BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of The Empire District Electric Company d/b/a Liberty to Implement Robust and Mutually-Beneficial Energy Efficiency Offerings Under the Framework Prescribed by MEEIA	)))))	**Case No. EO-2025-0124**

STAFF RESPONSE TO COMMISSION DISCUSSION REGARDING THE GLOBAL STIPULATION AND AGREEMENT

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through the undersigned counsel, and in response to the Commission's case discussion regarding the *Global Stipulation and Agreement* ("Agreement") on March 19, 2025, Staff respectfully states as follows:

1. At its weekly agenda on March 19, 2025, the Commission discussed the Agreement resolving the issues between the parties concerning The Empire District Electric Company d/b/a Liberty's ("Liberty") application for a Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 2.

2. The Commission expressed its concerns with the Agreement, ultimately concluding that the Commission would issue an order rejecting the Agreement.

3. Staff would like to take this opportunity to address the Commission's concerns, and provide details and clarification regarding how the Agreement was reached by the parties.

4. The concerns Staff would like to address are:

   a. Incentives are unusually high. The Liberty Energy Upgrade Program ("LEUP") incentive of $30,000 per applicant and the Commercial and Industrial ("C&I") Program incentive of $250,000 per applicant seem unusually high. There is a perceived issue of fairness and a concern of these programs going too far afield of what was originally envisioned in MEEIA;

b. It is unclear how the residential class benefits from the programs;

c. At a time when all costs are high and rising, utility rates are increasing, and customers could be helped by not paying the MEEIA surcharge – especially if the benefit is not being passed on to them;

d. Lack of program details on who would apply and be eligible; Program eligibility not defined;

e. Lack of inclusion of Evaluation, Measurement, and Verification ("EM&V");

f. Failure to utilize the Total Resource Cost ("TRC") tests;

g. The suggested intent of MEEIA programs is cost avoidance by conserving energy in order to not have to build new generation resources. Yet, a calculation of cost-effectiveness or the benefit-cost ratio for each item in the Cycle 2 portfolio was not included in this docket; and

h. Administrative costs are higher than the incentive costs.

5. As more fully detailed in Staff's Memorandum, attached and incorporated hereto as Appendix A, Staff and the parties used the stipulation and agreements approved by the Commission in EO-2023-0136[1] and EO-2023-0369/0370[2] when drafting the Agreement. The parties attempted to be as consistent as possible in applying the same terms and conditions

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[1] *In the Matter of the Union Electric Company d/b/a Ameren Missouri's 4th Filing to Implement Regulatory Changes in Furtherance of Energy Efficiency as Allowed by MEEIA*.

[2] *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* and *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*.

across all three stipulation and agreements.

6. The Commission raised the idea of another extension of MEEIA's Cycle 1. Staff does not believe this to be a workable option. Staff believes this would be a step backwards from where Cycle 2 currently stands under the Agreement. Liberty also highlights that its Cycle 1 includes incentives that are no longer necessary due to changes in standards and market conditions.

7. Ultimately, it is Staff's belief that, if the Commission does not approve the Agreement, there is not much left to cut from the programs already contemplated under the Agreement, without significantly limiting the impact of any future Liberty MEEIA programs. If the Commission cannot find sufficient support for the Agreement, Staff believes that, at this time, Liberty's MEEIA Cycle 1 tariffs should be allowed to expire, and Liberty will not have a MEEIA program.

8. The Office of the Public Counsel ("OPC") has reviewed Appendix A prior to this filing, and agrees with Staff's response.

9. If the Commission believes further explanation is necessary, or if the Commission had additional concerns it would like to see addressed, Staff is available to answer Commission questions in a future agenda or an on-the-record presentation regarding the Agreement. The OPC also welcomes the chance to answer Commission questions regarding the Agreement in either forum.

WHEREFORE, Staff prays that the Commission issue an order approving the Agreement reached by the parties regarding Liberty's MEEIA Cycle 2, and for such other and further relief as is just and proper under the circumstances.

Respectfully submitted,

/s/ Travis J. Pringle

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ATTORNEYS FOR STAFF OF THE PUBLIC SERVICE COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been transmitted by electronic mail to all parties and/or counsel of record this 25th day of March, 2025.

