Exhibit No.: _______________
Issue(s): Challenges and Obstacles to MEEIA Cycle IV/Response to Renew Missouri/Response to Evergy/Response to Staff
Witness/Type of Exhibit: Marke/Surrebuttal
Sponsoring Party: Public Counsel
Case No.: EO-2023-0369 & EO-2023-0370

SURREBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

EVERGY METRO, INC. D/B/A EVERGY MISSOURI METRO AND EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST

CASE NOS. EO-2023-0369 & EO-2023-0370

August 20, 2024

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I. INTRODUCTION

Q. Please state your name, title and business address.

A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel), P.O. Box 2230, Jefferson City, Missouri 65102.

Q. Are you the same Dr. Marke that filed direct and rebuttal testimony in these cases?

A. I am.

Q. What is the purpose of your surrebuttal testimony?

A. My purpose is three-fold. First, I will provide an overall summary of the various obstacles, challenges and changes that currently impact the likelihood that Evergy Missouri Metro ("Metro") and Evergy Missouri West's ("West" and collectively as "Evergy," "Evergy Missouri" or "the Company") MEEIA portfolio will accomplish what it claims it will accomplish. This list includes the challenges that I identified in my rebuttal testimony.

Second, I will be responding to the rebuttal testimony of Renew Missouri ("Renew"), Missouri Public Service Commission Staff ("Staff") and Evergy witnesses.

In the third and final section, I discuss an alternative path forward that meets the statutory requirements set out by the MEEIA statute, § 393.1075 RSMo. This recommendation provides for a reasonable earnings opportunity for Evergy and outlines a path forward that can be applied to the rest of our investor-owned utilities. It is an attempt to evolve MEEIA to be more cost-effective and aligned with the goal of supporting all cost-effective measures for all customers regardless of participation.[1] Though it is similar to the plan that I presented

[1] § 393.1075.4 RSMo.

in my rebuttal, there is one notable difference: a more proper valuation of an equivalent supply side resource earnings opportunity for a MEEIA application.

My silence in regard to any issue should not be construed as an endorsement of Evergy's or any other party's positions.

II. Challenges and Obstacles to MEEIA Cycle IV

Q. Can you please summarize the many challenges and obstacles that currently plague Evergy's MEEIA Cycle IV portfolio?

A. Yes. I will briefly restate the challenges I raised in my direct and rebuttal testimony as well as those I encountered while reviewing the rebuttal testimony filed in this case. They are as follows:

<u>Challenge 1: Diminishing Returns</u> (market adoption, codes, and standards) [2]

Naturally occurring energy efficiency adoption has rapidly increased due to decades of marketing, increased federal appliance standards, and municipal building code requirements. See Figure 1 for a graphical representation of the diminishing returns in Evergy's "achievable" energy savings.

[2] See also: Walton, R. (2024) 'There's been a ton of progress' on energy efficiency this year. Next up: court cases and an election. *UtilityDive*. https://www.utilitydive.com/news/trump-biden-energy-efficiency-appliance-standards/720362/
The White House (2022) Fact Sheet: Biden-Harris Administration Takes More Than 100 Actions in 2022 to Strengthen Energy Efficiency Standards and Save Families Money https://www.whitehouse.gov/briefing-room/statements-releases/2022/12/19/fact-sheet-biden-harris-administration-takes-more-than-100-actions-in-2022-to-strengthen-energy-efficiency-standards-and-save-families-money/

Figure 1: Diminishing Returns Associated with Evergy's Savings Targets

<u>Challenge 2: Time-of-Use Pricing</u> (*the* least cost resource)

Pricing electricity with automated meter infrastructure ("AMI") technology to more align with the true cost of service will produce energy and demand savings that dwarf any energy and demand savings achieved from a portfolio of MEEIA programs.

<u>Challenge 3: Free Market Alternative(s)</u> (aggregator of retail customers or "ARCs")

Free market alternatives exist for business demand response programs that do not require ratepayer subsidies. The failure to acknowledge this results in blatant market failure and wasted money.

<u>Challenge 4: Operational Inefficiencies</u> (overstated savings)

Ex post evaluations of energy efficiency programs do not account for operational failures or obstructions (e.g., changing out filters); thus overstating "deemed" energy savings.

<u>Challenge 5: Rebound Effect</u> (overstated savings)

Ex post evaluations of energy efficiency programs do not account for any "rebound effect" that occurs following the installation of energy efficiency measures; thus overstating the savings achieved and leading to higher bills for customers.

<u>Challenge 6: Principle-Agent Problem(s)</u> (overstated savings)

The principal-agent problem inherent with energy efficiency contractors leads to overstated energy and demand savings assumptions and thus higher bills for customers.

<u>Challenge 7: Can Evergy claim any attribution?</u> (overstated savings)

Federal funding from the Inflation Reduction Act in both direct rebates and tax breaks dwarf the amount available to ratepayers through MEEIA. This will necessarily reduce the Company's net-to-gross ratio and its ability for the MEEIA application to have any material impact.

Challenge 8: Risk-Reward Mismatch (ratepayers bear risk, company pockets reward)

Unlike traditional supply-side investment, shareholders put up zero capital yet stand to gain a 15% return on other people's money (ratepayers). Ratepayers, however, put up all of the capital and cannot reasonably be assured the financial savings actually materialize for all customers regardless of participation nor can they point to any tangible supply-side deferrals.

Challenge 9: Excess Administrative Overhead (represents >43% of MEEIA)

Non-profit and government alternatives for utility-sponsored demand-side management programs have overhead administrative costs capped at 20% or lower. This stands in stark contrast with the historical performance of Evergy Missouri's programs[3] and its proposed application.[4]

Challenge 10: Undue Regulatory Complexity (easy to "game" compensation)

Evergy Missouri's proposed throughput disincentive mechanism is overly complicated and made inaccurate due to the introduction of time-of-use rates. Additionally, the Company's technical resource manual needs to be modified to account for challenges 4, 5, 6, and 7 stated above, as well as useful life assumptions.[5] Furthermore, the Company's proposed program-specific net-to-gross ("NTG")

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[3] See rebuttal and surrebuttal testimony of Geoff Marke in Case No. EO-2020-0227.

[4] The 43% of administrative overhead referenced here is understated as Evergy's application in these cases includes several education programs ($10,569,628) budgeted as 100% incentives with no administrative overhead. This is incorrect as there are no incentives tied to education programs. If one correctly reallocates these costs to administrative overhead then the all-in administrative overhead costs proposed by Evergy Missouri is closer to 62% of the overall budget.

