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**

EVERGY MISSOURI METRO'S AND EVERGY MISSOURI WEST'S
POSITION STATEMENT

COMES NOW, Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro" or "EMM") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West" or "EMW") (collectively, the "Company" or "Evergy") and, pursuant to the Missouri Public Service Commission's ("Commission") *Order Establishing Procedural Schedule* ("Order") dated March 21, 2024, submits their Position Statement:

I. Introduction

This Position Statement will discuss Evergy's Application filed on April 29, 2024, and the List of Issues related to it. It will also discuss Evergy's alternative proposal, which is designed to address the comments and concerns raised by Commissioners at the August 7, 2024, Agenda Meeting regarding Ameren's MEEIA Cycle 4 proposal that are also applicable to Evergy's MEEIA Cycle 4 proposal.

A. Evergy's MEEIA Cycle 4 Application

While varying industry, policy, government, and technology changes have impacted utility energy efficiency and demand response programs since Evergy's Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 1 filing in 2011, it remains clear that Evergy and our customers

can still create great benefits in partnering through programs to reduce energy and peak demand. Compared to prior Cycles and recent extensions, Evergy's MEEIA Cycle 4 (2025-2028) filing includes larger energy and peak demand savings outcomes with corresponding increased financial investment. Using the MEEIA statute framework, the Evergy's MEEIA Cycle 4 plan provides a least-cost resource by investing in customers to mitigate their peak demand and energy. This can occur when aligned with the intent of MEEIA to treat demand-side management ("DSM") investment equal to other supply-side investments. Moreover, Evergy's MEEIA Cycle 4 plan aligns with Evergy's 2024 Integrated Resource Plan ("IRP") preferred plan and absent incremental DSM, Evergy's Missouri utilities would need to develop even more supply-side resources above what is outlined in Evergy's 2024 IRP Preferred Plans.[1]

Evergy requests that the Commission approve its MEEIA Cycle 4 portfolio plan to start on January 1, 2025, which allows for a continuous offering of DSM programs to Evergy's customers.[2]

Summary of Evergy's MEEIA Cycle 4 Four-Year Plan - Combined Jurisdictions (MO Metro & MO West)

Program	Budget ($)	Energy Savings (MWh)	Demand Savings (MW)	Total Resource Cost Test
Residential EE	$39,391,908	66,382	27.9	1.59
Hard-to-Reach Homes EE	$29,623,611	37,998	6.8	0.66
Urban Heat Island (UHI)	$3,065,570	64	0.01	0.02
Business EE	$74,394,385	291,735	61.0	2.43
Demand Response	$65,165,537	5,105	220.7	5.87
Pilots	$1,600,000	-	-	-
TOTAL PORTFOLIO	**$213,241,011**	**401,285**	**316.4**	**2.89**

Fundamentally, Evergy believes that all programs proposed in its original application meet both the letter and the spirit of the MEEIA statute and Commission rules. They are cost effective,

[1] VandeVelde, Direct Testimony, Page 7, Lines 10-12.
[2] MEEIA Cycle 4 2025-2028 Filing, p. 6.

provide real benefits to ratepayers and are shown to 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, and we are providing testimony that directly addresses those arguments that the Company believes are inaccurate and potentially misleading. However, Evergy understands the concerns of the Commission and appreciates this Commission's perspective on the best way to create a path forward to preserve the important, and critical, implementation of DSM in Missouri. Consequently, the Company has constructed and set forth below, an alternative proposal for the Commission consideration.

B. Evergy's Alternative, Scaled Back MEEIA Cycle 4 Proposal

As Company witness Kevin Gunn explains in his surrebuttal testimony, in an effort to find common ground that would resolve the issues in the public interest, Evergy's alternative proposal would be a path forward that Evergy finds acceptable and, if accepted by the Commission, would be responsive to issues we heard discussed during the August 7, 2024 Agenda discussion and allow Evergy's MEEIA Cycle 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.[3]

[3] Gunn Surrebuttal, p. 5.

Summary of Evergy's Alternative, Scaled Back MEEIA Cycle 4 Plan Combined Jurisdictions (MO Metro & MO West)

Program	Budget ($)	Energy Savings (MWh)	Demand Savings (MW)
Residential EE	$0	0	N/A
Hard-to-Reach Homes EE (2-years)	$12,600,000	20,880	2.82
Urban Heat Island (UHI) (3-years)	$2,564,990	0	0.01
Business EE (2-years)	$7,300,000	31,410	6.59
Demand Response (4-years)	$65,165,537	5,105	220.67
Pilots	$0	0	N/A
TOTAL PORTFOLIO	**$87,630,527**	**57,395**	**230.09**

The overall total budget for the MEEIA 4 Program is reduced from $213.2 million over a 4-year period to $87,630,527 over a four-year period. The revised budget represents a reduction from the original Application by almost 59%. The Company expects the implementation of the alternative plan to be highly cost effective similar to its initial MEEIA Cycle 4 filing (TRC of 2.89) as the remaining programs are either wholly intact or scaled down proportionately with budget and savings.

Looking more specifically at the individual programs, Evergy's alternative proposal retains its original four-year program for the Home Demand Response and Business Demand Response programs (four years) as originally proposed 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. The cumulative budget for the Home Demand Response Program and the Business Demand Response Program is retained, as originally proposed, with a total budget of $65.1 million. The cumulative peak demand (MW) target for these demand response programs is 220.67 MW, and the cumulative first-year energy savings (MWh) target is 5,105 MWh.

The Home Demand Response Program is designed to reduce participant load during peak periods to improve system reliability, offset forecasted system peaks that could result in future generation capacity, and/or provide a more economical option to generation or purchasing in the

wholesale market. The program will be available to all residential customers with qualifying direct load control ("DLC") devices, a secure home wi-fi enabled internet service, and a working central air conditioning system or heat pump. Qualifying DLC devices may include, but not be limited to, smart thermostats and advanced water heater controllers.

The Home Demand Response program provides distinct value to the Company's DSM portfolio as a dispatchable resource that the Company can call upon during high-priced and emergency conditions to achieve impacts that customers may not be willing or capable of providing on a daily basis associated with time-of-use ("TOU") rates, but are willing to provide under specified conditions in exchange for an incentive. The existence of multiple pathways for customers to receive financial incentives for achieving peak demand reduction allows for increased opportunities for customers to benefit from demand response programs and investments.[4]

The Business Demand Response Program is designed to reduce participant load during peak periods to improve system reliability, offset forecasted system peaks that could result in future generation capacity, and/or provide a more economical option to generation or purchasing in the wholesale market.

Evergy proposes three components for its Business Demand Response Program, described below:

- Small Medium Business Smart Thermostat. The program will be available to all business customers with qualifying thermostat devices, a secure wi-fi enabled internet service, and a working air conditioning system or heat pump.
- Curtailment Agreements. Evergy will enter into load curtailment agreements with eligible customers and/or retail aggregators to reduce load during peak times and receive a monetary incentive based on delivered performance. This component will

[4] File Surrebuttal, pp. 45-46.

be the largest and have the most significant impact on the Business Demand Response program.

- Advanced Demand Response. Similar to curtailment agreements, Evergy will enter into load curtailment agreements with eligible customers and/or retail aggregators to reduce load during peak times and receive a monetary incentive based on delivered performance. Evergy will connect with these participants via an application programming interface or Open Automated Demand Response ("ADR") to directly control load during an event.[5]

However, Evergy's alternative proposal significantly scales back the other programs in the Application. Evergy's alternative proposal eliminates the Residential Energy Efficiency Programs and the Research/Pilot Programs, and the alternative proposal focuses on the 1) Income-Eligible Multi-Family program, 2) modified on-bill financing program, which is similar to the PAYS® program, and 3) the Kansas City-Low Income Leadership Assistance Collaborative (KC-LILAC).

