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| Exhibit No.: | |
| Issue: | MEEIA Programs |
| Witness: | Kevin D. Gunn |
| Type of Exhibit: | Surrebuttal Testimony |
| Sponsoring Party: | Evergy Missouri Metro and Evergy Missouri West |
| Case No.: | EO-2023-0369/0370 |
| Date Testimony Prepared: | August 20, 2024 |

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NOS.: EO-2023-0369/0370**

# SURREBUTTAL TESTIMONY

# OF

# KEVIN D. GUNN

# ON BEHALF OF

# EVERGY MISSOURI METRO AND EVERGY MISSOURI WEST

**Kansas City, Missouri**
**August 2024**

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**SURREBUTTAL TESTIMONY**

**OF**

**KEVIN D. GUNN**

**Case No. EO-2023-0369/0370**

## I. INTRODUCTION

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

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

**Q: Are you the same Kevin D. Gunn who filed direct testimony in these dockets on April 29, 2024, and rebuttal testimony on July 9, 2024?**

A: Yes.

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

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

## II. OVERVIEW

**Q: What is the purpose of your surrebuttal testimony?**

A: The purpose of my testimony is to respond to the rebuttal testimony of several Staff witnesses including Brad Fortson, Sarah Lange, and Jordan Hull, J Luebbert, as well as to Office of Public Counsel ("OPC") witness Geoff Marke and Renew Missouri witness Emily Piontek. I will address a variety of issues raised by those witnesses, and provide support for why those arguments do not have merit and the why the Company's Missouri Energy Efficiency Investment Act ("MEEIA") Cycle

4 proposal is a benefit to customers and should be approved. While I believe the evidence in this case will demonstrate that we have met the burden for our application and programs to be approved, and that the questions raised by the Commission in the August 7, 2024, MPSC Agenda meeting have been and can be addressed by our witnesses in this case, should the Commission not agree with my conclusions, I respond to the Commissioner discussion during the August 7, 2024, MPSC Agenda meeting and offer a responsive alternative path forward on the Company's MEEIA 4 proposal.

**Q: What is your overall reaction to the rebuttal testimony of Staff and OPC?**

A: Staff and OPC have apparently decided that utility sponsored energy efficiency programs should no longer exist. They generally assert that every aspect of the Company's MEEIA 4 application is problematic and untenable. They suggest the time for MEEIA has passed[1][2] the construct as it exists no longer works, the MEEIA 4 proposal does not benefit all customers in a customer class, statutes now prohibit parts of the MEEIA construct, the throughput disincentive mechanism is broken and it is doubtful the programs ever provided the stated value in previous cycle. Staff goes on to state a more appropriate alternative which is akin to

[1] EO-2023-0369/0370, Marke Rebuttal, p. 55.
[2] EO-2023-0369/0370, Lange Direct, pp. 37-40.

residential decoupling. I have previously addressed each of these claims in my direct and rebuttal testimony.

**Q: Please provide a high-level reaction to Staff and OPC's issues.**

A: Staff and OPC's numerous allegations regarding Evergy's MEEIA 4 proposal amounts to an effort to block the use of demand side programs as envisioned by state policy codified in the MEEIA statute and prior Commission precedent. The MEEIA statute and prior Commission Orders are clear that Demand Side Management ("DSM") programs and the mechanisms like the ones proposed in this filing are consistent with state policy. I would note that the majority of the arguments made by Staff and OPC in this docket are not unique to the Evergy proposal, but are also made in the Ameren MEEIA 4 File No. EO-2023-0136 docket. As I also previously stated in testimony, many of the issues raised by Staff and OPC have existed in previous MEEIA cycles which were approved by the Commission. In addition, our MEEIA 4 application is very similar to previous programs that have been approved by the Commission. I will show why these claims by Staff and OPC should be discounted by the Commission.

## III. RESPONSE TO AUGUST 7, 2024 COMMISSION AGENDA DISCUSSION

**Q: Did you listen to the Commissioner discussion of File No. EO-2023-0136 regarding Ameren's MEEIA 4 proposal?**

A: Yes.

**Q: What are your takeaways from that discussion?**

A: While there are certainly differences between the Company's MEEIA 4 proposal and Ameren's MEEIA 4 proposal, many of the contested issues raised by Staff and

OPC in the Ameren case are similar or the same in this case. The Company understands that although there is not yet an Order issued in the Ameren case, through the comments made during this Agenda meeting the Commission appears to have endorsed positions similar to those raised by Staff and OPC. As such, I interpret that many of the Commissioner comments would also be applicable to Evergy and this case.

**Q: What is the Company's response to the feedback offered by Commissioners?**

A: First, the Company believes that with the appropriate framework such that the MEEIA legislation and Commission MEEIA rules provide, and that the Company has offered for well over a decade now as approved by the Commission, demand side management programs such as demand response and energy efficiency can be important tools in the State's resource adequacy toolbox. Our application reflects the importance of these programs toward us meeting the capacity and energy needs of our customers as detailed in our Integrated Resource Plan. Demand Side Management programs can be more flexible and scalable resources than traditional supply side generation, the dollars associated with implementing these programs are all local spend in our communities and with our customers, and these programs give individual customers tools to help control and reduce their bills. We strongly disagree with many of the claims made by Staff and OPC, and my Surrebuttal testimony endeavors to address the issues raised by the parties and discussed by Commissioners at the Agenda meeting.

That being said, we did clearly hear the Commissioners' concerns with the size and scope of the programs, particularly with energy efficiency programs and some questions around their need with the federal funding that may be available for some measures at some point in the future.

In an effort to find common ground that would resolve the issues in the public interest, I attach Schedule KG-1 which contains an approach that Evergy finds acceptable and, if accepted by the Commission, would be responsive to issues we heard discussed during the Agenda discussion and allow MEEIA 4 to go forward. This alternative is substantially scaled back from what Evergy's customers have had available to them for over a decade. That said, it addresses more pointedly the Commissioners' indicated areas of concern and approval of this alternative would allow the Company, the Commission and stakeholders to continue to have meaningful discussions regarding the future of demand response in Missouri while maintaining important but limited and targeted energy efficiency and more importantly meaningful demand response critical to the Company's resource planning. For example, the alternative proposal includes a four-year program for business and residential demand response programs that the Company needs to help meet customer demand, with the earnings opportunity using AMI data to verify demand response results based on actual annual reductions. In addition, the proposal significantly reduces the overall energy efficiency programs and targets benefits for low-income customers. The scaled back energy efficiency programs also correspondingly reduce the throughput disincentive dollars associated with such programs. The Company is proposing a modified on-bill financing program which provides a similar service as PAYS while attempting to address some of the barriers and challenges experienced with the specific PAYS program to date. While the proposal still presents some challenges to Evergy's future capacity needs, the Company believes it is an acceptable alternative to the original MEEIA 4 proposal in light of concerns expressed by the Commissioners.

**Q. If Evergy is making an alternative proposal, what is the purpose of further testimony on the original proposal?**

A. Fundamentally, Evergy believes that all of the programs proposed in its original application meet both the letter and the spirit of the MEEIA statute and Commission rules. They are cost effective, provide real benefits to ratepayers and appropriately defer investments in supply side capacity resources. Therefore, we think it is important to demonstrate that many of Staff's and OPC's arguments should not be adopted by the Commission. So, we are providing testimony that directly address those arguments that the Company believes are inaccurate and potentially misleading. However, Evergy understands the concerns of the Commission and is comfortable with the Commission adopting the Company's alternative proposal as outlined above.

## IV. THE EVERGY PROPOSED MEEIA 4 PROGRAMS ARE COST EFFECTIVE

**Q: How do you respond to the claim that the programs are not cost effective, and the cost of programs to customers outweigh the net savings of the proposed programs?**

A: First, Evergy's proposed MEEIA Cycle 4 DSM portfolio will generate an anticipated $296.7 million[3] in net present value of net benefits for customers and

[3] Net Present Value of TRC benefits for the four-year program implementation for both jurisdictions combined. Net Present Value of $112.0 for MO Metro and $184.7 million for MO West.

shows a cost-effective ratio of 2.89[4] under the Total Resource Cost Test ("TRC"). That demonstrates real benefits to customers and, in reality, customers are spending only pennies for the potential to save dollars with MEEIA.

The MEEIA statute states: "The commission shall consider the total resource cost test a preferred cost-effectiveness test."[5] The statute provides a goal of achieving all cost-effective demand-side savings, and it defines that goal specifically in terms of the TRC as the primary means of determining cost effectiveness.[6] The TRC of 2.89 demonstrates the benefits of the Plan exceed the costs.[7] Under the Commission rules 20 CSR 4240-20.094(4)(I), the Commission "shall consider the TRC test a preferred cost-effective test" and "[f]or demand-side programs and program plans that have a TRC test greater than one (1), the [C]omission shall approve demand-side programs or program plans, budgets, and demand and energy savings targets for each demand-side program it approves, provided it finds that the utility has met the filing and submission requirements of this rule and demand-side programs - 1. Are consistent with a goal of achieving all cost-effective demand-side savings; 2. Have reliable evaluation, measurement, and verification plans; and 3. Are included in the electric utility’s preferred plan or have been analyzed through the integration process required by 4 CSR 240-22.060 to determine the impact of the demand-side programs and program plans on the net present value of revenue requirements of the electric utility."[8] The TRC is the

[4] The TRC ratio is 2.46 for Evergy Missouri Metro and 3.32 for Evergy Missouri West.
[5] Section 393.1075(4), RSMo.
[6] Id.
[7] Per MEEIA rules Low-income programs, such as Hard-to-Reach Homes and Pilots programs, do not have to meet a benefit-to-cost ratio greater than 1.0.