[5] Wolfe, R. (2024) The Lifespan of Large Appliances is Shrinking. *The Wall Street Journal*. https://www.wsj.com/personal-finance/the-lifespan-of-large-appliances-is-shrinking-e5fb205b

factors are wildly inappropriate for the bulk of its proposed budget and do not reflect any reality, least of all the one that Evergy operates in today.[6]

Challenge 11: What is being deferred?

Evergy Missouri cannot identify any deferred investment directly tied to its MEEIA spend. Additionally, enabling statutory language (*i.e.* plant in service accounting ("PISA")) incentivizes Evergy Missouri to build which has played out in real time given the Company's PISA investments and at least its stated aspirational build-out of generation in is most recent integrated resource plan ("IRP").

Challenge 12: Missouri Division of Energy will function as a more cost-effective alternative.

If Evergy's MEEIA application is approved, both Evergy Missouri and the Missouri Division of Energy will be simultaneously rolling out subsidized energy efficiency programs (supported by ratepayer funding for Evergy Missouri and taxpayer funding for the Division of Energy). Both entities will effectively cut checks from other people's money to hire third-party contractors and evaluators to implement their programs. The difference is that Evergy Missouri demands: (1) an "opportunity" to earn as high as a $40M return on the investment of other people's money (i.e., ratepayers' capital) for meeting targets Evergy deems reasonable; (2) lost revenues associated with energy and demand savings we assume would not naturally occur; and (3) not be held to any managerial and/or fiscal discipline as it pertains to

[6] Evergy's proposed NTG factors by program are as follows:

Program	NTG	Program	NTG
Whole Home Efficiency Program	0.80	Business Education	N/A
Home Energy Education Program	N/A	Res Demand Response	1.0
Income Eligible Programs	0.98	Bus Demand Response	1.0
Hard-to-Reach EE Education	N/A	DR Education	N/A
Whole Business	0.88	UHI Mitigation	1.0
Hard-to-Reach Business	0.83	Pilots	1.0

administrative overhead (in contrast, the Missouri Division of Energy cannot allocate more than 20% of its federally subsidized energy efficiency budget on administrative overhead).

Challenge 13: Proposed earnings opportunity does not reward demand-side investment on an equivalent basis of a supply-side investment.

It is the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure.[7] Supply-side investments allow investors to earn a return on (profit) the capital expenditures ("capex") associated with an investment, but not the costs associated with operations and maintenance ("opex"). Thus, when determining the appropriate earnings opportunity for a demand-side investment, the correct amount upon which a utility should earn a return would be the costs associated with incentives tied to tangible assets, that is, the rebates directly tied to measures that would otherwise not be installed. A proper earnings opportunity should not reward a utility for costs related to administrative overhead, which is akin to opex in supply-side investment. Seen from this perspective, Evergy's proposed earnings opportunity matrix unacceptably rewards the utility for actions (which bear no risk) that would be dismissed out-of-hand if requested for an equivalent supply-side investment. I will also discuss this in greater length later in this testimony in response to Staff witness Brad Fortson's rebuttal testimony.

Q. Is this an exhaustive list of the challenges associated with Evergy's MEEIA Application?

A. No. More challenges are articulated in this surrebuttal testimony in addition to the issues raised by the MO PSC Staff that I have not covered.

[7] § 393.1075.3 RSMo

III. RESPONSE TO RENEW MISSOURI

Response to Renew Missouri witness Emily Piontek

Q. Ms. Piontek claims market research shows utilities with ratepayer-sponsored energy efficiency programs have higher consumer trust scores. Do you agree?

A. Not based on the evidence that she provides and certainly not as it applies to Evergy.

Q. Can you explain?

A. Yes, Ms. Piontek references a 2023 electric and gas utility brand trust survey conducted by Escalent that concluded:

> Brand Trust among utilities that have continued to highlight savings opportunities, environmental programs, and community support efforts across a variety of channels is 5% higher than the industry average.[8]

Although energy efficiency is never explicitly stated in the article Ms. Piontek references, I believe it is reasonable to assume that "highlight savings opportunities" would likely include examples of energy efficiency programs for certain utilities.

With that in mind, it bears examining where Evergy ranks in terms of "Brand Trust" on Escalent's scale seeing as though they have had some form of ratepayer-sponsored demand-side management ("DSM") programs in place for roughly a decade. Figure 2 provides that breakdown across 141 electric and gas utilities for Escalent 2023 surveys.

Figure 2: 2023 Escalent Utility Brand Trust Scores: Evergy [9]

	2023 Brand Trust Score
Evergy	Score: 660 (average survey score 686) Rank: 115 out of 141 81.5% of utilities scored higher than Evergy

[8]Escalent (2023) Utilities Investing More in Communication Continue to See Elevated Brand Trust https://escalent.co/news/utilities-investing-more-in-communication-continue-to-see-elevated-brand-trust/
[9] *Ibid*.

Q. These results are from 2023. Do you have more recent information?

A. Yes. Figure 3 includes the 2024 scores.

Figure 3: 2024 Escalent Utility Brand Trust Scores: Evergy [10]

	2024 Brand Trust Score
Evergy	Score: 627 (average survey score 680) Rank: 129 out of 141 91.5% of utilities scored higher than Evergy

Q. What should the Commission note from this data?

A. First, that Evergy's scores are awful and are trending downward.

Second, that Ms. Piontek's argument, if true, does not appear to apply to Evergy. Based on Escalent's survey results, customers do not trust Evergy.

Third, this is yet another reason to divorce ratepayer-sponsored programs from Evergy and look towards a statewide model. If customers do not trust the Evergy brand it stands to reason they will be less likely to participate in Evergy-advocated programs.

A complete look at the 2024 Escalent Brand Trust scores has been reprinted here in Figure 4.

[10] Escalent (2023) Utilities Investing More in Communication Continue to See Elevated Brand Trust. https://escalent.co/news/brand-trust-is-higher-for-utilities-that-spend-more-on-communication-and-highlight-savings-and-environmental-programs-for-customers/

Figure 4: Escalent 2024 Utility Brand Trust Rankings (Electric & Gas)