The Income-Eligible Multi-Family Program promotes efficiency improvements to housing units and common areas for low-income multi-family properties. Eligible customers will receive a free assessment, direct installation of energy savings measures at no cost, and a personalized report with recommended energy efficiency upgrades. Recommendations from the assessments aim to provide direct install measures in housing units and common areas.[6]

The modified on-bill financing program is similar to PAYS® but modified to be tailored to the needs of the Missouri consumers.[7] The KC-LILAC (Kansas City – Low Income Leadership Assistance Collaborative) is designed to bring together local support resources, agencies, associations, and corporations, to offer the best and most comprehensive services and support to our

[5] MEEIA Cycle 4 2025-2028 Filing, pp. 25-26.
[6] MEEIA Cycle 4 2025-2028 Filing, p. 19.
[7] MEEIA Cycle 4 2025-2028 Filing, pp. 18-19; Gunn Surrebuttal, pp. 15-16; File Surrebuttal, pp. 51-54.

area's low-income customers. The premise is to offer support in three primary areas; energy efficiency, healthy homes, and structural repairs/integrity.[8] The budget associated with this aspect of the proposal is reduced from $29.6 million to $12.6 million.

The Urban Heat Island program is proposed as a 3-year program (rather than a 4-year program as originally proposed) with a reduced budget from $3.0 million to $2.6 million, consistent with the amount approved in the MEEIA Cycle 3 Program Year 5 ("PY5") extension agreement. Evergy will offer an Urban Heat Island ("UHI") Mitigation Program to drive energy use reduction and mitigate the urban heat island effect in Kansas City. Evergy began working with the MidAmerican Regional Council ("MARC") to understand how its MEEIA programs could aid in mitigating UHI effects.

The Whole Business Efficiency Program is a 2-year (rather than a 4-year) program - (Standard-Non-Lighting) - with a reduced budget from $74.3 million to $7.3 million. This is a reduction in the budget of over 90%.

On a cumulative basis, the total budget for the Residential Energy Efficiency (which is zero in the alternative proposal), Hard-to-Reach Homes, Urban Heat Island, Pilots (which is zero in the alternative proposal) and Whole Business Efficiency programs is only 15% of the originally proposed budget in the Application.

The Residential and Business Demand Response Programs continue to be four-year programs with a cumulative budget of $65.2 million, as originally proposed in Evergy's Application. The demand response programs have a cumulative peak demand reduction target of 220.67 MW and a cumulative energy savings target of 5,105 MWh.[9] [10]

While the alternative proposal still presents some challenges to Evergy's future capacity needs, the Company believes its alternative proposal represents an acceptable modification to the

[8] MEEIA Cycle 4 2025-2028 Filing, p. 19.
[9] Gunn Surrebuttal, Schedule KG-1.
[10] MEEIA Cycle 4 2025-2028 Filing, pp. 25-26.

original MEEIA Cycle 4 proposal in light of concerns expressed by the Commissioners regarding energy efficiency.

C. Summary of Path Forward

As discussed herein, Evergy believes that the MEEIA statute and Commission's MEEIA rules provide the appropriate framework for its long-standing demand-side management programs. Evergy's application reflects the importance of these programs in 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. Evergy strongly disagrees with many of the claims made by Staff and OPC regarding DSM programs, and Evergy's surrebuttal testimonies endeavor to address the issues raised by the parties and discussed by Commissioners at the Agenda meeting.[11]

However, in the event that the Commission still has concerns about Evergy's original proposal discussed herein, then Evergy would respectfully request that the Commission adopt is alternative, scaled back proposal.

II. List of Issues

In approving, approving with modifications, or rejecting Evergy Metro Inc. d/b/a Evergy Metro ("Evergy Missouri Metro") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West (Evergy Missouri West) (collectively, "Evergy") MEEIA Cycle 4 Application (consisting of (1) the Report, (2) the program descriptions, (3) the program templates, (4) the avoided costs, (5) the incentive ranges, (6) the detailed EM&V plan, (7) the Technical Resource Manual ("TRM") (Appendices 8.2), (8) the exemplar tariff sheets, (9) the Demand-Side Investment Mechanism

[11] Gunn Surrebuttal, p. 4.

("DSIM") explanation, (10) the customer bill examples, (11) the MEEIA 2025-2028[12] the Commission must address:

1. Benefits: Is the proposed Evergy's demand-side management portfolio plan expected to provide benefits to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers as required by §393.1075.4 RSMo.?

Evergy Position: Yes. Evergy is proposing a robust portfolio of programs for January 1, 2025 through December 31, 2028, by investing $213 million[13] to achieve 316 MW[14] of peak demand savings, or capacity reduction, and 401 GWh of first-year energy savings.

- Customer Bill Savings – Participating customers will benefit immediately with reduced bills, and all customers will benefit in the long run with lower bills as compared to a more expensive supply-side investment. The proposed DSM portfolio will generate an anticipated $296.7 million in net present value of net benefits for customers.
- Affordability – An investment of more than $29 million in income-eligible programs will expand equitable options for all, specifically reducing the burden on families with tight budgets.
- Portfolio Connectivity Focus – Engage and connect customers with programs complementary to MEEIA, such as other utility offerings (like time-of-use rates and weatherization) and non-utility options (like federal incentives) to drive savings.
- Regional Economic Impact – Local and regional investment spurs economic output from direct jobs delivering DSM programs (30+) to the indirect effect

[12] These documents are all filed as docket item 16. References to Evergy's MEEIA Cycle 4 Application should be interpreted as references to all these items.
[13] Includes UHI program budget of $2,564,990 that was previously approved.
[14] 716 MW is the mathematical addition of all the annual MW targets in the MEEIA plan and is in Figure 1.1 of Filing Report . Due to Business Demand Response having a one-year measure life, the net incremental achieved by year 4 is expected to be 316 MW.

of other contractor, technology, and commercial jobs supporting the clean energy industry.

- Environmental and Health Benefits – The societal benefits of reducing energy use can be quantified in terms of emissions reductions and indirect health benefits from better indoor conditions from air quality and home and work environments from energy-efficient equipment.[15]

Evergy is uniquely poised to be in a perfect position with customers in our jurisdictions to guide them through options available to save energy and money that will provide multiple benefits well into the future.

FIGURE 1.1: Summary of Evergy's MEEIA Cycle 4 Four-Year Plan - Combined Jurisdictions (MO Metro & MO West)

Sector	Budget ($MM)	Energy Savings (MWh)	Demand Savings (MW)	Total Resource Cost Test
Residential EE	$39,391,908	66,382	27.9	1,59
Hard-to-Reach Homes EE	$29,623,611	37,998		6.8
Urban Heat Island (UHI)	$3,065,570	64	0.01	0.02
Business EE	$74,394,385	291,735	61.0	2.43
Demand Response	$65,165,537	5,105	220.7	5.87
Pilots	$1,600,000	-	-	-
TOTAL PORTFOLIO	**$213,241,011**	**401,285**	**316.4**	**2.89**

Evergy respectfully requests that the Commission approve this plan to start on January 1, 2025, which allows for a continuous offering of DSM programs to Evergy's customers.

[15] MEEIA Cycle 4 2025-2028 Filing, pp. 6-7.

