position on if and how this might interact with MEEIA?

A: The HEERA portion of the IRA is dedicated to electrification efforts. Evergy could still braid/stack with federal funding in this case, specifically for customers with electric heat upgrading to heat pumps.

V. Business Demand Response and Aggregator of Retail Customers

Q: Staff Witness Hull and OPC Witness Marke provide testimony on Evergy's Business Demand Response ("BDR") program and the MPSC's recent order on the partial ban removal of Aggregator of Retail Customers ("ARCs"). What is your understanding of their positions?

A: Evergy's understanding of both Witness Marke and Witness Hull's testimony is that they support the Commission's recent decision to lift the ban on ARCs, which allows larger commercial and industrial customers (100 kW or larger) to participate in demand response programs in wholesale electricity markets directly or through an ARC. For Evergy, the wholesale market is SPP. This partial modification became effective on January 1, 2024.

Q: Witness Marke highlights on p. 32, that he believes ratepayers would benefit from competitive ARCs in MO. How do all customers benefit by the inclusion of retail demand response programs under MEEIA?

A: The key question evaluated by the Ratepayer Impact Measure ("RIM") test is "Will utility rates increase?" Put another way, it measures whether non-participants of a program will be better or worse off in terms of rates as a result of the program. The

RIM test results for the BDR Program exceed[9] 1 which means that customers rates will be better off. In fact, the RIM test is largely positive as the avoided capacity values increase as they do in Evergy's MEEIA filing. Accordingly, all ratepayers benefit from these programs and their implementation.

Q: What distinctions can be made between third-party ARC programs and retail programs pertaining to program participants and non-participants?

A: Key distinctions between third party ARC programs and retail utility programs lie in the type of benefits achieved, as well as the degree to which benefits to non-participants can be quantified and monitored by the MPSC and stakeholders. Witness Marke states that, "If ARCs are allowed to compete fairly, ratepayers should benefit by no longer having to pay MEEIA related costs for this service <u>but would still receive the benefit of a lower clearing price (in theory).</u>"[10] It is important for stakeholders to understand that while a lower clearing price is the primary avenue through which ARC programs may deliver potential benefits to non-participants, this is *not* the primary driver of retail utility program benefits. Instead, the primary benefit delivered to all ratepayers through the BDR Program is the avoided capacity investment resulting from Evergy's ability to incorporate the verified and consistent impacts of these stable programs on Evergy's forecasted load in its resource planning process.

While third party ARC programs have the potential to deliver benefits to non-participants in the form of a lower clearing price for wholesale energy or ancillary services, these benefits have not been quantified, and a framework does

[9] MEEIA Cycle 4 Report, Appendix 8.1, Page 37.
[10] Geoff Marke direct testimony, Page 32, Lines 22-24.

not exist for the MPSC and stakeholders to monitor the realization of these benefits relative to the costs of these programs to all ratepayers. While Witness Marke purports that "there is literally a market alternative that can call events at no cost to ratepayers,"[11] Evergy's response filed on June 22, 2023 in MO PSC Docket No. EW-2021-0267 describes utility activities necessitated by the operation of third-party ARC programs (such as the processing of market registrations and design of systems to support communications with ARCs and SPP regarding the operation of ARC-controlled resources) – all of which result in costs of ARC programs that are presently borne by all ratepayers. Alternatively, with respect to the BDR Program, Evergy is required to quantify the forecasted costs and benefits of the program for both participants and non-participants for review by the Commission and stakeholders; the actual costs are then subject to further review for prudence and true-up as necessary. Appendix 8.1 – Program Descriptions includes the results of the cost-effectiveness assessments for the proposed implementation period of 2025-2028, including an average Ratepayer Impact Measure (RIM) result of 3.56 for Missouri Metro and 3.78 for Missouri West – demonstrating net positive impacts for both participants and non-participants in the BDR Program.

Q: Can you please explain the potential value differences between retail (Evergy) and wholesale (ARC) offerings to SPP?

A: As a vertically integrated utility operating in the SPP which does not have a capacity market, Evergy as the load serving entity, not ARCs, is responsible for meeting resource adequacy requirements. Evergy is offering Business Demand

[11] Geoff Marke direct testimony, Page 32, Line 10.