Rank	Utility	Service	Score
1	Florida City Gas	Gas	764
2	Salt River	Elect	756
3	TECO Gas	Gas	752
4	Cascade Gas	Gas	749
5	MS Power	Elect	747
6	Piedmont	Gas	746
7	Chattanooga Gas	Gas	743
8	Columbia– South	Gas	741
9	Spire MS	Gas	737
10	CenterPoint S	Gas	735
11	WA. Gas	Gas	733
12	Georgia PWR	Elect	731
13	Xcel Midwest	Comb	729
14	Intermountain	Gas	729
15	Philadelphia	Gas	725
16	MO-Dakota	Comb	725
17	OUC	Elect	725
18	Atmos South	Gas	721
19	Ind MI Power	Elect	720
20	Columbia Gas	Gas	719
21	NIPSCO	Comb	718
22	Seattle City	Elect	717
23	Atmos Midwest	Gas	716
24	Wisconsin PS	Comb	715
25	FPL	Elect	714
26	Spire Gulf Coast	Gas	714
27	SMUD	Elect	714
28	New JerseyGas	Gas	713
29	NW Natural	Gas	712
30	Black Hills MW	Comb	711
31	Dominion NC	Gas	711
32	New Mexico Gas	Gas	709
33	PSE&G	Comb	708
34	Snohomish PUD	Elect	708
35	Spire Alabama	Gas	707
36	Virginia NG	Gas	707
37	Elizabethtown	Gas	705
38	Nicor Gas	Gas	705
39	Green Mountain	Elect	704
40	CenterPoint MW	Gas	704
41	Alabama Power	Elect	703
42	Texas Gas	Gas	703
43	SoCalGas	Gas	702
44	Con Edison	Comb	701
45	Consumers Ener	Comb	701
46	National Fuel	Gas	700
47	South Jersey Gas	Gas	698
48	Peoples Gas	Gas	698
49	Duke Progress	Elect	696
50	Dominion– West	Gas	696
51	Dominion W	Gas	696
52	Alliant	Comb	695
53	Oklahoma NG	Gas	695
54	MidAmerican	Comb	694
55	Ameren MO.	Elect	694
56	TECO Tampa	Elect	694
57	Dominion S.	Comb	692
58	Puget Sound	Comb	692
59	Idaho Power	Elect	692
60	Tucson Electric	Elect	692
61	Columbia Gas	Gas	691
62	Peoples	Gas	691
63	APS	Elect	691
64	LA Water PWR	Elect	691
65	UGI Utilities	Gas	690
66	Dominion VA	Electric	690
67	National Grid	Comb	689
68	Ameren Illinois	Comb	688
69	Spire MO East	Gas	688
70	Duke Florida	Elect	687
71	Entergy MS	Elect	687
72	SW Electric	Elect	686
73	RockyMountain	Elect	685
74	Avista	Comb	684
75	SW Gas	Gas	684
76	BGE	Comb	683
77	Delmarva	Comb	683
78	Dominion Ohio	Gas	683
79	Louisville G&E	Comb	682
80	Duquesne Light	Elect	681
81	PPL Electri	Elect	681
82	DTE Energy	Comb	681
83	Entergy Texas	Elect	681
84	Citizens Energy	Gas	680
85	ColoradoSpring	Comb	680
86	NorthWestern	Comb	680
87	PECO	Comb	679
88	ComEd	Elect	679
89	Pepco	Elect	678
90	JEA	Elect	678
91	Spire MOWest	Gas	676
92	Xcel– South	Elect	675
93	Ohio Edison	Elect	674
94	PSC Oklahoma	Elect	674
95	Xcel Colorado	Comb	674
96	Kansas Gas	Gas	673
97	Duke Carolinas	Elect	673
98	Nashville	Elect	671
99	Pacific Power	Elect	671
100	Duke Midwest	Comb	669
101	PNM	Elect	667
102	Penelec	Elect	666
103	Penn Power	Elect	666
104	We Energies	Comb	666
105	Entergy L	Elect	666
106	Kentucky Ut	Elect	665
107	OPPD	Elect	664
108	CPS Energy	Comb	661
109	West Penn P	Elect	660
110	AEP Ohio	Elect	660
111	Portland GE	Elect	660
112	Entergy Ark	Elect	659
113	AES Indiana	Elect	658
114	Illuminating	Elect	657
115	Black HillsW	Elect	657
116	Potomac Edi	Elect	656
117	Met-Ed	Elect	655
118	Eversource	Comb	653
119	OG&E	Elect	651
120	El Paso E	Elect	650
121	Mon Power	Elect	649
122	PSEG L.I.	Elect	647
123	Toledo Edi	Elect	647
124	Atlantic City	Elect	644
125	Jersey C.P&L	Elect	639
126	NV Energy	Elect	633
127	Austin E.	Elect	630
128	Entergy NO	Elect	629
129	**EVERGY**	**Elect**	**627**
130	Until	Comb	623
131	AES Ohio	Elect	622
132	NYSEG	Comb	617
133	RG&E	Comb	591
134	Kentucky P.	Elect	586
135	FPL NW FL	Elect	583
136	MLGW	Comb	581
137	PG&E	Comb	577
138	Appalachian	Elect	570
139	C. Maine P.	Elect	562
140	CenterPoint Indiana	Comb	514
141	SDG&E	Comb	511

Source:

https://escalent.co/news/brand-trust-is-higher-for-utilities-that-spend-more-on-communication-and-highlight-savings-and-environmental-programs-for-customers/

Q. What is your response to Renew Missouri's claim that Evergy's amended application conforms to the MEEIA statute?

A. It does not. I would direct readers back to my "Challenges and Obstacles to MEEIA Cycle IV" section of my testimony on why this reasonably cannot be claimed and why Evergy's amended application is not in the public interest.

Q. Ms. Piontek speaks at length on energy efficiency resource standard ("EERS") states in her testimony. What is an EERS state?

A. There are currently twenty-seven states that have energy efficiency resource standards which mandate that regulated utilities achieve MWh energy and demand savings targets at or beyond a set percentage of retail sales. The number of states with EERSs in place has remained largely the same for the past decade even if the participating members have changed. For example, recently Virginia and New Jersey adopted energy efficiency resource standards, but Ohio and New Hampshire either rolled back their standards or dropped them.[11]

Q. Do you agree that MEEIA functions as a proxy for an EERS?

A. Only in so far as both have targets. EERS targets are imposed through law. MEEIA targets, however, are self-selected by the utility. MEIA is also a voluntary option for utilities.[12] Ratepayer funded energy efficiency programs are not mandated in Missouri. Comparing Missouri to an EERS state is really an apples to oranges exercise because the outcome

[11] Brooks, D. (2023) NH Saves energy efficiency program returns, because the PUC had no choice. *Concord Monitor*. https://www.concordmonitor.com/energy-efficiency-nh-PUC-53222425

Kowalski, K.M. (2023) Ohio utilities could resume energy efficiency programs under bipartisan bill. *Energy News Network*. https://energynews.us/2023/06/28/ohio-utilities-could-resume-energy-efficiency-programs-under-bipartisan-bill/

[12] Technically, the Commission has energy and demand saving targets as aspirational goals in 20 CSR 4240-20.094(2). In practice these aspirational goals have never been followed. There are a number of reasons for that including but not limited to: timing, moving baselines, accounting for load changes due to weather, customer loss/gain, the economy, COVID-19, blackbox settlements, and changes to the MEEIA programs emphasis (i.e., focus on demand savings as opposed to energy savings).