[8] 20 CSR 4240-20.094(4)(I).

preferred cost effectiveness test for a reason – benefits are real and reduces revenue requirements over time. The fact that the portfolio is cost-effective means that it is providing total net benefits to all customers. Accordingly, the Commission should approve the programs since the MEEIA Cycle 4 Plan portfolio meets the requirements under the Commission's rules.

Second, the Integrated Resource Plan ("IRP") further evaluates and compares demand-side programs on an equivalent basis to supply-side and renewable resources. It does this by using the minimization of the net present value revenue requirement ("NPVRR") of long-run utility costs as the primary selection criteria, which serves the public interest and results in efficient and reasonable rates. These cost-effectiveness metrics of the TRC — in concert with the rigor of the IRP minimization of NPVRR — demonstrate how all customers save money in the long run by investing in energy efficiency as opposed to other supply-side resource choices necessary in the future to meet electricity demand.

Third, our planned DSM cumulative MEEIA 4 savings achieved as a percent of retail sales is approximately 2.13% and 2.25% for MO Metro and MO West, respectively. These figures highlight Evergy's continued progress towards reducing total energy usage for customers to better manage bills as outlined in the MEEIA rules.

**Q: Even if proposed programs pass the TRC on the front end, Staff witness Fortson claims that Evaluation, Measurement & Verification ("EM&V") from Cycle 3 show many programs were not cost effective and ended up costing the ratepayers more money, citing an example that the TRC test for the EMM Business Custom program from 2020 – 2023 was never above one, meaning that program only cost ratepayers and never benefited them.[9] How do you respond?**

A: First, Mr. Fortson's quote is misleading as a program scoring below a TRC of 1.0 doesn't mean that "it only cost ratepayers and never benefitted them"[10]. It actually means that a program, considering all the costs and benefits associated with that specific test, showed the costs to be larger than the benefits, but as long as the score isn't zero which it wasn't in this specific case, there were still demonstrated benefits to the customer. In fact, there are specific terms in the MEEIA statute that say[11] customers can fund the remaining portion of the costs above and beyond what would be cost effective if they so choose. This can happen if there are other benefits to the customer that are not captured in the TRC test, like improved working conditions, health considerations and environmental reasons among others. Company witness File will expand more on the specifics of how the TRC test results were a function of, among other things, a point in time in the industry as it relates to incremental costs of equipment impacted due to inflation and supply chain

[9] EO-2023-0369/0370, Fortson Rebuttal, pp. 21-22.
[10] Id. at 21.
[11] 393.1075 RSMo – 4. "Nothing herein shall preclude the approval of demand-side programs that do not meet the test if the costs of the program above the level determined to be cost-effective are funded by the customers participating in the program..."

issues. Second, when MEEIA was passed, it was expected that this would happen with some programs. MEEIA was designed to be iterative, so utilities could learn from the programs and adjust on an ongoing basis. That is part of the reason why there are no penalties associated with MEEIA, only incentives.

**Q: Staff has pointed out that a MEEIA Cycle is only 4 years and the Company models for MEEIA savings over the 20-year horizon, and to achieve those savings might take multiple MEEIA cycles.[12] Wouldn't this make MEEIA an extreme cost when compared to the cost of new generation which can be depreciated over the life of the plant which is a far longer than a MEEIA Cycle?**

A: No. First of all, the recovery associated with a MEEIA cycle or programs is front loaded over the four-year cycle, which means the funds are ready to redeploy to future MEEIA programs. It might appear to be expensive for four years, but certain energy efficiency programs have an average measure life that are much longer than the four-year run of the program, and as a result the benefits and demand reduction extend well beyond the four years where the costs are recovered. As additional future MEEIA Cycles are put into place, the benefits associated with those future programs are pancaking on top of the benefits from previously paid energy efficiency programs. Company witness File illustrates an example of this in his surrebuttal testimony which shows over the past 10 years about 75% of all demand savings are associated with energy efficiency programs because of this point.

[12] EO-2023-0369/0370, Fortson Rebuttal, pp. 9-10.

This is also true for our residential demand response programs, such as thermostats. The measure life of the ability to get performance over the thermostat itself is a lot longer than one year. For the Business Demand Response ("BDR") program, the annual cost is for the annual participation and what it delivers for what it delivers that year.

Furthermore, because of the longer measure life of benefits that are in the energy efficiency programs, when the IRP models twenty years of MEEIA related costs as inputs into the modeling, the 20-year window considered for the IRP does not capture all the future year benefits, and therefore truncates the benefits associated with the MEEIA programs. Even so, the IRP has repeatedly chosen MEEIA programs as part of the preferred plan because they help reduce the overall NPVRR.

Finally, as described by Company witness Cody VandeVelde, when modeling for the impact of MEEIA programs in the IRP, an annual amount for both the program costs and the earnings opportunity are included for each of the 20 years modeled in the IRP. In other words, the IRP assumes that the MEEIA cycle will be renewed beyond the initial four-year cycle and those costs (program related and earnings opportunity) for future cycles are included in the model. With all of these costs included over the 20-year planning horizon, the Company's preferred plan with DSM as part of the portfolio with other supply-side generation has an NPVRR of $250 million below that of the no DSM plan for Evergy Metro, and $307 million below that of the no DSM plan for Evergy Missouri West.[13]

[13] File No. EO-2023-0369/0370, Cody VandeVelde Direct Testimony, pp. 8-9.

## V. ADMINISTRATIVE OVERHEAD COSTS ARE REASONABLE AND APPROPRIATE

**Q: Staff witness Jordan Hull and OPC witness Geoff Marke provide an overview of recent Evergy MEEIA administrative overhead percentage spend and suggests that if the Commission approves a MEEIA Cycle 4, administrative overhead costs should be limited to 20 percent of the total program costs.[14] How do you respond?**

A: It's become clear to me that the discussion of administrative overhead needs to have two foundational concepts understood before any determination of the right level or reasonableness. The first concept is to be clear about how the various organizations and stakeholders in this case are defining administrative costs. The second and just as important concept is to understand the nature of the how much the program administrator is willing to pay to incent the customers for saving which drives comparisons. So, if comparing MEEIA programs and DOE IRA programs costs, you'll find different definitions and significantly different approaches to the amounts of rebate the programs are willing to pay for the same energy savings.

Different organizations aren't using "administrative costs" in the same way (e.g. defining the term exactly the same), so immediately there is not an apples-to-apples comparison. For example, OPC witness Marke suggests that the Company's administrative overhead is at least 43% and, inclusive of education costs, is closer to 62% of the overall budget.[15] Witness Hull seems to be highlighting the administrative cost limits provided to Missouri Division of Energy as part of the

[14] EO-2023-0369/0370, Hull Rebuttal, pp. 3-4; Marke Rebuttal, p. 24.
[15] EO-2023-0369/0370, Marke Rebuttal, fn. 3, p. 5.

Federal DOE IRA program deployment.[16] The definition of the Federal DOE programs administrative costs simply don't match up with how stakeholders are characterizing administrative costs from MEEIA program deployment including definitions of how Evergy has been operating with and having prudence reviews for over 10 years. This definition difference will cause incorrect comparisons. Company Witness File will break down specific examples of the Federal DOE guidance and how it correlates to MEEIA costs.

Second, setting aside the definition differences, it's also very important to understand the approach to the objective of the program, specifically as it relates to incentives and gaining energy savings. What that means is in the case of the DoE IRA funds and Evergy MEEIA funds, the comparison doesn't work because the approach to energy savings is significantly different. This is most evidenced by the fact that the DOE IRA programs will pay for 50-80% of the WHOLE energy project cost while Evergy's MEEIA program pays 50% of the INCREMENTAL cost of just the efficient equipment upgrade. For example, for a residential HVAC upgrade that might cost $5,000 for equipment and installation, a qualified applicant in the DOE program will receive 50-80% of that whole project cost, in the range of an incentive of $2,500 to $4,000. In that same scenario, MEEIA pays 50% of the cost difference of the efficient equipment compared to the code baseline. So, if the more efficient equipment costs $1,000 more than the code baseline unit, Evergy's MEEIA rebate is $500. This of course makes the MEEIA ratio look very different from DOE in total incentives and incentive ratio compared to other costs. Utility

[16] EO-2023-0369/0370, Hull Rebuttal, pp. 3-4.

programs across the industry have always incented on only incremental cost because that's the incremental behavior and savings claimed - moving up in efficiency from the baseline or code levels.

Company witness File addresses this topic of administrative costs and comparison of DOE guidance in more detail but, in short, Evergy expenses to deliver demand side programs are reasonable and appropriate and cost categories have been agreed to by stakeholders specifically in the last two MEEIA Cycle extensions. Furthermore, administrative and all non-incentive costs are included in the TRC cost-benefit test, and the MEEIA Cycle 4 portfolio is shown to be cost-effective under the TRC.