Response to provide a resource adequacy resource to the overall annual peak capacity requirements needed to avoid penalties from SPP. Under the current SPP process, we produce data to SPP each year related to our retail demand response program results to certify our load reductions, while wholesale demand response programs like those administered by ARCs can provide energy and ancillary service benefits and are valued by SPP for those distinct services, wholesale demand response programs do not count towards Evergy's resource adequacy requirements. The resource adequacy resources are valued similar to traditional generation (see Company witness VandeVelde's direct testimony in this case). ARCs are offering a resource to fulfill energy or "ancillary market services" to SPP, meaning resources that can be dispatchable to follow real time energy loads for reliability, hedge energy prices, etc.

Q: Do you agree with Witness Hull's position (p. 3) that the Company's BDR incentives should not be higher than ARC incentives?

A: No. While Evergy's BDR Program and ARC demand response programs are similar in that they incentivize temporary load reductions for businesses in response to grid needs, the specific use cases are distinct, resulting in distinct bases for determination of appropriate incentive levels. As described previously, Evergy operates its BDR Program to mitigate its system peak load and accredits the program with the SPP, resulting in a reduced need to procure alternative capacity; accordingly, incentive rates should be aligned with the present value of avoided capacity costs, ensuring that program costs (including but not limited to incentive payments) do not exceed the program benefits calculated for all ratepayers.

Alternatively, ARC programs presently operating in the market are implemented to deliver ancillary services to the SPP Integrated Marketplace in exchange for market revenues. Accordingly, while agreements may vary depending on a given ARC's business model, it is anticipated that ARC incentive rates are primarily aligned with the present market clearing prices for ancillary services in SPP. Given the distinct benefits achieved by these programs and the distinct business models of the implementers, the Company disagrees that incentive levels offered by Evergy's BDR program should be lower than ARC incentives or vice versa. Such an expectation shows a fundamental misunderstanding of the value proposition for the different "products" and would be akin to expecting that the compensation paid by a metropolitan transit agency to its bus drivers should not exceed the compensation earned by Uber drivers – while the business activity is similar, the type of market service and associated benefit delivered is entirely different, as is the business model of the administering organization, resulting in an apples-to-oranges comparison.

VI. Metrics for MEEIA that drive outcomes of energy and demand savings

Q: Mr. Luebbert outlines six factors as to why he believes that Evergy's IRP does not provide a transparent view of any given MEEIA portfolio application. With respect to his fourth factor, he states on p. 16 of his direct testimony that "the IRP assumes a package of demand-side measures that will not coincide with the measures that are actually installed over time. Most MEEIA applications have included, and the utility has received, a great deal of flexibility how the approved budgets are spent on demand-side programs. All energy efficiency measures have distinct savings attributes and likewise the resulting benefits, or detriments, of implementation will vary as the actual measure installations vary." How do you respond?

A: I cannot dispute with Mr. Luebbert that the actual installed measures will always be different than what was planned in a MEEIA filing – I do not believe there would be any filing by any utility that would be result in actuals being the same as filed. I would even go as far to say that I believe it would be impossible to achieve perfection. However, what we can address is how to create metrics, or a performance incentive, that aligns as nearly as possible with the IRP inputs to achieve the same outcome. For example, in our MEEIA Cycle 4 Appendix 8.5, we proposed a matrix of program savings (kW and kWh) outcomes to be achieved that is associated with an earnings opportunity. The dollar values for achieving metrics in the matrix are weighted more towards demand (kW) reductions to reflect the value created by avoided generation as compared to energy. This approach is by

design and proved in MEEIA Cycle 3 as a way to drive the outcomes needed to align with IRP and most impactful measures.

Q: On pages 11-13 of his direct testimony, Staff witness Luebbert indicates that avoided costs are the revenue requirement of a supply-side resource that will not be built, and avoided earnings opportunities are the portion of avoided revenue requirement that shareholders would have received as their return on their investment. Do you have any comments on his testimony?

A: As stated earlier, Mr. Luebbert is taking one approach to attempt to value avoided costs and avoided earnings opportunities, but that approach is not specifically identified in either the RSMo. 393-1075 or in the MEEIA Rules 20 CSR 4240-20.093-.094. In fact, the definition of earnings opportunity in the MEEIA Rule is as such:

> (S) Earnings Opportunity component of a DSIM means the *methodology approved by the commission* (emphasis added) in a utility's filing for demand-side program approval to allow a utility to receive an earnings opportunity. Any earnings opportunity component of a DSIM shall be implemented on a retrospective basis, and all energy and demand savings used to determine a DSIM earnings opportunity amount shall be verified and documented through EM&V reports.