(credited savings) is dependent on the incentives of the actors involved in how savings are counted.

Q. Please explain.

A. Perspective and incentives matter. My position on MEEIA programs from the inception has been to attempt to induce benefits for customers in all customer classes regardless of participation.[13] This has been a challenge that I believe we (collectively) have fallen short of to date. However, there was a brief period where it was in the ratepayer advocate's best interest to not ask uncomfortable questions about assumed savings and seek out the broadest categorization for attribution as possible. For example, I worked with stakeholders for well over a year on potential Missouri compliance for the Obama administration's Clean Power Plan. At the time, the least cost method towards ensuring compliance included heavily investing in demand-side management across Missouri. Under the federal framework, Missouri would have had to set energy and demand saving targets that were categorically larger than what Evergy is proposing in this docket. However, the verification of those savings was dependent on an agreed-to methodology developed by in-state stakeholders and submitted for approval to the EPA. That is, we (the in-state stakeholders) largely determined how we counted counterfactual "savings" for federal compliance purposes. If Missouri had fallen short of its targets then financial repercussions, cost prohibitive remediations, and financial penalties would have been leveled at the State.

Q. What position did you take at the time regarding energy efficiency verification for Clean Power Plan compliance purposes?

A. I took the position of emphasizing claimed savings in everything and minimizing any questions or scrutiny on challenging those assumptions.

[13] 393.1075.4 RSMo.

Q. Why did you take that position then and are seemingly taking the opposite position now?

A. The position I took then and the position I take now are both intellectually consistent from the perspective of minimizing costs and maximizing benefits for ratepayers. I do not believe savings have materialized anywhere near what has been historically claimed (and certainly not what has been projected to incur over the life of the measures moving forward) by Evergy, as such I oppose their application and generally view this MEEIA application as a profit windfall for the utility with zero risk for management or shareholders. It is both too generous in profit (for shareholders) and one-sided in risk exposure (for ratepayers).

However, when the federal government said states could claim DSM savings as a way to reach cost-prohibitive environmental compliance I had every reason to not ask "tough" questions about attribution or operation assumptions because the answer would have necessarily negated Missouri's ability to be in compliance and thus resulted in ratepayers paying more money.

Q. Is this an example of a principal-agent problem?

A. Yes, multiple examples of it in fact.

Q. Please explain.

A. In direct and rebuttal testimony I raised the concern that HVAC contractors have a perverse incentive to upsell HVACs without any (or little) recourse. This is an unfortunate reality for many consumers, but it does not become an issue for the Commission's concern until we look at it through the perspective of ratepayer-sponsored demand-side management. If a utility is claiming savings that A) cannot be accurately credited to the utility's efforts; B.) did not actually occur as expected; and/or C.) actually increased energy usage (rebound) then ratepayers are overpaying for demand-side management and improperly rewarding the utility with profit.

The roles of principal-agent can change when the problem you are trying to solve for changes. In the Clean Power Plan example, a rational actor looking out for the best (at least short-term financial) interest of Missouri would want to claim savings in the most generous way possible *and* not ask questions that we don't want to know the answer to (e.g., is there a rebound effect?). Because if the savings cannot be credited to the utility's actions, then financial penalties would be leveled and Missourians would be worse off. Restated, roles and perspective matter depending on the answer you are trying to solve for as seen in Table 1.

Table 1: Different principal-agent problems at different scales

	Principal	**Agent**	**Problem (asymmetric information)**
Appliance-level	Homeowner	Contractor	• Contractor has incentive to upsell • Utility has incentive to not ask questions
Utility Program Level (MEEIA)	Commission / Ratepayers	Utility and Evaluators	• Utility & utility 3rd party evaluators have incentive to overstate savings
Federal Compliance (Clean Power Plan Example)	U.S. EPA	State of Missouri	• Missouri has incentive to overstate savings

This very same exercise occurs in EERS states that don't level a financial penalty on the utility if targets are not met. I would also argue this occurs in Missouri via interveners who are more concerned with the optics of having a program or a large target and less concerned with the realized outcome and impact on customers' bills.

The Commission would be well served to not look to EERS mandated states as the North Star for how to approach the reasonableness of Evergy's MEEIA application. Rather, the Commission should dismiss as inappropriate any attempt to hold Missouri to that standard.

Clearly our General Assembly, when given the choice, elected not to impose this requirement on captive ratepayers.

Q. Is there a plausible scenario where Missouri's elected officials reject federal IRA funding?

A. It seems improbable that Missouri would refuse federal funding for energy efficiency investments at this stage, but I don't think I could rule it out entirely either.

Q. Then should the Commission approve Evergy's MEEIA application out of an abundance of caution that such a scenario could materialize as implied by Renew Missouri?

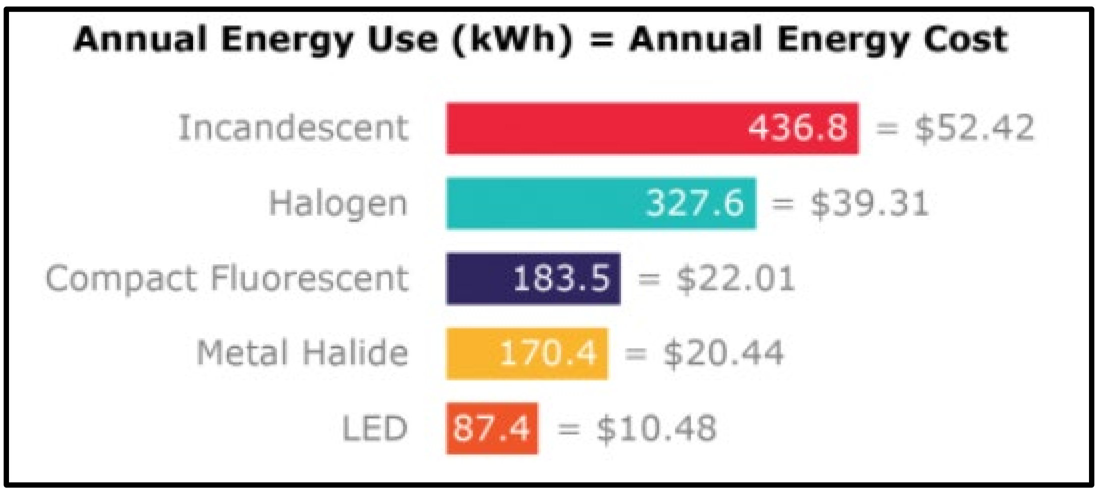
A. No. Attempting to predict the political machinations of what could happen is largely a futile exercise that should have no bearing on an independent, fact-finding economic regulator. But let's explore how this might play out in the market.

Let's assume Missouri rejects the federal funds, and the Commission rejects Evergy's MEEIA application as not in the public interest.