The Company believes that before any type of “cap” or review of administrative costs, all the parties must agree on a standard set of definitions so the percentage of costs can actually be determined. The Company believes that once these definitions are agreed to, the Commission will see that the administrative costs are much lower that either Staff or OPC suggest.

## VI. THE PORTFOLIO OF PROGRAMS ARE EFFECTIVELY MEETING CUSTOMER NEEDS

**Q: How do you respond to claims that some programs in the proposed portfolio are underperforming or less cost effective than other programs?**

A: First, all non-income eligible programs are designed and budgeted to perform and deliver cost effective savings. There are mechanisms in place in the MEEIA rules that discuss how to handle program non cost effectiveness. Evergy continually tries to optimize to programs that deliver the highest impact for the lowest cost and our earnings opportunity incentive structure is aligned that way. With a fixed budget and targets based on megawatt ("MW") and megawatt-hour ("MWh") achieved, while balancing options for all customers, the optimal effort is put to programs that can achieve the most MW and MWh for the dollars allotted.

Additionally, Evergy is in quarterly meetings and formal annual evaluation (EM&V) processes when stakeholders can raise concerns about program performance and effectiveness. There is ample time to discuss potential suggestions to programs and identify areas to improve if programs are underperforming. Customer participation levels may vary by program, and this can be due to a variety of factors, such as program design, communication and level or type of incentives. As such, there can be strategic reasons to keep lower customer participation or lower benefit-to-cost ratio programs in place. For example, a utility conducting a walkthrough energy assessment of a small business by itself will never be cost effective. It is done because typically a small business customer won't take the time to evaluate all the options of cost-effective energy investments and they need that first step done by DSM professionals. Then when presented with cost effective measures, they will go through with the projects. All of those costs are taken into account in our program and portfolio analysis.

That being said, there are a couple examples through the years of programs that have not performed at the level we'd expect. In such cases, we work to identify the barriers and make adjustments to adapt the program and improve performance or discontinue. For example, we discontinued an appliance recycling program in MEEIA Cycle 2 when a recycling vendor went bankrupt and we could not efficiently replace them and maintain program performance. As another example, we implemented Pay As You Save ("PAYS") program in MEEIA 3 to provide on-bill financing for customers to make energy efficiency improvements at their home and it has continually struggled to be cost effective. Company Witness File will explain more about the adjustments we've made to attempt to improve performance, but as evidenced by our MEEIA Cycle 4 proposal, PAYS is not included due to its lack of ability to achieve positive performance in our experience. I would also like to reiterate that since we do not have perfect foresight, we know that some of the programs will underperform. We propose programs that demonstrate real customer benefits, but if customers do not take advantage of these programs or if there is something wrong with the initial design, it is up to the Company to adjust in the next MEEIA cycle or sooner if necessary.

Finally, I would also add that if the Company does not spend the MEEIA investments prudently, the Commission always maintains oversight through the prudency review places the risk on the Company for any imprudent spending.

**Q: How do you respond to the suggestion by OPC witness Marke that Time of Use rates will produce energy and demand savings that dwarf any energy and demand savings achieved from a portfolio of MEEIA programs?**[17]

A: OPC witness Marke does not provide any support for his claim. It's unclear if he is assuming some % of our customers are on a certain mix of all the TOU offerings, but to date, the "one cent low differential" Residential Peak Adjustment rate is the lion's share of the customer base (75%+) and industry studies have shown[18] that

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[17] EO-2023-0369/0370, Marke Rebuttal, pp. 11-12.
[18] https://www.brattle.com/wp-content/uploads/2021/05/17904_a_survey_of_residential_time-of-use_tou_rates.pdf - slide 18

that small of a differential won't drive any meaningful demand changes. In addition, the EM&V process will be able to separately attribute what savings are a result of TOU rates compared to those savings attributable to MEEIA programs. This disaggregation of savings happen as we get more baseline information on customer's usage patterns within the different TOU rates before and after being on the rate as well as implementing energy savings measures.

Furthermore, as I stated in rebuttal testimony, we strongly believe that TOU rates do not take the place of effective DSM programs. With MEEIA, the Company is giving its customers additional tools (like thermostat controls, insulation and efficient equipment) to manage their usage and better take advantage of TOU rates. A rate is a price instrument that can shape behavior but it is best when paired with physical equipment and controls. With over ten years of providing these programs, participation by customers in these programs show they value the ability to better manage their usage and control bills.

## VII. THE MARKET POTENTIAL STUDY STILL SHOWS SIGNIFICANT OPPORTUNITY FOR MEEIA PROGRAMS

**Q: As part of support for OPC witness Marke's suggestion that the time for MEEIA programs as previously supported by the Commission has passed, he points to "diminishing returns" in Evergy's "achievable" energy savings.[19] How do you respond?**

A: While I would say it is true that some of the initial "low-hanging fruit" has been captured from our successful programs through the years, there is still plenty of

[19] EO-2023-0369/0370, Marke Rebuttal, pp. 2-3.

opportunity to drive savings and make a material impact on the Company's IRP and investment decisions. The impact that DSM can make is highlighted by the MEEIA Cycle 4 programs being selected to be included in the 2024 IRP preferred plan for being a cost-effective resource solution for our customers as described by Company witness VandeVelde. In addition, the IRP document contains an entire section on the potential study and what we see as the value for DSM as a long-term resource.

Second, the market potential study is where you determine what's possible and realistic for energy efficiency. As regulations change and efficiency standards increase, our market potential study captures those changes and they are reflected in what the study shows as realistically achievable.

Third, we adapt our programs to account for these changes. Our programs evolve and become more sophisticated as appropriate. For example, our demand response programs were originally exclusively available in the summer months. Following Winter Storm Uri, we changed the program tariffs to allow the ability and flexibility to use the program if needed during the winter months as well. In addition, our programs evolve within Cycles coinciding with the DSM potential for changing efficiency standards and market trends. For example, in MEEIA Cycle 1 programs offered compact florescent light ("CFL") lightbulbs and used heating, ventilation and air conditioning ("HVAC") SEER ratings of 14, but our MEEIA Cycle 3 programs evolved to become more sophisticated as necessary and no longer offered residential light emitting diode ("LED") lighting by the end and required HVAC replacements to have at least a SEER 16 rating. Company witness File describes in his surrebuttal testimony how our MEEIA Cycle 4 proposal builds on updates made from the MEEIA Cycle 3 extension years updates and includes additional updates.

## VIII. FEDERAL FUNDS DO NOT REPLACE THE NEED FOR MEEIA

**Q: Staff witness Kiesling[20] and OPC witness Marke suggest that the federal funding from the Inflation Reduction Act of 2022 ("IRA") in both direct rebates and tax breaks dwarf the amount available to ratepayers through MEEIA, and will create free ridership with the MEEIA Cycle 4 programs. How do you respond?**

A: As Company witness File described in Rebuttal testimony, we believe and the Department of Energy has said[21] that these federal programs are "allowed and encouraged" to complement utility DSM initiatives. There are good benefits to customers for "braiding funds" where federal and utility programs exist to maximize impact.

In addition, some of the federal programs have limitations for who can qualify, while Evergy's MEEIA programs have availability for all Missouri customers to participate. In fact, Evergy put together a table of expected interaction of who can participate and what they can participate in to help visualize the potential opportunities for the program coordination. Company witness File includes this in his surrebuttal testimony along with more detail around the interaction between the rebates available to customers.

[20] EO-2023-0369/0370, Kiesling Rebuttal, pp. 1-4, 7-9; Marke Rebuttal, pp. 23-24, 30, 42,

[21] https://www.energy.gov/scep/home-energy-rebates-frequently-asked-questions (question 11)

Third, there are ways to appropriately account for attrition so MEEIA programs are not claiming savings that may be caused by the federal programs. These discussions are happening nationally and there are different solutions to account for this issue. Just because an issue exists, does not mean it should be viewed as unsolvable. As Company witness File describes in detail, there are frameworks that Missouri can work through to deliver the benefits to customers while appropriately attributing the savings, including our proposal for EM&V to do the determination.

Finally, the assumption exists that customers will naturally take advantage of the IRA. While those involved in the industry know about the benefits of the IRA, it cannot be assumed that every customer will be able to take the maximum benefit from the IRA. In many cases, they will look to Evergy's efficiency programs before they even know what benefits exist under the IRA. This is especially true with more vulnerable populations or specific populations like renters. These groups are much less likely to be able to access information about available federal programs. The Company can act as a trusted partner to these populations, which can not only allow them to access federal programs, but to compliment those programs with appropriate Company programs.

## IX. THE IRP IS MORE THAN JUST A MODELING EXERCISE AND ASSUMPTIONS ARE PART OF ALL RESOURCE DECISIONS

**Q: Is the IRP a dependable planning process or just a modeling exercise based on a bunch of assumptions?**

A: Company witness VandeVelde responds at length to how the IRP is not just a modeling exercise, but is the fundamental vehicle for how the Company evaluates long-term integrated planning. We rely on the IRP's analysis and outputs of the IRP to make our resource decisions – both additions and/or retirements. The Commission has very prescriptive rules which lays out a robust process and structure that we follow.