Emphasis was added to show the definition includes reference to a commission approved methodology, but there is no specific methodology ascribed.

VII. Other program topics brought up by Staff and OPC Principle Agent Theory and PAYS

Q: OPC Witness Marke highlights his belief of a problem of HVAC Contractors and Principal Agent Theory (p. 9). Do you believe this is a legitimate concern as it relates to Evergy's MEEIA programs?

A: No, Evergy does not agree that the Principal Agent Theory in regard to HVAC contractors is a real concern. It's worth noting that Dr. Marke does not support his assertion that this is the case in the state of Missouri. The testimony speaks directly to a hypothetical and does not include any data for Missouri or our existing programs. The testimony quotes studies from over 20 years ago, and equipment and technology, process controls and best practices have improved since then amongst other items under the guidance of Energy Star. Many of the new HVAC systems come with quality install control technology that guides installers through the install process and measures performance, refrigerant levels, etc., to ensure proper installation that wasn't even available 8-10 year ago when the cited research was conducted. This theory does not call out the benefits that our existing MEEIA programs already implement to address these issues. The solutions provided in Dr. Marke's testimony as options already exist in the program and are improving with every evolution of MEEIA programs. MEEIA programs allow utilities to maintain a process to identify, train, and remediate issues, including removing bad actors from participating who don't comply with program standards and requirements.

Q: On page 15 of his direct testimony, Dr. Marke proposes that the Commission "pause" the MEEIA programs until such controls are put into place to ensure that the MEEIA programs are operating as expected. Why do you disagree with this "pause" of the MEEIA programs?

A: First, OPC has not demonstrated that the MEEIA programs are not operating as expected and producing substantial benefits to participants and all customers in the class. It would be irresponsible to just "pause" the MEEIA programs indefinitely to allow for more study when the record of these programs indicates that substantial benefits are being produced. Secondly, these programs cannot be switched on and off easily. Evergy has a network of contractors that implement the MEEIA programs and these contractors will not be expected to wait around in the marketplace while the Commission studies the approved MEEIA programs. It will be a substantial hardship on these contractors, and Evergy would expect that it would be extremely difficult to replicate the existing network of contractors if the Commission puts an indefinite stop on the programs. The MEEIA programs are supported by a select network of HVAC contactors mandated to have appropriate insurance, licensing, and training. These programs enhance the quality of installations by promoting the use of skilled contractors. Existing MEEIA programs also encourage customers to obtain multiple quotes, which helps to prevent situations where a program HVAC contractor might attempt to upsell the customer. Educating customers is a crucial aspect of customer protection. Furthermore, these programs provide training to the HVAC contractors on processes such as Manual J and offer Building Performance Institute ("BPI") certification where relevant. In

conclusion, halting or pausing the programs would actually lower the quality of HVAC contractors in the region and increase the risk to homeowners.

Q: Should quality control audits across the service territory be included in the program to address issues highlighted by Dr. Marke's testimony?

A: Evergy's current and proposed programs in this filing already utilize both in-person and desktop Quality Assurance and Quality Control ("QA/QC"). Which captures pre and post data points to identify potential trends in installation that could indicate a problem.

Outreach team members, who are experts in the HVAC field, review projects and provide oversight to new HVAC contractors entering the program to ensure quality. Additionally, Program Managers analyze data sets to identify trends in the program and determine what training and offerings are necessary to maintain workforce quality.

The EM&V process offers more than just a review of free ridership. It involves interviewing participants, HVAC contractors, and implementers about best practices and reviewing data for quality and completeness. In addition, participant survey responses provided outside of EM&V as passed along to the appropriate HVAC contractor is there are notable positive or negative feedback. If there is recurring negative feedback provided about any HVAC contractor, the outreach team members will discuss with the HVAC contractor to ensure the issues are corrected.

EM&V is the collection of methods and processes used by the evaluator to assess the performances of the MEEIA programs so that the planned results can be

achieved with greater certainty and future activities can be more effective. Undefined "quality control audits" would be duplicative and a costly addition to the process.

In addition, the existing TRM includes SEER adjustment factors for the performance of installed equipment. This recognizes that achieving 100% lab-tested performance isn't always possible and includes an additional derating when a quality install (commissioning) isn't performed to Energy Star quality install standards.

Also, while oversizing may be an issue in the industry due to the complexity and time required to correctly input all data in sizing models, our sales data shows a much larger price increase to enhance efficiency rating than to increase tonnage for more revenue.