If that happens, life will still go on and energy efficiency measures will still be adopted just like they were before MEEIA or IRA funding existed. Moreover, because of the elimination of the MEEIA surcharge, everyone's bills will be immediately lower than they otherwise would have been.

Further, energy efficiency adoption will still occur because energy efficient options are effectively the only options available in the market. Moreover, customers will still have access to generous tax breaks (from the IRA), LIWAP will still be funded by utilities and the federal government, and the market will continue to be inundated with energy efficient appliances. The incremental savings obtained in appliance measures are also hitting a point of diminishing returns in terms of savings. Restated, in the past it was an inefficient measure being replaced by an efficient measure. We are now entering the stage of efficient measures being replaced by slightly better efficient measures. This is because inefficient measures are being phased out left and right due to the constant march of increased federal appliance energy efficiency standards and customer preferences. One might be able to argue with a straight face that the term "energy efficiency" was not ubiquitous in 2009 in Missouri. I do not believe you could say that today. Look no further than Figure 5 for engineering savings estimates across different lightbulbs that have been rebated at various points in different MEEIA cycles to see how we have progressed.

Figure 5: Annual energy use savings estimates across various lighting fixtures



Good luck trying to find an incandescent, halogen, or CFL lightbulb on the market today.

Q. Is the $150M in federal IRA funding for energy efficiency to Missouri the only concern you have with the IRA's interplay with the Evergy application?

A. No. On this point I believe intervening parties have grossly misunderstood my concerns regarding Evergy's MEEIA proposal and the incoming federal funds.

I've raised three direct concerns.

1. That the $150M will necessarily impact the attribution (or net-to-gross ratio) tied to Evergy's EM&V and ultimately impact the reasonableness of moving forward with

the application as designed. This by itself is not a deal breaker or reason to reject Evergy's MEEIA application.[14]

2. That the increased federal tax incentives (which cannot be voided by the State of Missouri) related to energy efficiency investments are significantly greater than the rebates Evergy is subsidizing and that this will necessarily impact the attribution (or net-to-gross ratio) tied to Evergy's EM&V and ultimately impact the reasonableness of moving forward with the application as designed; and
3. The parameters mandated around the Missouri Division of Energy's ("DE") dispersal and administration of federal funding <u>are significantly more cost-effective</u> than what Evergy is proposing (e.g., DE's overhead is capped at 20%, there is no earnings opportunity and no throughput disincentive). As such, I support adopting the same level of administrative cost caps and customer protections (as it pertains to renters and verification of savings) as what will be in place for federal funding.

If the Missouri Division of Energy can conform to these standards, I see no reason why we can't hold Evergy to the same (or higher) standards.

Q. Should IRA funding be used to complement PAYS?

A. Yes. To the extent the Commission approves, or parties agree to something beforehand, I support this recommendation. Again, PAYS is singularly unique in that I have very limited concerns surrounding free riders.

Q. What is your response to Renew's objection to dismiss TOU rates because they are not politically feasible?

A. Simply put, if Renew Missouri is serious about reducing carbon emissions and/or serious about making energy affordable for Missouri customers it should lean heavily into TOU

[14] I provided verbal comments at the public forum hosted by the Missouri Division of Energy and advocated that all of the IRA funding be implemented through the State's existing community action agencies as the most practical and cost-efficient manner to spend down those funds. If implemented in such a manner, I don't believe that the $150M allocated to Missouri for direct rebates will have a material impact on NTG ratios in future MEEIA programs. Whether or not DE supports this proposition is unknown.

rates. The Commission, as an independent economic regulatory body, should also strongly consider hitting the reset button on this issue moving forward in light of the reliability concerns, the sheer size of sunk costs (billions in invested dollars) and obvious uncertainty surrounding the saving assumptions associated with future MEEIA programs.

Customers have paid, are continuing to pay, and will pay well into the future for the hardware AMI meters, the customer portal software licenses, and the private 4G fiber network infrastructure to support TOU rates. Absent more aggressive TOU rates with viable choices for customers I cannot fathom how benefits will ever come close to approaching the costs imposed on ratepayers for this expensive investment.

Multiple studies by different 3rd party analysts have estimated savings that are significantly greater than anything hoped to be obtained through Evergy's MEEIA application. Price signals matter and I believe they matter a great deal more than the excessive costs and regulatory mental gymnastics that are periodically undertaken to justify MEEIA.

Q. Putting aside "what we could have" for a moment, will the current TOU rates impact Evergy's MEEIA application?

A. Not at a material level today given the vast majority of customers are on rate design plans with such small differentials, but it should be a viable concern in future EM&V cases assuming Missouri has not abandoned the idea of getting benefits out of those investments.

Q. Should the Commission approve this application even though there is no deferred supply-side investment under the pretense that load is expected to increase?

A. No. That would be an imprudent use of ratepayer funds. The Commission would be better served to let the market work (along with the federal subsidies) and price electricity closer to the cost of service and focus on building generation. The Commission can then promote DSM by enabling stakeholders to evolve DSM into a state-wide program like other states (Massachusetts, Wisconsin, Northwest Energy Efficiency Alliance, etc…) that have recognized that having multiple individual programs are duplicative and cost prohibitive.

As presently filed, this application would effectively throw good money at actions that either won't produce the expected energy or demand savings, or will occur naturally due to federal subsidies, local enforcement codes, and increased efficiency standards. Collectively, this means that the self-imposed energy savings targets Evergy has put forward are going to be met regardless of whether or not Evergy has an approved MEEIA.

IV. RESPONSE TO EVERGY

Q. Evergy witness Cody VandeVelde states "that absent accredited capacity via MEEIA programs, Evergy would be forecasting higher levels of investment to construct new generating capacity." Do you agree?

A. In part. Evergy can claim accredited capacity from demand response programs, but those programs do not need to be a part of a MEEIA construct. Furthermore, I am not conceptually contesting ratepayers sponsoring business and residential demand response programs in this case.

I strongly recommend that future residential demand response programs utilize existing investments (past thermostats) or allow customers to participate on a "bring your own thermostat" basis. Additionally, future business demand response programs need to consider seasonal events. My support of the demand response programs is predicated on this being a temporary approval as the most cost-effective way to address demand response moving forward until free market alternatives (in the form of aggregators of retail customers—"ARCs") materialize.

Q. Evergy witness Gunn claims that Staff and OPC's position runs counter to past program success and that adoption of this position would necessarily mean that "the Commission has had it all wrong the past 10 years." Do you agree?

A. No. Mr. Gunn has clearly not been involved in a MEEIA docket prior to this setting.

First, my position regarding Evergy's present application is just that—a reflection of Evergy's present application. Whether past Evergy MEEIA Cycles were in the public interest or not is up for debate, but not ultimately germane to the issue at hand.