A. Are the avoided cost assumptions in Evergy's MEEIA Cycle 4 Application reasonable estimations of ratepayer benefits of avoided energy and demand?

i. If not, how should avoided costs be determined?

Evergy Position: Yes. Evergy follows the Commission's IRP Rules as it develops avoided cost estimates.[16] Evergy developed a model that leverages 2024 Triennial IRP model data inputs and costs to determine the expected costs to meet additional capacity needs in the 20-year IRP horizon. There are two main components to the avoided capacity cost model: 1) annual capacity reserve margin (forecasted MW position) and 2) estimated annual capacity costs. Both components are calculated with inputs directly aligned with Evergy's 2024 IRP modeling assumptions.[17]

In the development of any DSM portfolio, avoided costs are a key input into the calculation of program benefits and, ultimately, in the benefit-cost analysis (cost-effectiveness) in the California Standard Practice Manual tests. Avoided costs can be broken down into multiple components to help determine the value or benefit of a kW or kWh saved. A higher-level breakout of avoided costs is splitting the value into avoided energy costs (expressed in $/kWh) and avoided capacity costs (usually expressed in $/kW-yr). In this case, avoided capacity costs used by Evergy can be broken down into avoided generation capacity and Southwest Power Pool ("SPP") fees.[18]

For this filing, Evergy utilized the following methodologies to attribute avoided costs to the various components:

- Avoided energy costs ($/kWh): Evergy's avoided energy costs are aligned with the energy prices used in its 2024 IRP. As EMM's and EMW's DSM programs reduce energy, the load quantities purchased at the applicable SPP

[16] *See* 20 CSR 4240-20.92(C) and 20 CSR 4240-22.050(5)(A)1.
[17] VandeVelde Direct, p. 9.
[18] MEEIA Cycle 4 2025-2028 Filing, pp. 12-13.

settlement nodes are also reduced. Evergy averages the IRP's projected hourly Evergy Metro and EMW load settlement prices for each year 2025-2043 to come up with an average annual dollar per megawatt-hour for avoided energy cost.

- Avoided generation capacity costs ($/kW-yr): Evergy developed a specific model of expected costs to meet additional capacity needs in the 20-year horizon. There are two main components to the avoided capacity cost model: 1) annual capacity reserve margin (forecasted MW position) and 2) estimated annual capacity costs. Both components are calculated with inputs directly aligned with Evergy's 2024 IRP modeling assumptions. Evergy factors in short-term "market" capacity costs and the cost of building new generation (commonly referred to as cost-of-new-entry or CONE), depending on available resource types and load forecasts, consistent with Evergy's 2024 IRP.[19]
- Avoided SPP fees ($/kW-yr): Evergy utilized calculations of reduction of SPP transmission-related fees associated with peak and energy reduction as a result of reduction in demand across Evergy. The fees associated with three SPP schedules will be reduced and can be calculated with reductions in MWs and MWhs resulting from the implementation of the proposed MEEIA programs.[20]

4-Year Analysis of Resource Plan Savings (Rather than 20-Year Analysis)

While Evergy believes that the 20-year IRP analysis is the appropriate resource analysis under the MEEIA rules, Evergy also ran an alternative resource analysis studying

[19] VandeVelde Surrebuttal, p. 8.
[20] MEEIA Cycle 4 Report, p. 12.

DSM scenarios that are aligned with only its MEEIA Cycle 4 application and not 20-years' of successive DSM programs. As expected, the modeling results demonstrated that Evergy's MEEIA Cycle 4 portfolio (representing the impact from the implementation of four years of programs only) are beneficial, but do not provide all of the benefits of the full period (20-years) of demand-side programs of RAP Plus.[21] MEEIA programs defer early capacity build needs, but as MEEIA Cycle 4 concludes, more new resources are eventually needed.

As shown in Figure 2 and Figure 3 below, Evergy's MEEIA Cycle 4 plans (4-years designated in the table as "MEEIA") rank better than the resource plans with no demand-side management programs, but worse than the plans with future programs planned at RAP Plus (20-years designated in the tables as "RAP Plus") budgets. For EMM, the MEEIA Cycle 4 plan had a 20-year Net Present Value of Revenue Requirements ("NPVRR") that was $120 million lower than the No DSM plan, and for EMW, the MEEIA Cycle 4 plan's 20-year NPVRR was $290 million lower than the No DSM plan. In regard to generation capacity decisions specifically, between 2025 and 2028, when compared to the No DSM plan, the EMM MEEIA Cycle 4 plan avoids building 150 MW of battery in 2026 and instead builds 150 MW of wind. It also avoids a net 15 MW of new market capacity addition. Similarly, between 2025 and 2028, the MEEIA Cycle 4 scenario for EMW avoids a total of 300 MW of battery across 2026-2027, avoids 150 MW of wind in 2028, and builds an incremental 150 MW of solar. It also purchases 113 MW less of market capacity.[22]

[21] RAP plus is Realistic Achievable Potential (RAP) included all cost-effective programs (based on the MAP results), restricted participation in Evergy's existing programs to current achieved levels, and tested sensitivities to participation in non-TOU program options plus ten percent more. Source: Evergy 2023 DSM Market Potential Study, MEEIA Cycle 4 2025-2028 Filing, Appendix 8.8, p. 18.

[22] VandeVelde Surrebuttal, pp. 5-7.

FIGURE 2:
EMM 20-YEAR NPVRR RANKINGS

Rank	Plan	NPVRR ($M)	Difference ($M)	Description
1	**CAAB**	**23,144**		**RAP Plus**
2	AAAB	23,190	47	RAP
3	CCAB	23,217	73	Retire La Cygne 2 2032
4	GAAB	23,271	128	RAP Plus MO, KEEIA Only DSM
5	CAAC	23,274	130	No 2027 Solar
6	**MEEIA**	**23,284**	**140**	**MEEIA**
7	CBAB	23,307	163	Retire Iatan 1 2030
8	DAAB	23,337	193	RAP Minus
9	BAAB	23,370	226	MAP
10	**EAAB**	**23,394**	**250**	**No DSM MO**
11	FAAB	23,516	372	No TOU, No DSM MO
12	CAAD	23,574	430	High/High
13	HAAB	23,685	542	No DSM MO, KEEIA Only DSM

FIGURE 3:
EMW 20-YEAR NPVRR RANKINGS

Rank	Plan	NPVRR ($M)	Difference ($M)	Description
1	CBAA	11,067		Retire Iatan 1 2030
2	CCAA	11,076	9	Retire Jeffrey 2 2039
3	AAAA	11,081	14	RAP
4	**CAAA**	**11,086**	**19**	**RAP Plus**
5	CAAC	11,089	21	No 2027 Solar
6	DAAA	11,090	23	RAP Minus
7	**MEEIA**	**11,099**	**31**	**MEEIA**
8	CGAG	11,138	71	Low/Low, No retirements
9	CDAA	11,163	96	Retire Jeffrey 1 2030
10	CFAA	11,208	140	Retire Crossroads 2028
11	CAAF	11,241	174	High/High
12	CEAA	11,271	203	Retire all coal early
13	BAAA	11,272	204	MAP
14	**EAAA**	**11,388**	**321**	**No Future DSM**

Mr. Cody VandeVelde explains how the costs were derived.[23] Evergy's approach is similar to the approach taken since the Company has begun conducting IRPs under the Commission's IRP Rules. The Commission should accept Evergy's avoided costs as reasonable.[24]

B. Does Evergy's Fuel Adjustment Clause ("FAC") affect the distribution of potential benefits projected from its MEEIA Cycle 4 Application?