/s/ Travis J. Pringle

M E M O R A N D U M

TO: Missouri Public Service Commission Official Case File
File No. EO-2025-0124
The Empire District Electric Company d/b/a Liberty

FROM: Brad J. Fortson, Regulatory Compliance Manager

DATE: /s/ *Brad J. Fortson* 3/25/2025
Energy Resources Department / Date

SUBJECT: Staff Response to Commission Case Discussion on Liberty's MEEIA Cycle 2 Stipulation and Agreement at the March 19, 2025, Commission Agenda

DATE: March 25, 2025

EXECUTIVE SUMMARY

On March 19, 2025, the Missouri Public Service Commission ("Commission") held its weekly Commission agenda ("agenda"). At the agenda, the Commission discussed The Empire District Electric Company d/b/a Liberty's ("Liberty") Missouri Energy Efficiency Investment Act ("MEEIA") Cycle 2 *Global Stipulation and Agreement* ("Cycle 2 Stipulation") filed on March 10, 2025. The Commission expressed several concerns that led all Commissioners to express they would not approve the Cycle 2 Stipulation as filed. Given the concerns discussed by the Commission, Staff would like to provide details and clarification as to the background and motivation which led to the Cycle 2 Stipulation. This Staff Memorandum is intended to address the Commission's concerns and provide the Commission with the options Staff sees as a path forward. Staff does not support the extension of Liberty's Cycle 1 MEEIA. Staff is in support of the Cycle 2 Stipulation for the reasons outlined below. If the Commission cannot find sufficient support for the Cycle 2 Stipulation, then at this time Staff believes there should not be a MEEIA Cycle 2 for Liberty.

BACKGROUND

Liberty's MEEIA Cycle 1[1] tariff sheets filed in Case No. EO-2022-0078 were effective through December 31, 2024. During 2024, parties were working toward settlement on the Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri"), Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("EMM"), and Evergy Missouri West, Inc. d/b/a Evergy Missouri West's ("EMW") (EMM and EMW collectively "Evergy") MEEIA Cycle 4 applications. During this

[1] Liberty's MEEIA Cycle 1 began January 1, 2022, and was approved for one year to be effective until December 31, 2022. Two one-year extensions were subsequently approved allowing Liberty's MEEIA Cycle 1 to be effective through December 31, 2024. One final extension was approved to allow for Liberty's MEEIA Cycle 1 to be effective through March 31, 2025.

APPENDIX A

time, Staff suggested Liberty delay its MEEIA Cycle 2 filing to allow for resolution in the Ameren Missouri and Evergy Cycle 4 cases. Staff believed this would allow for the parties in the Liberty MEEIA Cycle 2 case to apply the outcomes of the Ameren Missouri and Evergy Cycle 4 cases to ensure Liberty's case would be consistent with how the Commission wanted MEEIA programs to be implemented. The parties agreed to an extension of Liberty's MEEIA Cycle 1 through March 31, 2025, in order for the parties to work toward a settlement on Liberty's MEEIA Cycle 2. The parties attempted to be as consistent as possible in applying the terms of the three previous stipulations. The parties felt they had accomplished that, and on March 10, 2025, filed the Cycle 2 Stipulation. The Cycle 2 Stipulation had less detail than that of Ameren and Evergy's due to Liberty's January 31, 2025, *Application and Tariff Revisions* ("Cycle 2 Application") filing already including much of the Ameren and Evergy Cycle 4 conditions. This is due to the parties having worked together with Liberty concurrently as the parties were working to finalize the Ameren and Evergy Cycle 4 MEEIA programs.

CONCERNS

Staff understood the Commission to be concerned that the Cycle 2 Stipulation is not in line with recent Commission direction regarding MEEIA. The Commission highlighted concerns over costs, benefits and insufficient program details. Staff has attempted to identify and address the concerns below. As always, Staff and the Office of the Public Counsel ("OPC") are available to field Commission questions during future agenda discussions or for an on-the-record presentation of the following items. The below responses are provided with all due respect to the Commission.