As part of the Company's 2024 IRP, Evergy set forth its preferred resource plan. The Company's preferred plan is generally aligned with the DSM savings intended to be produced under the MEEIA Cycle 4 Plan. In its IRP, Evergy also developed and analyzed an alternative plan without continued implementation of MEEIA programs. As I previously stated, this shows that including the level of DSM selected in preferred plans has an NPVRR of $250 million below that of the no DSM plan for Evergy Metro, and $307 million below that of the no DSM plan for Evergy Missouri West. Further, as described in more detail by Company witness VandeVelde, Evergy has recently studied an IRP model alternative resource plan that includes specific MEEIA Cycle 4 level of DSM (for years 2025 – 2028, not the full 20-year planning period). These results also show customer savings compared to the no DSM plan in the form of lower 20-year NPVRR – approximately $110 million lower for Metro and approximately $290 million lower for Missouri West.

**Q: Aren't the benefits identified for the MEEIA portfolio based on a lot of assumptions over the 20-year horizon, and can we trust that they will actually materialize?**

A: The IRP by its nature uses many planning assumptions, as is the nature of planning process looking 20 years out into the future. The assumptions utilized for the IRP which includes DSM programs as part of the preferred plan are also relevant and similar for making the decision to invest in a supply side resource. However, I would suggest that investing in a four-year MEEIA program provides more flexibility in the event that long-term forecast assumptions change than the aspects of building and operating a plant resource which, once built, will be in operation for many years. In addition to the value of maintaining flexibility, and fortunately for the Commission, Evergy has a strong history of 10+ years for delivering third party verified energy and demand savings for our customers.

## X. THERE ARE REAL AVOIDED COSTS WITH BOTH ENERGY EFFICIENCY AS WELL AS DEMAND RESPONSE MEEIA PROGRAMS

**Q: Do you agree with Staff that no costs are avoided with Evergy's MEEIA Cycle 4 proposal?[22]**

A: No. Our most recent 2024 IRP triennial filing shows that the combined Evergy Missouri Metro and Evergy Missouri West Preferred Plans outline over 1.6 gigawatts of new generation nameplate capacity additions. Absent the incremental DSM that this MEEIA Cycle 4 plan proposes, Evergy's load would be higher than with MEEIA programs and the Company would need to develop even more supply-side resources than what is outlined in the 2024 IRP preferred plan. These supply side resources may be significantly more expensive for existing ratepayers than the cost of the MEEIA 4 programs.

Company witness VandeVelde provides extensive testimony showing that for years 2025 - 2028 during MEEIA Cycle 4, the IRP RAP+ plan requires about 240 MW less of accredited supply side resource additions for Evergy Missouri

[22] EO-2023-0369/0370, Fortson Rebuttal, pp 6-8.

Metro and 270 MW less of accredited supply side resource additions for Evergy Missouri West, compared to each company's plan with no DSM.[23]

**Q: Do you agree with Staff that the modeling should look at what the benefits are and costs avoided only within the four-year timeframe of MEEIA Cycle 4 as opposed to looking across the 20-year planning horizon?**

A: No. In order to treat demand-side resources economically-equivalently to supply-side resources, as mandated in the Commission's Rule at 20 CSR 4240-22.060(4), Evergy continues to believe that DSM should be studied throughout the full 20-year planning horizon. As I indicated in my Direct testimony, if we are not looking at DSM programs as long-term resources than we should not be doing the MEEIA programs. As we look to add more supply side resources, such as a gas plant or renewables it would not make any sense to only look at them using a four-year planning cycle. The statute tells us to look at these resources in the same way so using the 20-year planning cycle is the most appropriate way of accounting for these resources. Accounting for them on the 20-year cycle doesn't mean that the programs will last for two years, it only means that we are taking them into account through the entire planning cycle.

[23] File No. EO-2023-0369/0370, Cody VandeVelde Direct Testimony, pp. 7-8.

**Q: How do you respond to Staff's claims that the Company did not use the appropriate generation type to calculate the cost-of-new-entry or "CONE" for avoided cost?[24]**

A: The Company's generation type used to determine CONE for avoided costs is appropriate, and Company witness VandeVelde responds to Mr. Fortson in his Surrebuttal testimony.

**Q: Do you agree with Staff witness Luebbert's premise that the first step to designing a compliant MEEIA portfolio is the identification of investments that can be reduced, deferred or avoided in order to benefit all ratepayers?[25]**

A: No. This looks at MEEIA in isolation and ignores the entirety of our portfolio. Simply looking at isolated resources is not the way we do our resource planning or our capacity planning. If MEEIA goes away, that does not mean that we would then simply put an additional resource on the system. The model looks holistically when determining various alternative resource plans. As Company witness VandeVelde describes, if MEEIA Cycle 4 were not approved, we would likely file a change of plan to the preferred plan and likely implement the No DSM alternative resource plan.

**Q: Are energy efficiency programs really needed, or can MEEIA achieve the majority of its avoided costs and savings through demand response?**

A: Energy efficiency programs are an important part of the MEEIA portfolio. The two program types, while quite different in outcomes complement each other and funnel into each other greatly. For example, we've had multiple customers use Business

[24] EO-2023-0369/0370, Fortson Rebuttal, p. 8.
[25] EO-2023-0369/0370, J Luebbert Direct Testimony, p. 29.

Demand Response incentives as a way to fund energy efficiency upgrades for their facilities, like some customers investing in system controls to help better facilitate during events and year-round operations. This is a least cost resource and a significant contributor to capacity reductions as part of our integrated resource planning. Company witness File describes in detail how unlike certain demand response programs, demand savings energy efficiency programs accumulate over time and create the largest percentage of demand savings from the MEEIA Cycle portfolios over the past ten years

It's also important to understand the technical nature of EE and DR as it relates to how our IRP and MEEIA value them for cost effectiveness and resource selection in the IRP. Demand Response has great value from capacity avoidance, but it must be "purchased every year" in order to add value. Energy efficiency is a "point in time investment" that provides value over many years after the initial utility incentive. As I previously stated earlier in my testimony, energy efficiency programs have longer measure lives which continue to create benefits savings well into the future past the timeframe for the specific MEEIA cycle. Over the last 10 years, energy efficiency programs have accounted for approximately 75 percent of the cumulative demand savings compared to demand response programs. Company witness file describes this in further detail.

## XI. PROPOSED MEEIA PROGRAMS ARE THOUGHTFULLY DEVELOPED AND BASED ON OVER 10 YEARS OF MANAGING SUCCESSFUL PROGRAMS

**Q: Do you agree with Staff witness Luebbert's assertion that Evergy's request for approval, at a high level, is a request for approval to spend ratepayer dollars based upon conceptual ideas of programs that are not fully developed, with Evergy retaining the ability to create and modify details of those programs after receiving approval from the Commission?[26]**

A: No. Evergy's proposed MEEIA Cycle 4 programs are not half-baked concepts for which we want to experiment with ratepayer dollars. Evergy has been providing MEEIA programs to our customers for over 10 years. We have a team of professionals who have a history of developing, implementing and managing a suite of programs. All stakeholders have meticulously developed MEEIA rules[27]specific to what is to be provided in a MEEIA portfolio request for approval in front of the Commission, to which Evergy has adhered time and time again throughout the 3 different cycles and 10+ years. Additionally, Evergy has had similar level of detail in approved proposal and ongoing flexibility within parameters in the previous cycles, to which a third-party evaluator and Staff oversight auditor have reviewed for process and impacts thoroughly. Additionally, PSC Staff of course has multiple opportunities to review the costs incurred as part of their bi-annual prudence reviews as required by the MEEIA rules.

[26] EO-2023-0369/0370, Luebbert Rebuttal, p. 4.
[27] 20 CSR 4240-20.094 (4).

## XII. THE EVERGY PROPOSED THROUGHPUT DISINCENTIVE MECHANISM IS APPROPRIATE AND CONSISTENT WITH MEEIA STATUTES AND RULES

**Q: How do you respond to Staff and OPC witness concerns raised in rebuttal testimony with the throughput disincentive mechanism?[28]**

A: Company witness Jones responds to some of the additional comments raised by Staff witness Poudel to support how the Company's NTD mechanism properly accounts for the time-dependent impact on energy savings for when a customer uses energy and Staff suggestions as being unnecessarily complex. As Company witness Jones described in her testimony, we continue to use the methodology for determining the throughput disincentive ("TD") agreed to in MEEIA Cycle 3, modified with the additional segmentation of residential savings and TD based on the TOU peak, off-peak, and super off-peak classifications reflected in each jurisdiction's residential rate structures. My rebuttal testimony also provided reasons why Staff's position related to the existing TD mechanism is wrong and why Staff's proposed alternative should not be adopted.

**Q: OPC witness Marke also claims that the Company's throughput disincentive program overstates benefits and over collects revenues.[29] Do you agree?**

A: No. The TD mechanism component is an important underpinning of these MEEIA programs. I'd like to call the Commission's attention back to the MEEIA statute language as a guide for understanding benefits and revenues and not Dr. Marke's mischaracterizations of the issue. OPC witness Marke also takes exception that the proposed net-to-gross ("NTG") is higher than the current NTG used by Evergy.

[28] EO-2023-0369/0370, Poudel Rebuttal, pp. 1-5; Marke Rebuttal, pp. 5, 41-45.
[29] EO-2023-0369/0370, Marke Rebuttal p. 41.