Evergy Position: Yes, but only as a transient mechanism to roll the benefits into the Company's base rates. However, the Company disagrees that this is an issue for resolution in this case and the Commission's rules do not require the FAC to be analyzed to determine impact on energy efficiency benefits. Company Witness File explains in his surrebuttal an extreme sensitivity analysis that even after wiping out all the energy savings benefits of the programs, the programs are still Total Resource Cost ("TRC") cost effective at 1.52[25]. His testimony also cites that the projected energy savings from the programs is in higher priced hours than average further negating the issue raised about the FAC. The goal of MEEIA is to value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs associated with delivering cost-effective demand-side programs.[26]

C. Does Evergy's demand side plan value demand-side management portfolio equal to traditional investments in supply and delivery infrastructure?

Evergy Position: Yes. The Company's IRP process analyzed the MEEIA Cyle 4 plan as standalone (energy savings and peak demand impact from the 4-year portfolio only) and as

[23] VandeVelde Surrebuttal, pp. 4-7.
[24] Id.
[25] File Surrebuttal pg 32
[26] Section 393.1075 3. RSMo.

a 4-year portfolio with successive DSM programs together as compared to supply-side resources.

Evergy's proposed portfolio is consistent with MEEIA and the associated rules of the Commission. These rules support the state policy to value demand-side investments equal to traditional investments in supply and delivery infrastructure, allow recovery of all reasonable and prudent costs for delivery of cost-effective demand-side programs, and provide guiding principles for filing new programs and reporting.

The two principal concepts to consider from the MEEIA statute are that it is "...the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure..." and that the Commission shall permit utilities to "implement commission-approved demand-side programs… with a goal of achieving all cost-effective demand-side savings."[27]

The MEEIA statute states that the Commission shall consider the Total Resource Cost ("TRC") test a preferred cost-effectiveness test. It does not stipulate that the TRC test is the sole test, but a preferred metric in evaluating the outcomes of other analyses.[28]

The policy objective in the IRP rules defines the criteria by which to analyze demand-side and supply-side resources on an equivalent basis. This objective is to use "minimization of the present worth of long-run utility costs as the primary selection criterion" (i.e., minimization of NPVRR).[29] The IRP rule regarding the analysis of differing resources is not contingent on having a need for capacity, but having costs and characteristics of each option to model.

[27] Section 393.1075(3) & (4). RSMo..
[28] Section 393.1075(4). RSMo.
[29] Id.

In evaluating the resource options, it's important to understand that it's not necessary to avoid an investment in a supply-side resource to avoid a cost associated with meeting the total demand for capacity and energy.

Evergy's proposed portfolio of programs, including Demand Response programs, is designed to minimize the NPVRR as required by the MEEIA rules, and results in treating demand-side investments on an equivalent basis to supply-side investments.[30]

D. Do the programs in the demand-side management portfolio, and associated incremental energy and demand savings, demonstrate progress toward the goal of achieving all cost-effective demand-side savings?

Evergy Position: Yes. The 2009 passage of MEEIA and associated regulations put into place in 2011 enabled Evergy to begin offering programs starting with Cycle 1 in 2013. Evergy completed its MEEIA Cycle 1 on December 31, 2015, completed its MEEIA Cycle 2 on December 31, 2019, and is currently in the fifth program year (2024) of its MEEIA Cycle 3. Cycle 4, a proposed four-year plan through December 2028, continues to show progress toward the goal of achieving all cost-effective demand-side savings.[31]

Evergy has invested $329 million in DSM programs under MEEIA through 2022, with another $58 million total approved for 2023-24.[32]

2. Does Evergy's Integrated Resource Plan ("IRP") support MEEIA Cycle 4, as proposed in the Application?

Evergy Position: Yes. Using the MEEIA statute framework, the plan provides a least-cost resource by investing in customers to mitigate their demand and energy. This occurs when aligned with the MEEIA intent to treat DSM investment equal to other supply-side investments. Moreover, this plan aligns with Evergy's 2024 IRP preferred plan.[33]

[30] MEEIA Cycle 4 2025-2028 Filing, pp. 12-13.
[31] MEEIA Cycle 4 2025-2028 Filing, p. 10.
[32] Id.
[33] Id. at 6.

Evergy's utilities evaluate numerous levels of DSM programs in its IRP scenarios, ultimately selecting a specific level of DSM for the twenty-year planning period as part of its Preferred Plan portfolio. Since Evergy models incremental DSM throughout the full 20-year IRP horizon, it looks very similar to supply-side resource additions and provides both capacity and energy benefits. All else equal, DSM added to resource planning scenarios raises the utilities' accredited capacity position (reduces the need for new capacity resources). Similarly, from an energy perspective, incremental DSM in the IRP model reduces customers' energy requirements (reduces amount of purchased energy to meet customer needs). Ultimately, the cost/benefit analysis of varying levels of DSM is evaluated by comparing the NPVRR of the different resource plans. This analysis process is consistent with how supply-side resource additions are evaluated in IRPs.[34]

3. ***Inflation Reduction Act ("IRA")/Market Dynamics:*** *Does Evergy's MEEIA Cycle 4 Application sufficiently address the interaction of the IRA and other market dynamics with MEEIA?*

Evergy Position: As Company witness File described in Rebuttal testimony,[35] Evergy believes and the Department of Energy ("DOE") has said 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. As a result, the federal funds have not supplanted or altered the need for MEEIA programs.[36]

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.[37] In

[34] VandeVelde Direct, p. 6.
[35] File Surrebuttal, pp. 17-21.
[36] Gunn Surrebuttal, pp. 19-20.
[37] Gunn Surrebuttal, pp. 19-20.

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.[38]

Third, there are ways to appropriately account for attribution 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.[39]

[38] Gunn Surrebuttal, p. 20.
[39] Gunn Surrebuttal, pp. 25-26.

4. *Administrative Costs: Should there be a cap on administrative costs?*
   i. *If yes, what should the cap be?*
   ii. *What is the definition of administrative costs that should be applied to MEEIA programs?*

Evergy Position: It is imperative to first define "administrative" and what costs should be included before making assertions or claims of what is appropriate or not appropriate.

In its MEEIA Cycle 4 filing, Evergy defines administrative costs for internal accounting purposes as the cost of internal Evergy salary and benefits including expenses from employees as well as DSM potential studies and portfolio tracking tools. This definition is consistent with the Commission approved categories for the past three MEEIA cycles and is included within the Federal DOE definition of administrative costs.

Using Evergy's definition of administrative costs, these costs are about 8.5% of the portfolio budget in this case.[40] The full DOE definition of administrative costs which Staff and OPC promote in this case, simply doesn't match up with how the previous and current MEEIA programs characterized administrative costs.[41]

Administrative costs are included in the TRC cost-benefit test, and the MEEIA Cycle 4 portfolio is shown to be cost-effective under the TRC which is the preferred cost-effectiveness test set out in the MEEIA statute.[42]

It is also important to note that the administrative costs as defined by Evergy are not substantially different in scope and scale, on a proportionate basis, from the MEEIA programs approved by the Commission in the last decade. The Company has also worked with stakeholders to define and limit specific costs in the last two MEEIA extension stipulations[43].

[40] File Surrebuttal, p. 14.
[41] Gunn Surrebuttal, pp. 12-13.
[42] Gunn Surrebuttal, p. 14.
[43] File Surrebuttal p. 13.