1. **Incentives are unusually high. The Liberty Energy Upgrade Program ("LEUP") incentive of $30,000 per applicant and the Commercial and Industrial ("C&I") Program incentive of $250,000 per applicant seem unusually high. There is a perceived issue of fairness and a concern of these programs going too far afield of what was originally envisioned in MEEIA.**

   Staff Response:
   The Liberty Cycle 2 Stipulation included the LEUP to improve the energy performance and safety of single-family and multi-family dwellings consisting of 1-3 units. The LEUP was proposed in lieu of the initially proposed Income Eligible Weatherization program since the Company currently has a non-MEEIA weatherization program. In order to find an alternative to the proposed weatherization program, the parties discussed the Evergy MEEIA Cycle 4 Income Eligible Program. An Income Eligible Single Family/Weatherization Ready component is part of the Evergy Income Eligible Program.

EMM tariff sheet 2.29 and EMW tariff sheet R-104 states the following:

> **Income Eligible Single Family / Weatherization Ready** promotes efficiency improvements to housing for low-income single-family customers. Evergy will work with local resources from the Kansas City Low Income Leadership Assistance Collaborative (KC-LILAC) to provide home repairs and/or Missouri community action agencies' deferred customers to remove barriers to proceed through the standard Weatherization Assistance Program for home efficiency improvements. The barriers vary by home but may include foundation issues, roof repairs, mold mitigation, etc.

Staff suggested Liberty reach out to Evergy to discuss and propose a similar program. The LEUP ultimately agreed to mimics the program included in the Evergy MEEIA portfolio. The Evergy program currently has a $30,000 cap per home in its program. The $30,000 is not what Liberty anticipates spending on average for every home. Liberty's LEUP annual budget is $1,148,368 and Evergy's combined Income Eligible Program annual budget is $2,750,000, or roughly $1,375,000 for EMM and EMW each. Given the consistencies of the Liberty LEUP and the Evergy Income Eligible Program, the parties agreed to the LEUP program and its $30,000 incentive cap per home. It should be noted that Liberty's LEUP has no energy and demand savings, Throughput Disincentive ("TD"), or Earnings Opportunity ("EO") associated with it. Evergy's Income Eligible Program has all of those components associated with it.

The Liberty Cycle 2 Stipulation also included a Commercial and Industrial Program ("C&I Program") to promote the installation of energy efficiency technologies in all size commercial and industrial businesses. The parties agreed to a $250,000 incentive cap per facility per program year. The only exception being if funds are still available in the last three months of the program year, the cap may be exceeded. The language in the Cycle 2 Stipulation is consistent with the current Commission approved Liberty MEEIA Cycle 1 tariff sheet language. The $250,000 is an incentive cap per customer, not what Liberty anticipates spending on average for every customer. The parties agreed to a $500,000 incentive cap per customer per program year for Evergy's MEEIA Cycle 4 C&I Program. This is a decrease from the Evergy MEEIA Cycle 3 C&I Program incentive cap per customer per program year of $1,000,000. Therefore, Liberty's MEEIA Cycle 2 Stipulation includes a C&I budget similar to that of Evergy, but with a lower incentive cap to remain consistent with that of Liberty's MEEIA Cycle 1.

2. **It is unclear how the residential class benefits from the programs.**

   Staff Response:
   The Stipulation included a Residential Thermostat program that works in unison with the Residential Demand Response ("DR") program to deliver demand reductions during peak periods through the control of thermostats in customers' homes. The Residential Thermostat and DR programs are the only residential programs included in the Cycle 2 Stipulation. The total amount for these programs is projected to be $1,569,706 over three years. These are new programs in Liberty's MEEIA portfolio, and the parties' intent was to initiate a Residential DR program in this case so Liberty could begin gaining knowledge on Residential DR through a Residential Thermostat program.