In conclusion, discontinuing programs would eliminate the program oversight as forementioned and increase the risk of poor installations for customers.

Q: Does Evergy agree that PAYS should be the only incentivized program?

A: No, Evergy does not agree with the notion that PAYS should be the sole program for customers to receive incentives. While the PAYS program may have a place in the MEEIA programs, as the MPSC has indicated in past orders, it should not be the only incentive program. The Company's testimony in this case shows that the other proposed MEEIA programs are producing benefits that substantially exceed their costs. These programs should not be discontinued with the hope that PAYS programs can somehow replicate their benefits. The PAYS program does not offer any additional quality control when compared to our current existing MEEIA

programs. PAYS auditors do not perform a Manual J on a home, which is the calculation of the HVAC capacity for a home. PAYS auditors are not more knowledgeable about HVAC systems than our other HVAC contractor installers. EEtility vets their HVAC installers in the same manner as our other MEEIA programs, Evergy provided them with the details of our other program vetting process that was carbon copied for PAYS – they are equivalent.

Moreover, Evergy has proposed to move away from the registered trademark PAYS program. PAYS has proven to be insufficient in meeting the needs of our customers, with high associated costs to deliver the program, low cost-effectiveness (TRC) scores - which currently is 0.3; despite several adjustments and process changes made by the Evergy program management team, this program is not a practical use of ratepayer funding.

Due to the low acceptance rate of comprehensive upgrade (tariff) offers, the PAYS program has proven costly. Historically the PAYS program delivery budget accounted for nearly 25% of the residential MEEIA portfolio and resulted in only 4% of the energy savings.

The PAYS program has been operational since 2021, and during this time, it has not produced the desired results. On average, the program has high co-pays, which based on current data, is around $6,000 or 60% of the project costs. Consequently, about only 5% of customers who signed up for the program completed an energy efficiency upgrade (onbill tariff), for things such as HVAC or Insulation and Air Sealing. Additionally, nearly half of those customers who accepted an energy efficiency upgrade through the PAYS program had a household

income greater than $100,000. Due to the substantial co-pays, a significant portion of the customers have opted not to move forward with upgrade projects.

In addition, the average time from when a customer enrolls in the program to when an energy efficiency upgrade is completed, and the on bill tariff is completed currently stands at 6 months. This is a result of 1) ongoing operational challenges with sub-implementers' staffing and 2) data issues along with 3) a limited, closed contractor network. Related to the closed contractor network, the PAYS program requires pre-negotiated pricing on equipment and charges additional fees to be paid by the contractors. Which has led to the Evergy PAYS program only having two HVAC contractors and one contractor specializing in weatherization upgrades.

In light of the experiences from operating PAYS for three years, Evergy has obtained lessons learned which has resulted in Evergy developing a new, modified on bill financing proposal that aims to return to our understanding of the original purpose of PAYS. Which is designed to serve the ‘doughnut hole’ (moderate income) customers and assist this subset of customers in achieving energy efficiency upgrades through a simple, streamlined, and affordable process. Our new proposal aims to achieve delivery cost savings by gaining cost efficiencies by incorporating this offer as a component within the Hard-to-Reach program design. This new proposal aims to enhance customer satisfaction by adding more flexibility for customers and opening the broader HVAC contractor network for competitive

quote bidding, which will be beneficial for customers to obtain HVAC pricing in a competitive environment.

We have shared our experience with the current PAYS program and it's continued struggles, after many attempts to better the process; our new modified on bill financing proposal is expected to be more impactful for customers that need the support the most and also more cost-effective to operate, we reiterate that we do not agree that PAYS should be the only incentivized program offered as it only serves a small subset of our overall customer base.

Q: Does Evergy have any closing remarks from Dr. Marke's testimony on the Principal Agent Theory in regard to HVAC Contractors?

A: Yes, the fifth reference cited, Blonz, Joshua (2018) The Welfare Costs of Misaligned Incentives: Energy Inefficiency and the Principal-Agent Problem, references a program that was poorly designed. It quotes, "Program guidelines set by the regulator did not require verification of the reported manufacturer year, and SCE did not implement its own monitoring system. As a result, contractors could intentionally misreport that an ineligible household was eligible for a refrigerator replacement without much chance of being caught." MEEIA programs are designed with consumer protections in mind and are part of the solution to the Principal Agent issue, not a reason to cancel programs.