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 Commission has opined similarly in a previous Evergy MEEIA prudence case that more robust discussion is needed on definitions and levels of incentives and non-incentives[44]. The Company believes that once these definitions are agreed to, the Commission will see that the Company's MEEIA administrative costs are much lower than either Staff or OPC suggest.[45]

When comparing MEEIA programs to Federal DOE programs, like cost structures of IRA programs, it is also important to understand the objective of the program. Company Witness Gunn uses a simple example of how the DOE programs pay substantially more rebates to the customer for the same energy savings project (50-80% of TOTAL project cost for DOE vs. 50% of the INCREMENTAL project cost for MEEIA)[46]. DOE's different approach in paying the customer substantially more for energy savings will result in different level of total incentives and incentive ratios.

Evergy's MEEIA Cycle 4 includes reasonable Contractor Administrative Costs in the program budgets. The plan includes 12 MEEIA programs delivered over approximately 48-months beginning January 1, 2025 and ending December 31, 2028. The planned combined budget for these projects is $213,241,011.[47]

As applied currently in MEEIA Cycle 3 and consistent with the MEEIA rules, actual program costs will include the incremental cost of planning, developing, implementing, monitoring, and evaluating demand-side programs. All costs incurred by or on behalf of the

[44] File Surrebuttal p. 12
[45] Gunn Surrebuttal, p. 14.
[46] Gunn Surrebuttal p. 13
[47] MEEIA Cycle 4 2025-2028 Filing, p. 34.

collaborative process — including but not limited to costs for incremental consultants, employees, and administrative expenses — are included in the program costs. General administrative costs are included based on the estimated budget for each program. Indirect costs associated with DSM programs — including but not limited to costs of a market potential study and advertising — are included in the program costs.

Continuing with the methodology of MEEIA Cycle 3, programs are designated as Residential or Non-Residential, and costs associated with each will be recovered by residential or non-residential customers, respectively.[48]

5. Earnings Opportunity ("EO"): If the Commission determines that Evergy may implement a MEEIA Cycle 4, should the Commission authorize an Earning Opportunity?

Evergy Position: Yes. Under MEEIA, the Commission shall provide timely earnings opportunities associated with cost-effective measurable and verifiable efficiency savings. Section 393.1075(3) RSMO.

A. In valuing demand side investments equal to supply side investment as required by § 393.1075.3 RSMo.:

i. Who bears the risk of Evergy not achieving its projected energy and demand targets?

Evergy Position: The Company disagrees that this is an issue the Commission must consider under MEEIA. The value of demand-side investments should not be conflated with the EM&V process. Section 393.1075(3) RSMo. provides:

> 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. In support of this policy, the commission shall:
> (1) Provide timely cost recovery for utilities.
> (2) Ensure that utility financial incentives are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently; and

[48] Id.

(3) Provide timely earnings opportunities associated with cost-effective measurable and verifiable efficiency savings.

Evergy's MEEIA 4 Cycle plan includes an EM&V plan and the Commission's EM&V rules provide the oversight needed to ensure the Company's plan produces verifiable efficiency savings. In addition, if the Company does not produce the verified savings, it will not achieve the EO associated with it. If the Company does not spend the MEEIA investments prudently, Commission oversight through the prudency review places the risk on the Company for any imprudent spending. The Commission also 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. This process ensures Evergy bears the risk for implementing the MEEIA Cycle 4 plan.

ii. Is Evergy's proposed EO appropriate?

Evergy Position: Yes. Similar to the earnings opportunity for the first three years of MEEIA Cycle 3, Evergy is proposing the majority of earnings opportunity be based on performance metrics, which must be verified through the EM&V process for measurable and verifiable energy and peak demand savings. Evergy proposed that only the EO for the income-eligible, UHI, education and pilots programs be evaluated based on budget spend.

Consistent with MEEIA Cycle 3, Evergy proposes that the EO be determined for each program year using an EO matrix (Appendix 8.5 of the MEEIA Report). The modifications to this matrix combined the jurisdictions into one matrix, computed the EO

amounts annually rather than the entire cycle as well as an annual $ per MW award rate for the Home and Business Demand Response programs.[49]

Evergy suggests that values for the buckets of EE MWh, EE MW, and thermostat MW remain at levels relatively consistent with MEEIA Cycle 3 to align with the Commission's prior directive and focus primarily on peak demand (kW) savings. These established EO values remain valid in Evergy's MEEIA Cycle 4 filing because they:

- Benchmark EO as a percentage of net benefits and spend as compared to recent extensions.
- Link to IRP minimization of revenue requirement.
- Align with deferral and retirement of generation assets as demonstrated in the IRP.

Evergy will perform a full EM&V, including an ex post gross adjustment and NTG determination for EO with no NTG floor and no NTG cap. For purposes of the EO, the evaluated kWh and kW savings measurements are determined through the annual EM&V, including NTG with no floor or cap on the NTG factor, based on actual measures installed in that year annualized.[50]

The effect on shareholder value compared to supply-side alternatives recognizes the opportunity cost to the utility of substituting DSM for supply-side alternatives. Demand-side resources cannot be valued equally to supply-side resources without providing an equivalent opportunity to enhance shareholder value. Providing timely EO moves demand-side resources beyond a break-even proposition and allows fair comparison with supply-side alternatives, allowing the utility to value the two options equally. The annual EO would thus

[49] MEEIA Cycle 4 2025-2028 Filing, p. 34.
[50] Id.

be included in the DSIM rider for recovery over the 12 months (two DSIM recovery periods) following the report issuance. The continuation of this approach is consistent with the MEEIA policy of timely recovery, mitigates the overlapping of costs with succeeding cycle costs, and smooths the impact on customer DSIM rates.[51]

B. Are any of the proposals regarding the Earnings Opportunity ((1) Evergy's proposal, or (2) Dr. Marke's proposal in Surrebuttal Testimony) consistent with § 393.1075.3(3) RSMo.'s requirement that any earnings opportunity be "associated with cost-effective measurable and verifiable efficiency savings"?

i. If so, and if the Commission determines that Evergy may implement a MEEIA Cycle 4, which, if any, proposal should be used to calculate any earnings opportunity?

Evergy Position: Evergy's proposal should be adopted. See MEEIA Cycle 4 2025-2028 Report, pp. 37-38. and Appendix 8.5.

Dr. Marke's proposal in surrebuttal is not consistent with § 393.1075.3(3) RSMo.'s requirement that any earnings opportunity be "associated with cost-effective measurable and verifiable efficiency savings". His recommendation does not recognize the difference between how an EO is determined compared to a utility's ROE. Dr. Marke's recommendation is 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 Evergy can deliver, unlike shareholder dollars that fund capital investments where the ROE is tied to the cost of capital to fund those projects.[52]

*6. **Evaluation, Measurement, and Verification ("EM&V"):** If the Commission approves Evergy's MEEIA Cycle 4 Application, should the Commission approve Evergy's EM&V plans?*

Evergy Position: Yes. Evergy is proposing a re-invigorated approach to its MEEIA Cycle 4 to bring back the focus to the impact results from the energy and peak demand reductions

[51] MEEIA Cycle 4 2025-2028 Filing, p. 33.
[52] Gunn Surrebuttal, p. 36.

attributed to the programs, specifically also to be emphasized for performance metrics. While the last couple Cycle 3 extension years have de-emphasized EM&V impact analysis (no EO metrics on kW or kWh achievement), the continued need to validate energy and peak demand reductions from our programs is more important than ever.[53]

A. In addressing this question, should the results of the EM&V of Evergy's MEEIA Cycle 4 be applied on a prospective or retrospective basis?