3. **At a time when all costs are high and rising, utility rates are increasing, and customers could be helped by not paying the MEEIA surcharge – especially if the benefit is not being passed on to them.**

   Staff Response:
   In the Cycle 2 Application filing made on January 31, 2025 in this case, within its "Liberty MEEIA 2025 Filing Final"[2] spreadsheet, Liberty provided cost impacts through its projected Demand-Side Management Programs Investment Mechanism ("DSIM") charge. As of the date of that filing, Liberty projected the bill impact for a residential customer using 1,073 kWh a month to be $0.93 per month; for a small C&I customer using 1,543 kWh a month the bill impact would be $4.20 a month; and for a large C&I customer using 31,421 kWh a month the bill impact would be $85.47 a month. Given the fact that the program budgets and designs did not substantially change from the Cycle 2 Application to the Cycle 2 Stipulation, the bill impacts would stay unchanged.

4. **Lack of program details on who would apply and be eligible; Program eligibility not defined.**

   Staff Response:
   The tariff sheets associated with the Cycle 2 Stipulation include the purpose, definitions, description, and terms and conditions for each program. For each program, "Eligible Participant" is defined within each of the proposed program tariff sheets.[3] Also defined

[2] *Application and Tariff Revision*, Liberty MEEIA 2025 Filing Final.xlsx, DSIM Charge tab, cells D36:D38.
[3] On March 10, 2025, Liberty filed substitute tariff sheets concurrently with its Cycle 2 Stipulation. "Eligible Participant" is defined for the following programs on the following tariff sheets: Residential Smart Thermostats – P.S.C. Mo. No. 6 Sec. 4 Original Sheet No. 29.

where applicable is administrator, funds, program period, and measures. Additionally, the program details were attached as Appendix B to Liberty's MEEIA 2 Application[4] and as Appendix A to the Cycle 2 Stipulation.[5]

5. **Lack of inclusion of Evaluation, Measurement, and Verification ("EM&V").**

Staff Response:

Consistent with Liberty's MEEIA Cycle 1, the Cycle 2 Stipulation does not contemplate EM&V. Commission Rule 20 CSR 4240-20.093(8)(A) allows for each utility's EM&V budget to not exceed 5% of the utility's total budget for all approved demand-side program costs. Liberty's Cycle 2 Stipulation three-year budget is $9,449,569. 5% of that total is approximately $472,478. When broken down by annual budget, that results in approximately $200,000 for years PY25 and PY26, and approximately $71,650 for year PY27. At these levels, the parties considered it highly unlikely that a third-party contractor would be interested in doing any EM&V, let alone meaningful EM&V, for such low prices. For reference, Ameren Missouri anticipates spending approximately $1,450,000 on EM&V for PY25 and PY26. Also, Liberty relies on the Arkansas Technical Reference Manual ("TRM"). The Arkansas TRM is used in other jurisdictions by EM&V contractors and is updated annually and therefore gave the parties comfort that savings calculations would be relatively accurate. In terms of cost-effectiveness tests, Ameren Missouri, and Evergy simply provide their respective avoided costs to the EM&V contractor for those calculations. No new avoided costs are calculated by the EM&V contractors.

6. **Failure to utilize the Total Resource Cost ("TRC") tests.**

Staff Response:

If the Commission would like to see the cost-effectiveness tests, including the TRC test, based on Liberty's avoided cost assumptions, it can go to Liberty's Cycle 2 Application filing made on January 31, 2025, in this case. The cost-effectiveness tests are within Liberty's "MEEIA Cycle 2 Application Appendices."[6] Based on Liberty's avoided cost

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Residential Demand Response Program – P.S.C. Mo. No. 6 Sec. 4 Original Sheet No. 29b.
Liberty Energy Upgrade Program – P.S.C. Mo. No. 6 Sec. 4 Original Sheet No. 29d.
C&I Demand Response Program – P.S.C. Mo. No. 6 Sec. 4 Original Sheet No. 29f.
Commercial and Industrial ("C&I") Program – P.S.C. Mo. No. 6 Sec. 4 Original Sheet No. 29h.

[4] *Application and Tariff Revision*, MEEIA Cycle 2 Application Appendices.pdf, Appendix B: Program Descriptions.

[5] *Global Stipulation and Agreement*, Exhibits A and B MEEIA Cycle 2 Stipulation.pdf, Appendix B: Program Descriptions.