However, the current NTG is based on a settled amount agreed by Evergy as it relates to a one-year extension agreement. Company witness File describes in testimony why the proposed NTG is appropriate for MEEIA 4. Furthermore, Evergy doesn't get paid for things that are not attributed to the actions of the programs. The TD proposed for MEEIA Cycle 4 is trued up using actual EM&V savings of program results in the EM&V that accounts for the net to gross.

The Commission should approve the Company's proposed Net Throughput Disincentive Mechanism since it is reasonable and consistent with the throughput disincentive established in the MEEIA 3 Cycle, with modifications to account for Time of Use rates not in effect for Evergy's Missouri customers.

## XIII. THE RISK AND REWARDS ASSOCIATED WITH THE PROPOSED EARNINGS OPPORTUNITY ARE APPROPRIATELY ALIGNED

**Q: Staff and OPC suggest the Company should not receive an EO for its MEEIA Cycle 4 proposal.[30] How do you respond?**

A: Under MEEIA, Missouri statutes state that the Commission shall provide timely earnings opportunities associated with cost-effective measurable and verifiable efficiency savings.[31] Similar to the earning opportunity for the first three years of MEEIA Cycle 3, the Company is proposing the earning opportunity be based on four performance metrics, which must be verified through the EM&V process for measurable and verifiable energy savings. Evergy's proposed Earnings Opportunity is consistent with Section 393.1075.3(3) RSMo. To approve certain energy efficiency or demand response programs with no EO means the programs

[30] EO-2023-0369/0370, Fortson, pp. 19-20; Marke Rebuttal, p. 51.
[31] Section 393.1075(3) RSMO.

are not aligned with the statute and Evergy would not do the energy efficiency or demand response programs. The Company's proposal meets the criteria set forth in Commission rules and statutes and should be approved by the Commission.

**Q: On page 22-23 of his rebuttal testimony, Staff witness Fortson asserts that MEEIA was never intended to be a "blank check."[32] Is Evergy application and MEEIA Cycle 4 an open-ended blank check as Mr. Fortson asserts?**

A: No, MEEIA is not a blank check. MEEIA programs are not just some arbitrary programs proposed by a utility, but are integrated into the Company's planning processes. The market potential study helps identify the realistic level of DSM savings that can be achieved in Evergy's service territory, and this in an important input into the Company's Integrated Resource Planning ("IRP") process that determines which resources and amount of resources are needed to most cost effectively meet the needs of our customers. The construct of MEEIA and how it is supposed to work is clearly laid out in statute and Commission rules. Mr. Fortson quotes an excerpt from a Commission Order in an Ameren MEEIA Cycle 2 docket to suggest parallel arguments with Evergy's MEEIA 4 application.[33] However, there are two problems with this argument.

First, our Company's proposal has different facts from that example and the Company has shown that it is able to defer supply side investment because of MEEIA programs. It's non-sensical to suggest that if a Company is building supply side investment that is proof that MEEIA programs are ineffective. For reasons I laid out in my Direct testimony, we are in an unprecedented time of economic

[32] EO-2023-0369/0370, Fortson Rebuttal, pp. 22-23.
[33] Id. at 22-23.

development growth and have significant capacity needs. While we still need to build new supply side resources, MEEIA programs reduce the amount we need to build or push out the timeframe for when we need to make that investment, and our IRP clearly shows this impact. As demonstrated by the Commission's recent Resource Adequacy Summit, the Company has to be proactive in making sure that it has sufficient capacity to meet not only the needs of today, but future needs. To do that, the Company needs to take an "all of the above" approach, using the correct mix of supply side and demand side investments. Demand side investments can absolutely help fill the gap as the Company moves towards adding dispatchable capacity resources to its system.

Second, as I also described in my Direct testimony, in more recent cases[34] the Commission has clearly stated that the benefits that determine an earnings opportunity associated with MEEIA programs are broader than just the deferral of supply side investment.

**Q: OPC witness Marke suggests that based on the Company's proposal the return for Evergy's MEEIA Cycle 4 approaches 45% of a $213 million investment.[35] Is this an appropriate characterization?**

A: Absolutely not. First of all, he states that Evergy suggests an EO of $39,982,690 over four years to meet our MEEIA targets.[36] To clarify, the combined Companies' EO target at 100 percent is $31,986,152, which reflects 15% of the total budget spend. The referenced dollar amount by Dr. Marke is the maximum amount the EO

[34] EO-2023-0369/0370, Kevin Gunn Rebuttal, pp. 5-6.
[35] EO-2023-0369/0370, Marke Rebuttal p. 48.
[36] Id. at 48.

(before adjustments reflecting TD EM&V, including NTG) cannot go above during the cycle.

Second, he estimates the throughput disincentive amount to be $57 million, when our filed proposal states an estimated TD of approximately $39 million.[37]

Third, and most importantly, he characterizes the throughput disincentive as "earnings." Throughput disincentive is not utility earnings or a direct cost. The EO component of MEEIA is what relates to utility earnings. TD also is not related to whether capital investment is deferred or reduced. TD refers to the financial disincentive that utilities face when it comes to offering energy efficiency programs because utilities make money by selling more electricity, but energy efficiency programs aim to reduces kWh sales. TD just makes the utility whole and gets us back up to the zero mark. If there were not MEEIA programs, customers would have used those kWh and the Company would have received that revenue. Evergy would not actively pursue programs that destroy its revenue sources, unless there is a mechanism to account for that lost revenue, such as the TD mechanism, and make the Company neutral as to whether it promotes such programs. This is the one of the pillars that the Commission attempted to create in the original MEEIA rules: cost recovery for programs, incentives for implementing programs and a mechanism for recovery of lost revenue for asking our ratepayers to buy less of our product. The TD mechanism does not create earnings opportunity for the Company,

[37] Based on $22.6 million for MO Metro and $16.5 million for MO West. These estimates assume a 24-month gap between the effective date of rate cases currently being considered in each jurisdiction and succeeding cases in each jurisdiction.

it only avoids destruction of revenue from reduced kWh energy sales it would have otherwise received had the Company not promoted energy efficiency programs.

**Q: OPC witness Marke's suggests that this MEEIA portfolio largely amounts to a "convoluted wealth transfer to shareholders, contractors, evaluators, and Evergy Missouri management."[38] Dr. Marke and Staff witness Fortson both assert that the Company invests no shareholder dollars in MEEIA and that ratepayers are the sole funder of any MEEIA program.[39] If no shareholder dollars are being spent on MEEIA programs, how can the risk and reward relationship be in sync and offering an EO be appropriate?**

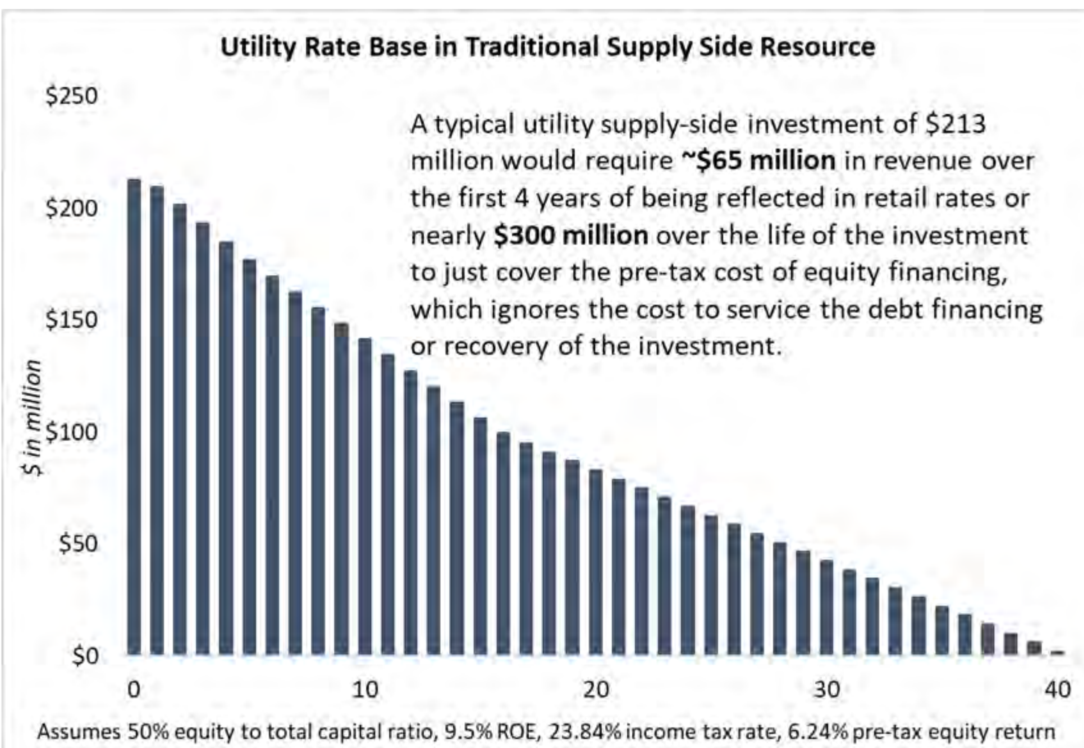
A: MEEIA states that "It shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs."[40] Staff and OPC suggest if shareholders are not spending dollars on MEEIA programs, then offering an EO is not treating demand-side investments equal to traditional investments in supply and delivery infrastructure where the utility spends shareholder dollars and earns are return on that investment. However, while on the surface it might seem like a simple and logical comparison to make, it does not in any way reflect the risk and reward comparisons between the two options.