Evergy Position: OPC witness Marke recommends that EM&V should be conducted on a retrospective basis, which is exactly how Evergy proposes the ex-post evaluation of gross savings from custom projects are applied. However, Evergy's EM&V plan proposes to apply adjustments to deemed savings established in the TRM on a prospective basis only. The TRM defines guidelines for acceptable measurement protocols for energy and demand-saving measures based on proven engineering principles and algorithms. A key purpose of the TRM is to reduce the burden on program implementation and evaluation staff in reaching reasonable estimates of energy and demand impacts from common measures, and therefore help ensure that the costs associated with delivering such measures is reasonably proportional to the impacts achieved. If annual billing analyses and metering studies result in a recommended adjustment to the energy or demand savings attributed to a deemed measure, such an adjustment would be made on a prospective basis for the following program year.[54]

[53] MEEIA Cycle 4 2025-2028 Filing, pp. 50-51.
[54] File Surrebuttal, p. 24.

B. Should EM&V consider:
- *i. the rebound effect;*
- *ii. interactive effects;*
- *iii. the principal/agent issue;*
- *iv. the IRA;*
- *v. operational inefficiencies;*
- *vi. free ridership;*
- *vii. spillover;*
- *viii. time-based rates; and*
- *ix. any other issues.*

Evergy Position: Evergy's EM&V plan addresses free ridership and spillover as noted in the Application with the plan and surveys being reviewed by stakeholders prior to deployment. Regarding the other potential study items, the Company is willing to participate in workshops to explore these items further, although there must be a balance with the expected costs to develop and implement any additional EM&V analysis. EM&V is only effective when there is a reasonable method to measure potential savings impacts. For example, while there might be some impacts on the rebound effect, the Office of the Public Counsel did not present evidence regarding a reasonable method to measure the impact and whether measuring the impact would increase the EM&V budget. The Commission should reject the inclusion of additional issues until such time it is determined that there is a reasonable methodology to measure these impacts without increasing the EM&V budget.

C. Should MEEIA programs continue to be evaluated by an independent, third party EM&V consultant with a Staff auditor, or should the EM&V be completed by a single independent, Commission-approved consultant with no utility oversight?

Evergy Position: Company witness File testified 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 because the utility is the entity running the programs, similar to most 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 EM&V plan, the Commission will retain its authority and ensure the Company's financial incentives are aligned with the customers using energy more efficiently.[55]

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."

D. Should the TRM and deemed savings tables included in Evergy's MEEIA Cycle 4 Application be approved, approved with modifications, or rejected?
i. To what extent should AMI metered data be used in EM&V?
ii. To what extent should AMI metered data be used to recover TD?

Evergy Position: Yes. Evergy's TRM and deemed savings tables in Evergy's MEEIA Cycle 4 Application should be approved. Evergy's application as well as 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.[56]

iii. Prior to approval, should the Commission require Evergy to submit a TRM and deemed savings table with serviceable links and page- specific citations of the assumptions underlying the TRM and deemed savings table themselves?
a. If not prior to approval, when must Evergy submit these items?

Evergy Position: Evergy has already submitted a TRM that includes all MEEIA Cycle 4 proposed efficiency measures including deemed savings and associated algorithms for their calculations with citations to source documents. Company witness File highlights an example in his surrebuttal to show the tracking of the savings and measure life calculation.

[55] Gunn Surrebuttal, p. 38.
[56] Gunn Surrebuttal, p. 5.

The MEEIA Cycle 4 filing is the MEEIA Cycle 3 Commission approved TRM for 2024 that is informed by third party EM&V completed in mid-2023[57]. The Company believes no further submissions should be required. See MEEIA Cycle 4 2025-2028 Filing, Appendix 8.2.

7. Throughput Disincentive Mechanism: If Evergy's MEEIA Cycle 4 Application is approved, should it include a Net Throughput Disincentive Mechanism as requested by Evergy, or a Net Variable Revenue Mechanism as proposed by Staff?

Evergy Position: The Net Throughput Disincentive Mechanism proposed by Evergy should be approved. The Company's proposal is the only proposal in this case that appropriately aligns the Company's incentives with the interest of its customers in using energy more efficiently. Moreover, the Commission promulgated rules to implement MEEIA. The Commission's rules provide default parameters that govern the operation of the mechanism and include provisions that allow both lost revenue and incentive recovery. The Missouri Court of Appeals found that utility lost revenues are a cost within the context of MEEIA.[58]

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.[59]

[57] File – direct p. 6.
[58] *See* the *Report and Order*, EO-2015-0055 at 6, (Issued October 22, 2015); S*ee also State ex. Rel. Public Counsel v. PSC,* 397 S.W. 441, 450-452 (Mo.App. W.D. 2015)(upholding the Commission's rules, finding that MEEIA allows for adjustments between rate cases, and also finding that utility lost revenues are a cost within the context of MEEIA*.) State ex. rel. Public Counsel v. PSC,* 397 S.W. 441, 450-452 (Mo.App. W.D. 2015).
[59] Gunn Surrebuttal, p. 31.

Staff recommends the creation of a new avoided revenues mechanism based on the net variable revenues established in the last rate case to be updated in future general rate cases. Staff's proposed mechanism tracks actual net variable revenue for each of the residential and Small General Service ("SGS") classes against the rate case level and reconciles the difference through the MEEIA rate charged to these classes. For other classes, Staff recommends continued use of the Net Throughput Disincentive mechanism, with refinements.

Staff's proposal is essentially a decoupling mechanism for the residential and SGS rate classes and the MEEIA statute does not authorize decoupling. While PISA allows decoupling as an option, Evergy's election of PISA in 2019 prevents it from using the decoupling provision within that same statutory framework. Evergy did not elect the decoupling option under PISA because it would result in negative financial impacts on the Company in an environment where it may experience any load growth at all "but for" its DSM programs. Company witness Kevin Gunn's direct testimony describes the significant demand and load growth forecasts that Evergy is projecting in its IRP due to economic development and electrification. Decoupling would take away the financial benefit Evergy might receive from expected load growth. The benefits of that growth due to regulatory lag from use of the historical test year that sets rates in Missouri can help offset the effects of negative regulatory lag and help the utility have an opportunity to recover its prudently incurred costs of providing service to customers, particularly in an environment of increasing utility O&M expense costs over time. Staff's proposal removes this benefit to the utility, removes part of the framework identified in the MEEIA statute that aligns incentives to promote energy efficiency, and creates a disincentive for the utility to elect to do MEEIA programs.

Furthermore, Staff's proposed mechanism does not meet the definition of throughput disincentive in MEEIA Regulation 4 CSR 4240-20.092 (TT): Throughput disincentive means the electric utility's lost margin revenues that result from decreased retail sales volumes due to its demand-side programs" and 4 CSR 16 4240-20.093.2(H): Any throughput disincentive component of DSIM shall be based on energy or energy and demand savings from utility demand-side programs approved by the commission. Clearly, Staff's alternative mechanism is driven by many factors other than the decreased retail sales volumes due to its DSM programs and is not based only on energy and demand savings.[60]

A. If a Net Throughput Disincentive Mechanism is authorized, what, if any, modifications are necessary for the residential and non-residential customer classes to address the changes in circumstances associated with the proliferation of time-based rates and the passage of the federal Inflation Reduction Act ("IRA")?