[6] *Application and Tariff Revision*, MEEIA Cycle 2 Application Appendices.pdf, Appendix A: Portfolio and Programs Summary, Total Resource Cost Test.

assumptions, the cost-effectiveness tests would not have substantially changed for purposes of implementing the Cycle 2 Stipulation.

7. **The suggested intent of MEEIA programs is cost avoidance by conserving energy in order to not have to build new generation resources. Yet, a calculation of cost-effectiveness or the benefit-cost ratio for each item in the Cycle 2 portfolio was not included in this docket.**

   Staff Response:
   Based on Staff's suggestion, the parties agreed no reference to cost-effectiveness tests would be included in the Cycle 2 Stipulation or its appendices. This is consistent with the Ameren Missouri MEEIA Cycle 4 Stipulation, where there is also no reference to cost-effectiveness tests. This was out of an abundance of caution to not give the impression that avoided costs were agreed upon by the parties. Avoided costs, particularly avoided capacity costs, have been contentious issues in prior MEEIA dockets, including the Ameren Missouri and Evergy MEEIA Cycle 4 cases. For purposes of settlement, the parties in the Liberty MEEIA Cycle 2 case, same as in the Ameren Missouri MEEIA Cycle 4 case, agreed to remain silent on the cost-effectiveness tests.

8. **Administrative costs are higher than the incentive costs.**

   Staff Response:
   Of the total three-year Cycle 2 Stipulation budget, when comparing incentive spend versus administrative spend, 62% is expected to be spent on incentives. This is comparable, but higher, than the approximately 60% Ameren Missouri is expected to spend on incentives over the same, or relatively same, three-year period.

CONCLUSION

Staff worked diligently with the parties to reach agreements in the MEEIA Cycle 4 cases, and eventually were successful in getting agreements filed that the Commission approved. However, while Staff did not oppose those agreements, Staff was not a signatory. The parties in this case also worked hard to reach an agreement that followed the framework laid out in the Cycle 4 cases. In some aspects, Staff felt the outcome in this case was better than the Cycle 4 Stipulations. Therefore, Staff was a signatory to the Liberty Cycle 2 Stipulation.

Staff recommends the Liberty Cycle 2 Stipulation be approved. However, if the Commission continues to have reservations, in the alternative, Staff recommends Liberty MEEIA programs end on March 31, 2025, when Liberty's MEEIA Cycle 1 tariff sheets are currently set to expire. Staff does not believe an extension of Liberty's MEEIA Cycle 1 tariff sheets[7] is appropriate. In fact, Staff believes an extension of Liberty's MEEIA Cycle 1 would be a step, if not many steps, backwards from where the Cycle 2 Stipulation stands. Liberty's MEEIA Cycle 1 includes incentives that are no longer necessary due to changes in standards and market conditions. Staff is of the opinion there remains little to no room to pare back any components of the Liberty Cycle 2 Stipulation without significantly limiting the impact of any future Liberty MEEIA programs.

Therefore, in conclusion, Staff recommends the Commission approve the Cycle 2 Stipulation as filed or allow MEEIA to end for Liberty by allowing the Liberty Cycle 1 tariff sheets to expire on March 31, 2025. As noted above, Staff and the OPC are available to field Commission questions during future agenda discussions or for an on-the-record presentation.

[7] Staff should note that it is likely that even with an extension to Liberty's MEEIA Cycle 1, there will likely be a gap in cycles. This is not necessarily a concern of Staff's; however, it is also likely that Liberty would need to file with the Commission a request for additional budget for any extension as it is Staff's understanding the PY24 budget and the 20% budget overrun allowance permitted under 20 CSR 4240-20.094(5)(A)1 has been, or is nearly, expended.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of The Empire District Electric Company d/b/a Liberty's Application to Implement and Continue Robust and Mutually Beneficial Energy Efficiency Offerings Under the Framework Prescribed by MEEIA	))))))	Case No. EO-2025-0124

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

COMES NOW BRAD J. FORTSON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Response, in Memorandum Form*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

BRAD J. FORTSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 24th day of March 2025.

Dianna L. Vaught
Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377