Evergy's trade ally contractor network helps protect customers from irreputable installers through oversight, training, and documentation.

Evergy's MEEIA programs don't incentivize misreporting of the current state of equipment because replacement of failed vs. operational equipment is incentivized at the same level to avoid incentive to do such.

In addition, the repairability study from 2002 quoted in Dr. Marke's testimony is outdated and the technology and environment of the industry has significantly changed since then.

Q: Does that conclude your testimony?

A: Yes, it does.

Incoming		Hour Ending																							
DSMore		Weekday Hours ---------->						Weekday Hours ---------->					Weekday Hours ---------->					Weekday Hours ---------->							
Load Shape		1:00 AM	2:00 AM	3:00 AM	4:00 AM	5:00 AM	6:00 AM	7:00 AM	8:00 AM	9:00 AM	10:00 AM	11:00 AM	Noon	1:00 PM	2:00 PM	3:00 PM	4:00 PM	5:00 PM	6:00 PM	7:00 PM	8:00 PM	9:00 PM	10:00 PM	11:00 PM	Midnight
Residential	*Jan*	1.33	1.30	1.26	1.25	1.29	1.40	1.54	1.61	1.60	1.52	1.45	1.41	1.37	1.35	1.36	1.42	1.56	1.79	1.96	2.03	2.00	1.91	1.74	1.61
	Feb	1.22	1.18	1.14	1.14	1.18	1.29	1.43	1.52	1.49	1.39	1.33	1.28	1.25	1.23	1.23	1.28	1.40	1.58	1.75	1.85	1.83	1.75	1.62	1.50
	Mar	1.04	1.02	0.98	0.97	1.01	1.13	1.27	1.34	1.29	1.20	1.15	1.11	1.08	1.05	1.06	1.10	1.20	1.34	1.49	1.60	1.64	1.57	1.43	1.31
Pre	*Apr*	0.90	0.88	0.86	0.87	0.96	1.07	1.15	1.15	1.11	1.08	1.06	1.05	1.03	1.03	1.08	1.16	1.23	1.30	1.38	1.46	1.49	1.40	1.23	1.10
Spring	*May*	1.01	0.95	0.90	0.90	0.98	1.07	1.14	1.14	1.11	1.11	1.11	1.14	1.18	1.24	1.33	1.47	1.58	1.63	1.66	1.72	1.73	1.64	1.42	1.25
Summer	*Jun*	1.57	1.43	1.31	1.25	1.26	1.27	1.31	1.39	1.47	1.57	1.72	1.84	1.99	2.15	2.27	2.48	2.63	2.65	2.62	2.57	2.51	2.37	2.17	1.93
	Jul	2.00	1.79	1.61	1.52	1.49	1.51	1.54	1.60	1.75	1.92	2.12	2.34	2.54	2.75	2.96	3.15	3.28	3.29	3.23	3.14	3.04	2.91	2.62	2.34
	Aug	1.91	1.71	1.53	1.46	1.45	1.49	1.54	1.52	1.58	1.75	1.96	2.18	2.36	2.57	2.75	2.91	3.02	3.03	2.98	3.04	2.94	2.69	2.42	2.18
	Sept	1.24	1.15	1.07	1.05	1.11	1.19	1.25	1.25	1.22	1.23	1.28	1.36	1.46	1.60	1.74	1.86	1.96	2.03	2.07	2.08	2.09	1.91	1.64	1.44
Pre	*Oct*	0.92	0.89	0.86	0.88	0.97	1.09	1.17	1.18	1.14	1.10	1.08	1.06	1.03	1.05	1.10	1.20	1.32	1.42	1.52	1.57	1.52	1.38	1.20	1.08
Fall	*Nov*	1.08	1.06	1.01	1.00	1.04	1.14	1.27	1.35	1.35	1.28	1.23	1.19	1.17	1.16	1.18	1.25	1.41	1.59	1.73	1.78	1.75	1.67	1.52	1.40
Winter	*Dec*	1.38	1.33	1.27	1.25	1.28	1.38	1.50	1.59	1.61	1.57	1.51	1.47	1.43	1.41	1.43	1.51	1.70	1.93	2.10	2.17	2.15	2.08	1.92	1.77

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 BRIAN A. FILE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Brian A. File, being first duly sworn on his oath, states:

1. My name is Brian A. File. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Director – Demand-Side Management, Energy Efficiency.

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 thirty-five (35) 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.

Brian A. File

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

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