Evergy Position: None. The Missouri Department of Natural Resources ("MDNR") has not announced any specific plans to deploy the IRA programs and there is no evidence that exists regarding the impact the IRA programs and funds will have on Evergy's MEEIA program participation, specifically attribution of the utility programs. Staff is proposing to reduce Evergy's NTG now because Staff believes that MDNR's IRA programs will significantly and solely influence whether or not the eligible customer installs a more energy efficient measure - not Evergy's MEEIA programs. Evergy has proposed that attribution be determined in Evergy's EM&V process rather than ascribe a NTG value that is unfounded and premature. Evergy proposes to allow the EM&V process to adjust attribution to the free ridership value and reduce the "net" of the energy savings that can be claimed by Evergy. It is impossible to determine at this point what households will participate in MEEIA versus MDNR's IRA programs, which will participate in federal tax credits, and where there may be overlap.

[60] Gunn Rebuttal, pp. 11-12.

Therefore, no NTG floor adjustment is quantifiable enough at this time to be appropriate.[61] Moreover, the IRA funds are projected to have an impact on approximately 2% (50,000) of the 2,458,324 houses in Missouri. One can reasonably expect that if higher cost, subsidized measures are offered, the 2% percent and number of impacted customers will drop even lower given that the budget is not increasing but the cost of measures are. Based on this, Company witness File estimates the IRA budget will target 50,000 homes across the entire state of Missouri.[62]

With regard to the transition of Evergy Missouri's residential customers to TOU rates and the impact on the DSIM, the Company has proposed several modifications with regard to the calculation of TD associated with energy (kWh) savings from its residential MEEIA programs. Company modified the monthly load shapes utilized in the TD calculation to reflect the time periods defined in the TOU tariffs.[63] 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, Evergy strongly believes 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

[61] File Surrebuttal, pp. 30-31.
[62] File Surrebuttal, p. 33
[63] Jones Rebuttal, p. 2.

programs, participation by customers in MEEIA programs show they value the ability to better manage their usage and control bills.[64]

B. If a Net Throughput Disincentive Mechanism is authorized, is the proposed Technical Resource Manual and planned Evaluation, Measurement, and Verification reasonable for its administration?

Evergy Position: Yes. Both the proposed Technical Resource Manual and the planned Evaluation, Measurement, and Verification are reasonable and should be adopted by the Commission.

C. Does § 386.266.3 RSMo., which authorizes Plant in Service Accounting ("PISA"), prohibit the Commission from authorizing a Net Throughput Disincentive Mechanism under § 393.1075, RSMo?

Evergy Position: No. Section 386.266.3 RSMo. is not applicable to the MEEIA statute and Section 386.266.3 RSMo. does not preclude the Commission from authorizing a Net Throughput Disincentive Mechanism. The Commission is not required to make a determination on this issue to approve the MEEIA Cycle 4 Plan and should reject Staff's recommendation to discontinue the Net Throughput Disincentive Mechanism. Staff recommendation is inconsistent with the law and the Commission's rules. The Missouri Court of Appeals found that utility lost revenues are a cost within the context of MEEIA.[65] Accordingly, the Commission should reject Staff's argument.

[64] Gunn Surrebuttal, p. 17.
[65] *State ex. rel. Public Counsel v. PSC,* 397 S.W. 441, 450-452 (Mo.App. W.D. 2015).

8. Programs: Should the Commission approve, approve with modifications, or reject Evergy's proposed tariff programs?

A. *In regards to programs, specifically:*

i. Residential DSM

a. Whole Home Efficiency Program

b. Home Demand Response Program

c. Home Energy Education Program

d. Moderate Income Single Family On-Bill Financing Program

ii. Hard-to-Reach

a. Hard-to-Reach Homes (EE)

b. Hard-to-Reach Home Energy Education Program

c. Hard-to-Reach Businesses Program

iii. Business DSM

a. Whole Business Efficiency Program (EE)

b. Business Demand Response Program

c. Business Energy Education Program

iv. Urban Heat Island Program

v. Research and Pilot

Evergy Position: The Commission should approve Evergy's proposed tariff programs. The proposed tariff programs are cost-effective and provide multiple program offerings allowing residential and business customers to participate. The diversity of offerings gives all customers the opportunity and option to participate. The strong portfolio of residential, low-income and business energy efficiency programs incentivizes customers to incorporate energy efficiency into their homes and business and provides access to information about how to lower energy costs. The Home and Business Demand Response Programs are designed to reduce participant load during peak periods to improve system reliability, offset forecasted system peaks that could result in future generation capacity, and/or provide a more economical option to generation or purchasing in the wholesale market.[66]

Tariffs and budgets for home and business energy education are also critical components of Evergy's MEEIA programs. Customer education is key to achieving sustained impacts and customer satisfaction. Our outreach efforts concentrate on four main steps to

[66] MEEIA Cycle 4 Report.

nurture participation in DSM programs: awareness, education, conversion and engagement. Education is a vital step in this customer journey, with messaging designed to explain the "why" and provide a deeper level of engagement. Education plants the seed of awareness, enabling customers to expand their knowledge of energy efficiency and contemplate energy management even after implementing an energy efficiency measure. By focusing on these steps, we are not only informing but also empowering our customers. Plus, we are creating personalized interactions for future energy efficiency steps that a customer may not necessarily find without the interaction coming from their utility.

Lastly, in a period where our participation goals are ramping up significantly (e.g. Business DR peak reduction (MW) goals are up between 70-110%), the budget for educating customers will be crucial in order for us to achieve the participation and MW goals set to meet our expected IRP impacts.[67]

See MEEIA Cycle 4 2025-2028 Filing, Appendix 8.1 for complete program descriptions.

Contrary to the position stated by Staff, the proposed tariffs have an adequate level of detail consistent with existing tariffs already in effect and previously approved by the Commission. The proposed tariff sheets are deemed to be reasonable because: 1) There are no defined requirements for MEEIA tariff structure and details, 2) The details provided are similar to previously reviewed and MPSC20 approved MEEIA tariffs, 3) Some flexibility in MEEIA program deployment is key for efficient program offerings and, 4) Customers can gather all relevant information from evergy.com and/or Evergy's program representatives.[68]

[67] File surrebuttal, Pages 37-43.
[68] File Surrebuttal, pp. 19-20.

B. If the Commission approves the demand-side program plan, should the Commission adopt or modify the form of Evergy's DSM programs' exemplar tariff sheets which were attached as Appendices 8.6 and 8.7?

Evergy Position: The Commission should adopt the form of Evergy's DSM programs' exemplar tariff sheets which were attached as Appendices 8.6 and 8.7.

9. Should the Commission approve, approve with modifications, or reject an Alternative Plan for MEEIA Cycle 4?

Evergy Position: As explained in the Introduction above, in an effort to find common ground that would resolve the issues in the public interest, Evergy's Alternative Plan would be a path forward that Evergy finds acceptable and, if accepted by the Commission, would be responsive to issues that were discussed during the August 7, 2024 Agenda discussion and allow Evergy's MEEIA Cycle 4 to go forward.

This alternative proposal 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. Approval of this alternative would allow the Company, the Commission and stakeholders to continue to have meaningful discussions regarding the future of demand response programs in Missouri, while maintaining important, but limited and targeted energy efficiency programs, and more importantly, retain meaningful demand response programs critical to the Company's resource planning.[69]

Under the Company's Alternative Plan, the total budget for the revised MEEIA 4 Program is $87.6 million over a 4-year period. This is almost a 59% reduction from the original proposal. (reduced from $213.2 million)

Looking more specifically at the individual programs, Evergy's alternative proposal retains its original four-year program for the Home Demand Response and Business Demand

[69] Gunn Surrebuttal, pp. 3-6 and Schedule KG-1.

Response programs as originally proposed. The Company needs the Demand Response Programs to help meet customer demand, with the earnings opportunity using AMI data to verify demand response results based on actual annual reductions.