[38] EO-2023-0369/0370, Marke Rebuttal, p. 52.
[39] EO-2023-0369/0370, Marke Rebuttal, p. 5; Fortson Rebuttal, p. 19.
[40] Section 393.1075(3), RSMo.

**Q: Please explain.**

A: EO does not equate to a return and the EO request does not come close to reflecting an equivalent equity return. If customers did not see value in energy efficiency, and instead required additional supply-side resources to serve their higher energy needs, the required funding of the equity return alone would dwarf the EO request. Table 1 below illustrates the annual rate base of a $213 million investment in a supply-side resource. The pre-tax equity alone (what Staff and OPC are trying to equate to the EO) would be $65 million over the first 4 years, which is more than double the EO requested. This $65 million excludes the additional cost to service the debt financing and cover the depreciation of the investment. Over the life of the supply-side investment, the pre-tax equity alone would be nearly $300 million.

**Table 1**



Instead of comparing the EO to an equity return for energy efficiency programs, the risk associated with the potential range of outcomes of the programs should provide an incentive to achieve the desired results – a performance-based return as allowed by Missouri statute. As previously stated, every MEEIA program cycle has gone under multiple prudency reviews and performance has been measured and results verified through the EM&V process agreed to by all parties. Unlike a supply-side resource that goes through a prudency review during the first inclusion of retail rates, every MEEIA cycle goes through a prudency review with performance of the programs continually evaluated and audited. With each of these multiple year program and budget approval cycles, prudence reviews and EM&V results, there is risk of disallowance and that the utility does not achieve performance-based earnings results. In contrast, once the Company makes the investment in a supply side resource and concludes the rate review to put it into rates, there is no more risk of disallowance; there are no additional prudence reviews, it's a set return, no arguing over risk of disallowance every year.

Energy efficiency, inclusive of the EO, is consistently selected by the IRP models as the lowest cost resource for supply planning, and it helps derisk anticipated environmental considerations. We have continued to advocate for energy efficiency programs, inclusive of the EO, because they are an economic means of preventing or delaying additional supply-side resource additions and our customer want the programs and see value in the programs. In addition, DSM programs are more flexible and scalable resources, the dollars associated with implementing these programs are all local spend in our communities and customers, and additionally provide tools for individual customers to control and reduce their bills.

**Q: Do you agree with Mr. Fortson claim that in the event the Company achieves the maximum EO above the targeted EO, it is the equivalent to over-earnings?[41]**

A: No. In our proposal a MW achieved is a MW achieved in terms of earnings opportunity. In other words, there is not escalation in the amount received per MW, but more MW achieved equals more earnings. The same would be true in the difference between putting in a 100 MW facility or 150 MW facility. The ROE doesn't change between the two, but just the total return dollars because the scale is larger. The same is true with Evergy's proposed EO schedule.

[41] On pages 19 and 20 of his testimony Staff witness Fortson states the Company has proposed EO performance bonuses that are essentially a maximum EO above the targeted EO. If the Commission approved return that the utility receives on actual shareholder investments is exceeded, it is considered an over-earning of the utility. Therefore, any EO above that which is targeted is equivalent to an over-earnings.

**Q: Staff witness Fortson suggests if the Commission decided against his recommendation and considers MEEIA program budget as an "investment" by the Company, the return or earnings opportunity should be commensurate with the return that the utility receives on actual shareholder investments.[42] OPC witness Marke recommended that if the Commission approves the Company's MEEIA 4 application under his alternative proposal, the Commission set the earnings opportunity on a percentage of Evergy Missouri's overall budget, calculated using half of its authorized return on equity at the time, assuming its self-imposed goals have been met[43] How do you respond to these suggestions?**

A: Both recommendations are inappropriate and do not recognize the difference between how an EO is determined compared to a utility's ROE. I previously addressed this difference above in my testimony and why it is not appropriate to suggest they should be similar. Staff witness Fortson's recommendation appears to be based on a percentage of spend. OPC witness Marke's recommendation is just an arbitrary number and not reflective of the MEEIA statutory language. The EO is tied to the performance-based ratemaking of MEEIA, where earnings is only based on what we deliver, unlike shareholder dollars that fund capital investments where the ROE is tied to the cost of capital to fund those projects.

[42] EO-2023-0369/0370, Fortson, p. 19.
[43] EO-2023-0369/0370, Marke Rebuttal, p. 51.

## XIV. THE EM&V PROCESS WORKS AND IS AN IMPORTANT PART OF MEEIA

**Q: Dr. Marke recommends that the Commission abandon the use of EM&V in his alternative proposal.[44] Do you agree?**

A: No. Evergy is proposing an EM&V in MEEIA Cycle 4 similar to the approach used repeatedly by the Commission in past MEEIA cycles. The MEEIA construct is a kind of performance-based ratemaking, and a robust EM&V is an important part of the construct to capture results of the program. The idea behind MEEIA is that we are actually creating tangible benefits for customers, and our IRP is counting on these results to materialize. The EM&V is conducted by third party experts with oversight from Staff utilizing standard industry protocols pared with actual Evergy customer billing data and AMI consumption data to validate energy and demand savings. Also because of this, as opposed to the one-year extension where EO is based on percentage spend of programs, the EO that Evergy is proposing for MEEIA 4 is based on energy and demand savings. As such, we need to measure the performance so the EO is paid based on what is delivered.

**Q: Should the EM&V be completed by a single independent, Commission-approved consultant with no utility oversight as Dr. Marke suggests[45] if the Commission does approve an EM&V?**

A: No. Company witness File testified in Rebuttal how the multi-step EM&V process with multiple stakeholder involvement is independent and is not unduly influenced by the utility. The information needed for the EM&V comes from the utility

[44] EO-2023-0369/0370, Marke Rebuttal, pp. 52-55.
[45] EO-2023-0369/0370, Marke Rebuttal, p. 47.

because the utility is the entity running the programs, similar to other DSM programs run by utilities around the country. The Commission retains oversight of the EM&V process and the oversight ensures that the EM&V process is consistent with the rules. During the Company's implementation of the Plan, the Commission will retain its authority and ensure the Company's financial incentives are aligned with the customers using energy more efficiently.

Furthermore, this suggestion by OPC witness Marke assumes the Commission's rules will allow an independent contractor with no utility oversight. The issue conflicts with 20 CSR 4240-20.093(8) which provides in part: "[e]ach electric utility shall hire an independent contractor to perform and report EM&V of each commission approved demand-side program in accordance with 4 CSR 240-20.094 Demand-Side Programs."

## XV. UTILITY MANAGED PROGRAMS ARE EFFECTIVE AND CONSISTENT WITH STATE POLICY

**Q: Do you agree with OPC witness Marke's suggestion that because of third-party aggregators of retail choice ("ARCs"), this MEEIA docket represents the first opportunity in which a free-market alternative should supersede a proposed MEEIA program (business demand response) that has historically been controlled by a natural monopoly?[46]**

A: No, not at all. In his Rebuttal testimony, Company witness Brian File provides extensive testimony to the distinction between business demand response and ARCs operating in the wholesale energy market and how business demand response works for the vertically integrated retail market:

[46] EO-2023-0369/0370, Marke Rebuttal, pp. 4, 8.

> 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 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.

**Q: Do you agree with OPC Witness Marke's characterization that Evergy's business demand response program requires ratepayer subsidies given the market alternative(s) that exists with ARCs?[47]**

A: No. First, Evergy's business demand response programs are cost effective programs. Second, Company witness File describes in his testimony why the incentive levels vary between the ARC and MEEIA demand response programs. They differ for very good reasons, because the product associated with the offerings are very different:

> 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.

[47] EO-2023-0369/0370, Marke Rebuttal, p. 10

If Evergy ends its business demand response programs, it will change the results of the IRP and we will need to build more capacity, and those higher costs will be paid by Evergy retail customers.

**Q: Staff witness Lange suggests that demand response programs can and should be done outside of MEEIA.[48] How do you respond?**

A: While there were certain tariffs in effect to do demand response programs prior to MEEIA, these were created and effectuated prior to the statute and ensuing rules that explicitly contemplate the value of demand response under MEEIA. Ms. Lange ignores the fact that MEEIA was created as a legislative directive to align utility incentives with demand side management goals. Without the statute, the reasons for a utility to include demand response for customers as a tariff outside of MEEIA is significantly weakened. Specifically, the cost recovery and return on investment of a DR tariff outside of MEEIA does not compare to that of building traditional generation to serve the same purpose of capacity for resource adequacy. They are no longer on the same playing field.

[48] EO-2023-0369/0370, Lange Direct, p. 6.

**Q: OPC witness Marke offers up an entirely different two-year alternative option for the Commission's consideration, which does not include an EM&V, results in a limited Earnings Opportunity, and results in a statewide MEEIA program rather than utility-specific MEEIA programs.[49] Do you agree with his assertion that this alternative achieves the intent of the MEEIA statute, § 393.1075 RSMo.?**

A: No, I do not. This proposal in a sense would end MEEIA as it exists today. His proposal is an attempt to change the intent of state policy, which is clearly laid out in the MEEIA statute. While Marke may bring out issue worthy of some future discussion, that discussion is more appropriate for the Missouri General Assembly. Quite simply, what he proposes would require the MEEIA statute be changed. His proposal cannot be implemented under the MEEIA statute and should not be considered by the Commission.