Second, the Commission is an independent, fact-finding, economic regulatory body. The Commission make-up, timing, circumstances, and applications are entirely different and should be treated as such. As stated earlier, we are not an EERS state. The MEEIA applications should be able to be approved or rejected based on the merits of the application itself, accounting for the problem it is attempting to solve, with consideration for alternative options (including doing nothing), not based on an isolated example without context. I am confident in my analysis of Evergy's application, all of the observed shortfalls, as well as the examples of inefficient wasted use of captive ratepayers' finite money. I stand by my recommendations to reject Evergy's filed application. The fact that the Commission approved a different MEEIA application four years ago is not relevant to the problem we are attempting to address today. If either the Company or the Commission want to cross me on the stand on the relevance, and more importantly, the context of what took place with Evergy's MEEIA Cycle III, I will be more than happy to opine for the record, but at this point, it is largely an unnecessary distraction.

Third, the Commission has denied applications before (see Ameren Missouri MEEIA Cycle II) and has proactively changed its codified MEEIA rules to address the fact that MEEIA needs to evolve to remain in the public interest. Furthermore, the Commission has approved applications that have looked wholly different from the original application based on lessons learned as well as the circumstances and problems MEEIA was attempting to solve at the time. To suggest that MEEIA is above reproach is clearly wrong and runs counter to history.

Q. Evergy witness Gunn claims that there are significant checks and balances in place throughout the EM&V process to assuage any parties' concerns. Do you agree?

A. Again, Mr. Gunn has clearly not been involved in a MEEIA docket prior to this setting. The EM&V process in Missouri has undergone many different iterations and contested dockets.

To the extent that EM&V has become a less litigated issue over time is more of a reflection of stipulation and agreements that parties have entered into to minimize the uncertainty surrounding EM&V and its contentious challenges.

More germane to the issue at hand, if the Commission approves Evergy's application without any EM&V guidance, it will be a litigated issue moving forward. That is, unless Evergy agrees that EM&V should be undertaken by one evaluator contracted by the Commission and that operational inefficiencies, the rebound effect, principal-agent challenges, and IRA attribution impacts all be considered in setting the net-to-gross ratio. Absent any directive from the Commission, I struggle to see how Mr. Gunn's "check and balance" philosophy of the EM&V process will play out in any manner that does not result in parties taking this application back to the Commission as a contested case.

Q. Evergy witness Gunn claims that Staff's throughput disincentive mechanism or "decoupling" penalizes the utility. Do you agree?

A. No. Staff's mechanism should make the utility indifferent to supporting MEEIA. The earnings opportunity is supposed to entice the utility to move forward with supporting programs, not the throughput disincentive. Again, Mr. Gunn is wrong.

Q. Evergy witness File claims that that the IRA tax breaks should be included as a benefit to customers and reflected in the total resource cost ("TRC") test. What is your response?

A. The 2001 California Standard Practice Manual (or the energy efficiency cost-effective test manual) does recommend that the TRC include tax incentives as a benefit in its calculation stating:

> Any tax credits are considered a reduction to costs in this test [TRC].[15]

[15] California Public Utilities Commission (2001) California Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects. P. 18 https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_public_website/content/utilities_and_industries/energy_-_electricity_and_natural_gas/cpuc-standard-practice-manual.pdf

However, context needs to be considered with this twenty-three-year-old document from California.

In 2001, there were no federal tax breaks for energy efficiency measures.[16] As drafted, this condition applied only to the State of California who: (1) elected to subsidize energy efficiency adoption through taxpayer returns and (2) mandated utilities meet certain energy and demand savings targets by implementing an energy efficiency resource standard.

Additionally, the California Standard's Manual is not uniformly adopted across the United States. States are free to modify the tests to meet various policy initiatives. Which is to say that the manual is not doctrine. At best, it provides a theoretical lens for how to value energy efficiency investments from multiple different perspectives.[17] States have and will continue to exercise discretion in the inputs that are included.

Q. What should the Commission note about the tax incentives in Evergy's cost-effective calculations?

A. With the caveat that I disagree and place very little stock in Evergy's TRC calculations, it is worth noting that many of Evergy's measures would not be cost-effective under the Company's own calculation if tax incentives were removed from the cost/benefit calculation. Putting that aside for a moment, the more relevant question to ponder is on the issue of attribution. If customers can get generous tax breaks and/or additional rebate

[16] The Energy Policy Act of 2005 first established the energy efficiency tax credits that were effective in 2006 & 2007. The majority of these tax credits were for 10% of the cost, up to $500. On October 3, 2008 former President Bush signed the Emergency Economic Stabilization Act of 2008 (also known as the "Bailout Bill") to put many of the tax credits back in place for 2009, and increased the credit to 30%, up to $1,500. On February 17, 2009 former President Obama signed into law the American Recovery and Reinvestment Act of 2009 (also known as the "Stimulus Bill") which among other changes extended the tax credits to 2010. In August of 2022, President Biden signed into law the Inflation Reduction Act of 2022 allowing homeowners to save up to $3,200 annually on taxes for energy efficiency upgrades.
EnergyStar (2024) Tax Credit Information. https://www.energystar.gov/about/federal-tax-credits/tax-credit-information

[17] Roe, H. (2021) Analysis of State Approaches to Cost-Effectiveness Testing. Efficiency Vermont. https://www.efficiencyvermont.com/Media/Default/docs/white-papers/Analaysis_of_State_Approaches_to_Cost-Effectiveness_Testing.pdf

amounts through the Missouri Division of Energy, how confident can regulators be in attributing any of the energy savings to Evergy? Add the additional hurdle that the market is largely saturated with efficient equipment to begin with, and I struggle to see how Evergy's MEEIA application is helping anyone but Evergy's management and shareholders who have zero skin in the game.

Q. What was Evergy's response to your ARC testimony?

A. Mr. File claims that my interpretation of benefits produced by a third-party aggregator ignores the benefits that Evergy can claim by keeping the business demand response program in MEEIA. Mr. File states:

> 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 but would still receive the benefit of a lower clearing price (in theory)." 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.[18]

Q. Is the primary benefit of business demand response programs the avoided capacity investment?

A. For the moment it is.

That being said, there should be no reason why a market alternative could not support business demand response without ratepayer subsidies, as this is literally what is occurring throughout the United States.

[18] Case Nos. EO-2023-0369/0370 Rebuttal Testimony of Brian A. File p. 22, 10-19.