The cumulative budget for the Home Demand Response Program and the Business Demand Response Program is retained, as originally proposed, with a total budget of $65.1 million. Almost 75% of the alternative proposed budget is related to these Demand Response Programs. The cumulative peak demand reduction (MW) target for these DR programs is 220.67 MW, and the cumulative energy savings (MWh) target is 5,105 MWh.[70]

While Evergy is proposing to keep the Demand Response proposal the same as originally proposed, Evergy's alternative proposal significantly scales back the other programs in the Application. Evergy's alternative proposal eliminates the Residential Energy Efficiency Programs and the proposed Pilot Programs. As explained below, it is important to Evergy to continue and have its Demand Response Programs to meet its capacity reserve requirements at the Southwest Power Pool, especially in the short run.

Instead, the alternative plan focuses on the:

1) Income-Eligible Multi-Family program,

2) A modified on-bill financing program similar to the PAYS® program, and

3) The Kansas City-Low Income Leadership Assistance Collaborative (KC-LILAC).

The Income Eligible Multi-Family Program promotes efficiency improvements to housing units and common areas for low-income multi-family properties. Eligible customers will receive a free assessment, direct installation of energy savings measures at no cost, and a personalized report with recommended energy efficiency upgrades. Recommendations

[70] Gunn Surrebuttal, Schedule KG-1.

from the assessments aim to provide direct install measures in housing units and common areas.[71]

The modified on-bill financing program is similar to PAYS® but modified to be tailored to the needs of the Missouri consumers and improve certain deficiencies found with the trademarked PAYS® program. As of today, Evergy PAYS® only has two HVAC contractors out of 200+ approved contractors on our approved Trade Ally ("TA") list. Contractors have been hesitant to join the PAYS® program due to added requirements and pre-agreed pricing that have resulted in contractors not willing to participate in the PAYS® program.[72]

Unfortunately, the trademarked PAYS® program has not been very successful or efficient in Missouri, but we believe the improved on-bill financing program proposed by Evergy will be helpful to customers. Evergy's concerns with the existing PAYS® program is discussed at length in the surrebuttal testimony of Company witness Brian File.[73]

The Kansas City – Low Income Leadership Assistance Collaborative (KC-LILAC) is designed to bring together local support resources, agencies, associations, and corporations, to offer the best and most comprehensive services and support to our service area's low-income customers.

The premise is to offer support in three primary areas: energy efficiency, healthy homes, and structural repairs/integrity.[74] The total dollars associated with this aspect of the proposal is reduced from $29.6 million to $12.6 million, a 58% reduction from the original proposal.[75]

[71] MEEIA Cycle 4 2025-2028 Filing, p. 19.
[72] File Surrebuttal, p. 58.
[73] Id. at 55-59.
[74] MEEIA Cycle 4 2025-2028 Filing, p. 20.
[75] Gunn Surrebuttal, Schedule KG-1.

Under the proposed alternative approach, the Urban Heat Island program is proposed as a 3-year program rather than a 4-year program with a reduced budget from $3.0 million to $2.6 million.

The Whole Business Efficiency Program is proposed as a 2-year rather than a 4-year program --(Standard-Non-Lighting Program)—with a reduced budget from $74.3 million to $7.3 million, about a 90% reduction from the original proposal.[76]

On a cumulative basis, the total budget for the Residential Energy Efficiency, Hard-to-Reach Homes, Urban Heat Island and Whole Business Efficiency programs is only 15% of the original proposed budget.

While the alternative proposal still presents some challenges to Evergy's future capacity needs, the Company believes its alternative proposal represents an acceptable modification to the original MEEIA 4 proposal which is specifically designed to address the concerns expressed by the Commissioners.

Evergy Will Need More Capacity Beginning in 2026 If the Application is Denied

If the Commission does not approve the incremental DSM Programs proposed in this case, and disapproves Evergy's MEEIA programs, Evergy will need to develop more supply-side resources above what is already outlined in 2024 IRP Preferred Plans--beginning in 2026.[77]

Evergy's 2024 IRPs studied alternative resource plans for both Metro and EMW that included No DSM, which is a good indicator of forward planning assumptions if the Commission were to rule against the Cycle 4 application. In this alternative resource plan, that includes the absence of DSM and before considering new supply-resource build, both

[76] Id.
[77] VandeVelde Surrebuttal, pp. 2-4.

utilities' IRPs indicate a capacity shortfall starting in 2026 and continuing thereafter. If Evergy is short on capacity, in addition to not having enough generating capability to meet peak customer demand, the Southwest Power Pool ("SPP") would impose deficiency payments on Evergy.

In order to meet customer demand and avoid SPP deficiency payments, the No DSM plan for Metro builds a 150 MW battery resource in 2026 and 150 MW of solar in 2028.[78]

Neither of these resources are needed in Metro's Preferred Plan due to including the capacity from DSM. For Missouri West, the No DSM plan builds 150 MW of battery in both 2026 and 2027 (300 MW total over the two year) – neither of these batteries are needed in EMW's current Preferred Plan, which includes capacity from DSM.[79]

In the event EMM and EMW are not approved to implement Cycle 4, Evergy would likely file a change in resource plan deviating from the current Preferred Plans. Evergy would then start executing on developing, building, and/or purchasing new supply-side resources to fill the capacity need that is expected without MEEIA Cycle 4. [80]

Evergy would also likely search for cost-effective market capacity in parallel to developing supply-side resources, but Evergy does not expect to find significant market capacity available given current market conditions.[81]

According to the No DSM alternative resource plans in the 2024 IRP, if Evergy is unable to develop and commission new supply-side capacity resources, or acquire sufficient market capacity, by the summer of 2026, it is likely to be short of SPPs resource adequacy requirements and subject to capacity deficiency payments.

[78] Id. at 4.
[79] Id.
[80] Id.
[81] Id.

As detailed in Metro and Missouri West's 2024 IRPs, load growth and more stringent capacity requirements at the SPP are driving a significant need for capacity in the near future that did not historically exist. The whole electric utility industry is facing resource adequacy constraints not seen in decades. Evergy expects the solution to meeting future customer needs will require an "all of the above" approach. This means, it's going to take a combination of building new supply-side resources, demand-side resource programs, and purchasing capacity from the market or from new or existing supply-side resources.[82]

If MEEIA Cycle 4 is denied, it would remove one important potential solution. Given market capacity is not expected to be a meaningful contributor to meeting EMM's and EMW's near-term capacity requirements, removing DSM generally leaves developing new supply-side resources as the only option. This reduces the diversification of solutions and removes options which have consistently been part of IRP preferred plans producing the lowest NPVRR since MEEIA went into effect. Evergy does not feel this is in the best interest of customers.[83]

EMM and EMW have near-term capacity need and Evergy feels strongly that MEEIA Cycle 4 is valuable to meeting that need. If the Commission rules against Cycle 4 Evergy will need to expedite building new supply-side resources and develop additional resources that it otherwise would not be building over the next four years.[84]

For all of these reasons, Evergy respectfully requests that the Commission approve its MEEIA Cycle 4 Application, or in the alternative, its proposed scaled back Alternative Proposal.

[82] Id. at 11-12.
[83] Id.
[84] Id.

WHEREFORE, the Evergy respectfully requests that the Commission adopt its positions on the List of Issues discussed above.

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/s/ Roger W. Steiner

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CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the foregoing have been e-mailed to counsel of record for all parties this 27th day of August 2024.

/s/ Roger W. Steiner

Roger W. Steiner