## XVI. PROPOSED MEEIA TARIFFS ARE APPROPRIATE AND CONSISTENT WITH PRIOR APPROVED TARIFFS AND INDUSTRY NORM

**Q: Staff witness Luebbert asserts that the proposed MEEIA tariffs contain language that is inappropriately vague, which provides an unreasonable amount of discretion to Evergy, hindering the ability of Staff, intervenors, and ultimately the Commission from successfully challenging the prudency of decisions.[50] How do you respond?**

A: The tariffs proposed for MEEIA 4 are consistent with the tariffs currently in place for the MEEIA Cycle 3 Plan. Company witness File provides further support for

[49] EO-2023-0369/0370, Marke Rebuttal, pp. 53-55.
[50] EO-2023-0369/0370, Luebbert Rebuttal, pp. 3-8.

why the level of detail provided is appropriate. As he describes, customers do not go to the tariffs to learn about and understand how a program or rate works. Customers go to the Company web site, where the Company places information and forms with all the relevant details. In addition, specific details ordered by the Commission related to a program or rate will be memorialized in the Order and associated filings or stipulations and agreements to also support Staff's prudence reviews. Company witness File also describes how the Company's proposed MEEIA 4 tariffs are in line with the norm for the level of detail provided in tariffs used by other utilities across the industry.

## XVII. THE PROPOSED VARIANCES ARE APPROPRIATE

**Q: Staff witness Fortson suggests the Commission should not approve the variances requested by the Company.[51] How do you respond?**

A: Mr. Fortson identifies that the Company has requested for 16 variances. As stated in Section 7.2 of the initial filing, the primary reason for the majority (14 of 16) of variances are related to Throughput Disincentive. Since the time of the MEEIA 4 application, it has been discovered these 14 variances were a remnant of a MEEIA Cycle 3 rule variance before the MEEIA rules were subsequently updated. With the current MEEIA rules (092 / 093 / 094), these TD variances are not needed. Company witness File addresses the remaining 2 variances in the application related to (promotional practices) and avoided cost definition that are still valid and requested.

[51] EO-2023-0369/0370, Fortson Rebuttal, p. 24.

## XVIII. OTHER ISSUES RAISED IN REBUTTAL ARE NOT RELEVANT FOR THIS MEEIA PROCEEDING

**Q: Lange states that she is not opposed to requiring Evergy to provide "well-developed plans to better align revenue recovery with cost-causation through rate design in future rate cases, but any such rates should be based on a reasonable calculation of costs. . ."[52] She also states that it is necessary that Evergy develop the ability to acquire and retain the data necessary for reasonable annualization and normalization of revenues and billing determinants for any such rate plans.[53] Does Evergy have the ability to acquire and retain the data necessary for reasonable annualization and normalization of revenues and billing determinants in rate cases. Finally, Lange also encourages that critical peak pricing mechanisms be included in any such analysis or planning, and that any such analysis or planning consider subdividing the non-summer billing season to include different rates for winter season months versus spring and fall months."[54] How do you respond to these various suggestions?**

A: All of these issues raised by Ms. Lange are issues to be addressed in a rate case. They are not relevant to the issues currently before the Commission on the Company's request and are not appropriate to be considered in the context of this MEEIA proceeding, and should not entertained by the Commission here.

[52] EO-2023-0369/0370, Lange Rebuttal, p, 3.
[53] Id.
[54] Id.

## XIX. RESPONSE TO RENEW MISSOURI REBUTTAL TESTIMONY

**Q: Do you agree with the overall recommendation by Renew Missouri in this docket based on filed rebuttal testimony?**

A: Yes. Based on Renew Missouri witness Emily Piontek's rebuttal testimony, my understanding is that Renew Missouri's overall recommendation is for the Commission determine that Evergy's application is in accordance with the MEEIA statute and that the proposed demand-side investments are reasonable, prudent, and cost-effective. She urges the Commission to approve all the proposed MEEIA Cycle IV programs that pass the Total Resource Cost Test ("TRC"), as well as the Company's proposed Income-Eligible programs. She also encourages that the Commission should recognize the opportunity presented by the IRA that makes investing in energy efficiency even more affordable for the company's customers when paired with the proposed MEEIA incentives, and especially, the critical importance of the company's Low Income Single Family and Multi Family Programs to energy affordability for disadvantaged households. In support of the recommendation, Renew Missouri witness Piontek refutes the Staff and OPC position that Evergy's MEEIA Cycle IV portfolio only benefits program participants and is redundant to the company's other income-eligible programs and to state and federal non-utility energy efficiency programs. She also emphasizes the essential role of the utility in implementing energy efficiency and reducing barriers to residential technology adoption, including by subsidizing the cost to participants. In addition, she points out that avoiding new generation due to MEEIA demand side programs is not a condition for approval of the MEEIA application in response to related criticisms from OPC and Staff. These points have been addressed and supported throughout the Company's Direct and Rebuttal testimonies.

**Q: Does Renew Missouri raise any other issues for the Commission to consider?**

A: Yes. First, Ms. Piontek also provides recommendations for Evergy's proposed Income-Eligible programs stemming from Renew Missouri's involvement in the Energy Efficiency for All coalition.[55] Company witness File responds to these recommendations.

Second, Renew Missouri supports Dr. Marke's recommendation that the fixed customer charge should not be raised during the period covered by MEEIA Cycle IV at minimum. I have previously addressed in my rebuttal testimony why this recommendation is inappropriate to consider for this docket.

Third, Ms. Piontek recommends that Evergy to make aggressive, full use of its cutting-edge AMI infrastructure and for the Commission to order Evergy in the current rate case (ER-2024-0189) to continue experimenting with TOU rates (including by way of the default rate suggested by OPC) with the goal of complementing – not replacing – its MEEIA initiatives.[56]

**Q: How do you respond to this third point listed above?**

A: This MEEIA docket is not the appropriate place to offer testimony for the Commission to consider in a completely separate Commission case. As such, the Commission should not entertain this recommendation in this MEEIA proceeding.

[55] File No. EO-2023-0369/0370, Emily Pointek Rebuttal Testimony, pp. 1-4.
[56] pp. 16-17.

## XX. CONCLUSION

**Q: Do you have any final comments about the Staff and OPC's approach recommended in their rebuttal testimony?**

A: The Company believes that with the appropriate framework such that the MEEIA legislation and Commission MEEIA rules provide, and that the Company has offered for well over a decade now as approved by the Commission, demand side management programs such as demand response and energy efficiency can be important tools in the State's resource adequacy toolbox. In order for it to make sense for an investor-owned utility to promote such programs, the MEEIA framework anticipates a reasonable earnings opportunity as well as a throughput disincentive to account for lost revenues associated with any suite of programs.

Our application reflects the importance of these programs toward us meeting the capacity and energy needs of our customers as detailed in our Integrated Resource Plan. Demand Side Management programs can be more flexible and scalable resources than traditional supply side generation, the dollars associated with implementing these programs are all local spend in our communities and with our customers, and these programs give individual customers tools to help control and reduce their bills.

That being said, we did clearly hear the Commissioners' concerns shared at the recent MPSC August 7 Agenda meeting, and offer an alternative proposal with Schedule KG-1 to address areas of concerns raised by Commissioners. This alternative is substantially scaled back from what Evergy's customers have had available to them for over a decade, but would allow, if accepted by the Commission, a level of MEEIA 4 programs to go forward.

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

A: Yes, it does.

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

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

**AFFIDAVIT OF KEVIN D. GUNN**

**STATE OF MISSOURI )**
**) ss**
**COUNTY OF JACKSON )**

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

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

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of forty-seven (47) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

Kevin D. Gunn

Kevin D. Gunn

Subscribed and sworn before me this 20th day of August 2024.

Anthony R. Westenkirchner

Notary Public

My commission expires: 4/26/2025

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

## Evergy MEEIA Cycle 4 - Alternative Proposal Executive Summary

Schedule KG-1

| Alternative Offer (Aug 2024) | Total Program Budget | | Earnings Opportunity at Target | | Throughput Disincentive Estimate | | Cumulative MW Target | | Cumulative MWh Target | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | % of Original | | % of Original | | % of Original | | % of Original | | % of Original |
| **Hard to Reach Homes (2-years)** | | | | | | | | | | |
| Income Eligible Multi-Family | | | | | | | | | | |
| Mod Income On Bill Financing | | | | | | | | | | |
| KC LILAC | $12,600,000 | | $1,386,000 | | $3,501,901 | | 2.82 | | 20,880 | |
| **Urban Heat Island (3-years*)** | $2,564,990 | | $282,149 | | $0 | | 0.01 | | - | |
| **Whole Business Efficiency (2-years)** | | | | | | | | | | |
| Standard - Non Lighting Only | $7,300,000 | | $1,095,000 | | $1,997,961 | | 6.59 | | 31,410 | |
| EE Subtotal | **$22,464,990** | **15%** | **$2,763,149** | 13% | **$5,499,862** | 14% | **9.42** | 10% | **52,290** | 13% |
| **Home Demand Response (4-years)** | $26,219,909 | | | | | | | | | |
| **Business Demand Response (4-years)** | $38,945,628 | | | | | | | | | |
| DR Subtotal | **$65,165,537** | **100%** | **$11,195,153** | **100%** | **$715,207** | **100%** | **220.67** | **100%** | **5,105** | **100%** |
| **Total** | **$87,630,527** | **41%** | **$13,958,302** | **44%** | **$6,215,069** | **16%** | **230.09** | **73%** | **57,395** | **14%** |