Q. Does that mean you do not support the demand response programs put forward in this case?

A. The present circumstances are such that I am begrudgingly supporting a temporary business demand response program. I believe three things need to materially change before I move off of that position. First, FERC 2222 needs to be enforced at the Regional Transmission Organization ("RTO") level. Second, the Southwest Power Pool ("SPP") needs to modify its market rules to make market alternative resource options attractive. This may very well require the creation of a capacity market in the SPP. Finally, Missouri needs to encourage third-party ARC's to be active in cases before the Commission. A simple way to accomplish this would be to allow ARCs the ability to intervene in cases before the Commission. Absent those three requirements, I support some form of business demand response subsidized by ratepayers as a least cost option due to Evergy's inability to maintain enough generation to meets its expected load.

Q. Evergy witness File largely dismisses your principal-agent concerns surrounding HVAC contractors because you do not have Evergy-specific data to substantiate your claims. What is your response?

A. I provided copious amounts of evidence that the principal-agent challenge is both real and very present in the world of home appliance adoption. This is a well-documented phenomenon across industries and disciplines. To suggest that the greater Kansas City area is immune to this problem is a novel argument that raises more questions than answers. Such as, what is Evergy doing that the rest of the country has not been able to figure out?

Q. Evergy witness File also claims there are processes in place to minimize this potential concern. Do you agree?

A. I agree that there is a process, but I disagree that the process guarantees my concerns will be addressed.

Q. What is your recommendation then?

A. If the Commission approves Evergy's application in any form that requires retrospective EM&V, the approval should be contingent on the principal-agent challenge (as well as the rebound effect, operational inefficiencies and the interplay with tax and rebates associated with IRA) being a specific element for consideration in determining the net-to-gross ratio based on real empirical data collected from Evergy participants through randomized energy and performance/installation audits.

V. RESPONSE TO STAFF

Q. Staff witness Brad Fortson suggests that no earnings opportunity is appropriate because there is no foregone earnings opportunity. Any amount awarded to the utility would necessarily be considered over-earning. Do you agree?

A. There are several things to consider in my response.

First, I believe that Evergy has a perverse incentive to have the lowest targets possible that result in the highest return in profit. This is why MEEIA applications will forever only be at "realistic achievable potential" (or "RAP") levels.

If Evergy would have proposed a $2 billion dollar MEEIA investment with the stated purpose of deferring a large power plant *and* the Company had some skin-in-the-game if that investment did not materialize as hoped, then I would agree that the Company is taking demand-side management seriously and valuing it on an equivalent level as its supply-side investment.

But that will never happen and, quite frankly, I don't believe that can be achieved under the current market saturation of energy efficient appliances and unique increases in demand (e.g., data centers).

What we ("Evergy ratepayers") get, is a nominal level of targeted savings that is roughly in line with naturally occurring savings that would occur regardless of MEEIA. Additionally, every year that efficiency standards are in place or increased the naturally occurring savings will become more pronounced moving forward. This of course calls into question the long-term viability of MEEIA, at least as it is presently constructed (e.g., rebates for efficient measures when only efficient measures exist).

Simply put, Evergy should withdraw their application and rethink what role DSM plays moving forward. For my part, I have been attempting to get the Company to think that way for some time now. The clearest example I can give is my continued challenge to the Company to look at mitigation strategies related to the Urban Heat Island occurring in the Greater Kansas City metropolitan area. Absent the Commission rejecting this application as not being in the public interest I fail to see how we ratepayers elicit financial benefits from this cost and time-intensive endeavor.

Second, Evergy is not deferring any supply-side investment. I struggle conceptually how to reward a utility for actions that it is not causing. Therefore, I recommend that the Commission reject the application. The issue of whether or not to award an earnings opportunity is mute if the application does not accomplish what it purports to do.

That being said, I could get behind some sort of temporary earnings opportunity for a well-designed demand response program on a limited basis that includes seasonal dispatch. I also do not believe or recommend such a one-off program be approved under the MEEIA construct.

Third, to the extent the Commission elects to move forward with anything Evergy has put forward in this application, it is incumbent that the Company's earnings be tied to tangible capital expenditures in much the same way as how the Commission values an earnings opportunity for supply-side investment. In rewarding a profit on a natural gas plant, the Company does not earn a return on the fuel or maintenance. Likewise, Evergy should not earn a return on administrative overhead. The fact that parties (myself included) have not caught this earlier is a tragic mistake that has overvalued energy efficiency and improperly awarded Evergy management/shareholders at the expense of the public interest. Moving forward, this adjustment needs to be made.

V. CONCLUSION

Q. Can you provide some closing macro-level thoughts on how the Commission should approach this docket moving forward?

A. Sure. At various points in my three rounds of testimony I have raised the question of "what problem are we solving for?" The testimony in this case includes many different answers that often undercut one another. At a macro-level, I would argue that it may be helpful to view the application through a political lens. I would argue that there are three ways to do that:

- The Market Lens: Under this perspective no MEEIA is necessary. The market is saturated with energy efficient options that are only getting more efficient with each subsequent revised standard. The naturally occurring energy efficiency is now and will continue to be in a constant state of more efficient measures moving forward and all ratepayers are better off by not having to subsidize the Company's earnings for actions that would happen anyway. This perspective would also not be regressive as no effective "tax" (in the form of a MEEIA surcharge) would be leveled at income-strapped households that are currently subsidizing efficient households.
- The Government Lens: Under this perspective DSM would aggressively be pushed by mandating efficiency across households. The government could buy all of the EnergyStar appliances in bulk (with huge savings) and we could distribute these measures uniformly at significant cost savings to customers, along with significant cost savings for implementation. We could be much more certain about energy and demand savings through a uniformed, controlled manner, but it would come at the expense of market innovations and progress.

- The Hybrid (or MEEIA) lens: I would argue that this is the worst of the three options. We charge the one actor who has a perverse incentive to encourage consumption—the utility—with the task of determining what an appropriate energy/demand savings target is, how much money they need, and how much money they should be rewarded. We do this while the market moves forward with naturally-occurring energy efficiency and the government is promoting codes and standards and also giving out its own direct rebates and tax breaks. Then we charge the utility with hiring a 3rd party evaluator to calculate the counter-factual of who is responsible for energy and demand savings. All the while, the utility has zero skin in the game in terms of risk and, instead, has all upside.

  What you get is a portfolio that spends more than half of its program budget on administrative overhead and has the same "realistic" targets every year that more or less align with naturally-occurring energy savings. The utility justifies the program by saying it's cost-effective, which it deduces by leaving most of the costs out of the calculation (e.g., lost revenues, earnings opportunity) and overstating the savings assumptions (no rebound effect, minimize free ridership claims, and don't investigate operational inefficiencies or principal agent losses).

Q. Could you provide an illustrative breakdown of what you just said in that last paragraph?

A. I will attempt to do that, with the caveat that these numbers are rough approximations and based on my professional experience. Tables 2-4 provide a breakdown of costs associated with this application and account for conservative estimates for free ridership, operational losses, and principal-agent losses.