*Dollars in UHI budget are consistent with 11-16-23 Commission approved S&A from EO-2019-0132

| Original Plan (Apr 2024) | Total Program Budget | EO @ Target | TD Estimate | Cum MW Target | Cum MWh Target |
|---|---|---|---|---|---|
| EE Subtotal | $148,075,474 | $20,790,999 | $38,323,295 | 95.8 | 396,217 |
| DR Subtotal | $65,165,537 | $11,195,153 | $715,207 | 220.7 | 5,105 |
| **Total** | **$213,241,011** | **$31,986,152** | **$39,038,502** | **316.5** | **401,322** |

## Evergy MEEIA Cycle 4 - Alternative Proposal Details

**Schedule KG-1**

**combined jurisdiction budget and savings details**

| | | | Total MWh Savings | | | | | Total MW Savings | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2025 | 2026 | 2027 | 2028 | Total | 2025 | 2026 | 2027 | 2028 | Total |
| Hard-to-Reach Homes | Income Eligible Program | Low Income Multi-Family | 4,633 | 4,633 | | | 9,265 | 0.58 | 0.58 | | | 1.16 |
| Hard-to-Reach Homes | Income Eligible Program | Moderate Income Single Family with On-Bill Financing Optic | 5,807 | 5,807 | | | 11,615 | 1.41 | 1.41 | | | 2.82 |
| Hard-to-Reach Homes | Hard-to-Reach Energy Education Program | KC-LILAC | - | - | | | - | - | - | | | - |
| | | HTR Total | 10,440 | 10,440 | | | 20,880 | 1.41 | 1.41 | | | 2.82 |
| UHI | UHI Mitigation Program | | - | - | - | | | 0.00 | 0.01 | | | |
| Business | Whole Business Efficiency Program | Business Comfort | 3,769 | 3,769 | | | 7,537 | 1.09 | 1.09 | | | 2.17 |
| Business | Whole Business Efficiency Program | Business Products | 8,878 | 8,878 | | | 17,756 | 1.64 | 1.64 | | | 3.28 |
| Business | Whole Business Efficiency Program | Business Operational | 3,058 | 3,058 | | | 6,116 | 0.57 | 0.57 | | | 1.14 |
| | | WBE Total | 15,705 | 15,705 | | | 31,410 | 3.3 | 3.3 | | | 6.59 |
| Residential | Home Demand Response Program | Residential Smart Thermostat (Legacy) | - | - | - | - | | - | - | - | - | |
| Residential | Home Demand Response Program | Residential Smart Thermostat (MEEIA 4) | 383 | 341 | 408 | 266 | 1,399 | 26 | 23 | 28 | 18 | 94.50 |
| Business | Business Demand Response Program | Business Smart Thermostat (Legacy) | - | - | - | - | | - | - | - | - | |
| Business | Business Demand Response Program | Business Smart Thermostat (MEEIA 4) | 535 | 477 | 570 | 372 | 1,955 | 0 | 0 | 1 | 0 | 1.83 |
| Business | Business Demand Response Program | Curtailment Agreements | - | - | - | - | | 120 | 140 | 140 | 123 | |
| Business | Business Demand Response Program | Advanced Demand Response | 480 | 428 | 511 | 334 | 1,752 | 0 | 0 | 0 | 0 | 1.68 |
| Demand Response | Demand Response Energy Education Program | | - | - | - | - | | - | - | - | - | |
| | DR Programs | | 1,398 | 1,246 | 1,489 | 972 | 5,105 | 147 | 164 | 169 | 141 | |
| | Alternative Plan Total | | 27,543 | 27,391 | 1,489 | 972 | | 152 | 168 | 169 | 141 | |

**Evergy MEEIA Cycle 4 - Alternative Proposal Details**

**Schedule KG-1**

**combined jurisdiction budget and savings details**

| | | | Total Budget | | | | | Total Incentive Budget | | | | | Total Non-Incentive Budget | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2025 | 2026 | 2027 | 2028 | Total | 2025 | 2026 | 2027 | 2028 | Total | 2025 | 2026 | 2027 | 2028 | Total |
| Hard-to-Reach Homes | Income Eligible Program | Low Income Multi-Family | $2,720,000 | $2,720,000 | | | $5,440,000 | $1,632,000 | $1,632,000 | | | $3,264,000 | $1,088,000 | $1,088,000 | | | $2,176,000 |
| Hard-to-Reach Homes | Income Eligible Program | Moderate Income Single Family with On-Bill Financing Opti | $3,550,000 | $3,550,000 | | | $7,100,000 | $2,662,500 | $2,662,500 | | | $5,325,000 | $887,500 | $887,500 | | | $1,775,000 |
| Hard-to-Reach Homes | Hard-to-Reach Energy Education Program | KC-LILAC | $30,000 | $30,000 | | | $60,000 | $30,000 | $30,000 | | | $60,000 | $0 | $0 | | | $0 |
| | HTR Total | | $6,300,000 | $6,300,000 | | | $12,600,000 | $4,324,500 | $4,324,500 | | | $8,649,000 | $1,975,500 | $1,975,500 | | | $3,951,000 |
| | | | | | | | | | | | | | | | | | |
| UHI | UHI Mitigation Program | | $990,330 | $857,580 | $717,080 | | $2,564,990 | $704,000 | $625,250 | $507,750 | | $1,837,000 | $286,330 | $232,330 | $209,330 | | $727,990 |
| | | | | | | | | | | | | | | | | | |
| Business | Whole Business Efficiency Program | Business Comfort | $1,449,340 | $1,449,340 | | | $2,898,680 | $1,140,888 | $1,140,888 | | | $2,281,777 | 308,452 | 308,452 | | | 616,903 |
| Business | Whole Business Efficiency Program | Business Products | $1,852,174 | $1,852,174 | | | $3,704,348 | $943,144 | $943,144 | | | $1,886,287 | 909,031 | 909,031 | | | 1,818,061 |
| Business | Whole Business Efficiency Program | Business Operational | $348,486 | $348,486 | | | $696,972 | $128,907 | $128,907 | | | $257,815 | 219,579 | 219,579 | | | 439,157 |
| | WBE Total | | $3,650,000 | $3,650,000 | | | $7,300,000 | $2,212,939 | $2,212,939 | | | $4,425,879 | 1,437,061 | 1,437,061 | | | 2,874,121 |
| | | | | | | | | | | | | | | | | | |
| Residential | Home Demand Response Program | Residential Smart Thermostat (Legacy) | $4,096,137 | $4,014,215 | $3,933,930 | $3,855,252 | $15,899,535 | $818,136 | $801,773 | $785,738 | $770,023 | $3,175,670 | $3,278,001 | $3,212,441 | $3,148,193 | $3,085,229 | $12,723,864 |
| Residential | Home Demand Response Program | Residential Smart Thermostat (MEEIA 4) | $1,817,866 | $2,259,280 | $3,079,269 | $3,163,959 | $10,320,374 | $1,419,192 | $1,471,932 | $1,903,248 | $1,599,264 | $6,393,636 | $398,674 | $787,348 | $1,176,021 | $1,564,695 | $3,926,738 |
| Business | Business Demand Response Program | Business Smart Thermostat (Legacy) | $112,815 | $110,625 | $108,480 | $106,378 | $438,297 | $22,594 | $22,142 | $21,699 | $21,265 | $87,701 | $90,221 | $88,483 | $86,781 | $85,112 | $350,597 |
| Business | Business Demand Response Program | Business Smart Thermostat (MEEIA 4) | $129,668 | $135,420 | $173,700 | $149,200 | $587,989 | $117,576 | $111,236 | $137,424 | $100,832 | $467,068 | $12,092 | $24,184 | $36,276 | $48,368 | $120,921 |
| Business | Business Demand Response Program | Curtailment Agreements | $7,960,715 | $9,270,396 | $9,305,692 | $8,139,340 | $34,676,143 | $4,798,363 | $5,587,019 | $5,608,272 | $4,906,770 | $20,900,424 | $3,162,352 | $3,683,377 | $3,697,420 | $3,232,570 | $13,775,719 |
| Business | Business Demand Response Program | Advanced Demand Response | $668,971 | $596,257 | $712,600 | $465,371 | $2,443,199 | $185,971 | $165,757 | $198,100 | $129,371 | $679,199 | $483,000 | $430,500 | $514,500 | $336,000 | $1,764,000 |
| Demand Response | Demand Response Energy Education Program | | $200,000 | $200,000 | $200,000 | $200,000 | $800,000 | $50,000 | $50,000 | $50,000 | $50,001 | $200,001 | $100,000 | $100,000 | $100,000 | $100,000 | $400,000 |
| | DR Programs | | $14,986,172 | $16,586,193 | $17,513,672 | $16,079,500 | $65,165,537 | $7,411,832 | $8,209,860 | $8,704,481 | $7,577,527 | $31,903,699 | $7,524,340 | $8,326,333 | $8,759,191 | $8,451,974 | $33,061,839 |

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