Table 2: <u>Estimated all-in costs assuming full earnings opportunity is met, and lost revenues are the average of Evergy's last two cycles</u>

Program Costs	$213M
Lost Revenues (MEEIA cycle 2 & 3 average)	$57M
Earnings Opportunity	$40M
Total cost to ratepayers	**$310M**

Table 3: <u>Evergy's program costs broken down by estimated administrative overhead and actual incentives paid out</u>

Total Program Costs	$213M
Administrative overhead (59% of total) • Based on historical performance[19]	($125.6M) 41% of $213
Remaining balance for incentives (rebates)	$87.3M

Table 4: <u>Evergy's program costs filtered by additional layers of conservatively estimated inefficiencies to express estimated incentive amount actually spent</u>

Total Potentially Spent on Energy Efficiency Measures	$87.3M
Rebound Effect (10%) • Based on ACEEE estimates	10% of $87.3M ($8.73M)
Operational inefficiencies (15%)	15% of $87.3M

[19] See GM-1 for excerpts from Staff's Report in the Second Prudence Review of Cycle 3 Costs in Case Nos. EO-2023-0407 & 0408.

• Based on DOE estimates for filters (but would also apply to duct work, etc…)	($13.1M)
Principal-Agent losses (5%) • My own professional, conservative estimate for illustrative purposes	5% of $87.3M ($4.4M)
Free ridership (15%) • Based on historical performance and not estimates associated with federal funding via IRA	15% of $87.3M ($13.1M)
Estimated MEEIA funds that are being used as designed behind very conservative estimates	**$87.3M-$8.73M-$13.1M-$4.4M-$13.1M** **$39.3M**

Q. What should the Commission take away from these three tables?

A. Ratepayers will be charged approximately $8 to give away $1 in incentives.

This is a textbook example of regulatory failure.

Q. Could you expound on that statement?

A. Yes, with the caveat that these are professional estimates over an unknown future and that there is likely some degree of double-counting inherent in Table 9, I would argue that Evergy's portfolio assuming full spend, full profit (not an unsafe assumption), and an average amount of lost revenues based on the last two cycles will cost ratepayers $310M. Of that amount, only $39.3M (under generous assumptions) could be said to be funds spent directly on measures that would not otherwise have happened but for Evergy's MEEIA portfolio. Restated, all ratepayers (minus opt-out) will have to spend approximately $8 for some select Evergy customers to receive approximately $1 in rebate savings. Keep in mind, Evergy is effectively saying that the savings achieved from the $39.3M in actual spend will offset the $310M they would then recover from ratepayers.

This should give everyone pause. At a minimum, under these assumptions the $39.3M will need to do some extraordinary heavy lifting to translate into financial savings that will collectively lower everyone's utility bills.

Q. Do you have reason to believe that the $33M is likely overstated in your hypothetical?

A. Most definitely. Even if I am 100% accurate in my assumptions, the Commission needs to consider that the $39.3M that I calculated would be attributable to Evergy's MEEIA includes many different types of measures. Some of those measures are going to have more energy and demand savings then others. This is above and beyond the fact that I believe free ridership numbers will be significantly greater than the assumed historical 15% that I used in my calculation. As stated earlier, this is because Evergy's rebates will effectively be competing against larger rebates and tax breaks from the federal government.

Q. Do you have any final recommendations to make?

A. My position is not to approve the application as drafted.

I have also offered up an entirely different two-year alternative option for the Commission's consideration. I believe this alternative achieves the intent of the MEEIA statute, § 393.1075 RSMo and is much more aligned with the public interest than what Evergy proposes. The alternative option was originally proposed in my rebuttal testimony, but I have made some slight modifications based on feedback I received since that testimony was filed.

Q. What does your modified alternative plan consist of?

A. My recommendation for a two-year MEEIA-light portfolio is broken down in Table 5.

1 Table 5: Two-year $100M Alternative MEEIA-Light Portfolio

Program	Annual Budget	Rationale/Description	Earnings Opportunity
Income-Eligible Multi-family	$5 M	The single-most underserved and overlooked demographic	½ of the currently approved ROE % basis based on incentive[20] spend
Modified Residential PAYS Includes FastPass Option[21]	$5 M	The only residential program that provides a closed-loop opportunity to verify the most efficient savings	½ of the currently approved ROE % basis based on incentive spend
Business Demand Response	$9 M	The most cost-effective program	Based on number and size of events called consistent with the one-year extension
Residential Demand Response	$5 M	The second most cost-effective program assuming no further rebated investment	Based on number and size of events called consistent with the one-year extension
Business Standard, Non-Lighting	$5 M	A straightforward obligatory business program that only rebates building shell and heating/cooling measures	½ of the currently approved ROE % basis based on incentive spend

[20] Incentive refers specifically to direct payments to customers (e.g., demand response) or through rebates for tangible energy efficient measures (e.g., energy efficiency programs).

[21] The amount of HVAC rebates only account for a small portion of the increased cost of higher efficiency options and represent a fraction of the increased costs for smarter HVAC systems with demand side management capabilities. HVAC systems in the country are largely only changed out when people are forced to replace their failed unit. Simply said, what stand-alone HVAC rebate programs unintentionally do is allow rate payer subsidized money to be used to reward those who have the luxury of choosing the much more efficient and expensive option when facing what, for the vast majority of ratepayers, is an already financially difficult circumstance. The PAYS FastPass Program, as articulated in my rebuttal testimony attachment is an attempt to address that issue.

Urban Heat Island	$1M	Help secure long-term funding	½ of the currently approved ROE % basis based on spend

Q. What other details do you believe are pertinent to this proposal?

A. I recommend that administrative overhead not exceed 20% for all programs minus PAYS, which I would cap at 35% given the complexity and long-term design. I also would recommend that PAYS undertake a FastPass Option. Regarding the throughput disincentive, I am inclined to support Staff's position. I also recommend that no EM&V be conducted, and that Evergy agree to work with stakeholders over the next two years to formulate a state-wide MEEIA program (which would likely require statutory changes) similar to the State of Massachusetts or Wisconsin with the goal of aligning all of our investor-owned utilities and potentially even the co-operatives and municipals to the extent they want to participate. Finally, the earnings opportunity should be tied to incentives and not overall spend given the statutory directive to value demand-side on an equivalent basis as supply-side investment. Tying the EO to half of the Company's authorized ROE recognizes that shareholders are putting up zero capital, face zero risks but are still statutorily entitled some amount of an earnings for an approved MEEIA.

Q. Does this conclude your testimony?

A. Yes.

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	))))	Case 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	))))	Case No. EO-2023-0370

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Chief Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Geoff Marke
Chief Economist

Subscribed and sworn to me this 19th day of August 2024.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121

Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2027.