

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

In the Matter of the Second Prudence Review of the)
Missouri Energy Efficiency Investment Act)
(MEEIA) Cycle 2 Energy Efficiency Programs of) File No. EO-2020-0227
Evergy Metro, Inc. d/b/a Evergy Missouri Metro)

In the Matter of the Second Prudence Review of the)
Missouri Energy Efficiency Investment Act)
(MEEIA) Cycle 2 Energy Efficiency Programs of) File No. EO-2020-0228
Evergy Missouri West, Inc. d/b/a Evergy Missouri)
West)

**EVERGY MISSOURI METRO’S AND EVERGY MISSOURI WEST’S
REPLY TO STAFF AND OFFICE OF PUBLIC COUNSEL’S RESPONSE
TO EVERGY’S MOTION TO LIMIT THE SCOPE OF PROCEEDING**

COMES NOW, Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West, Inc. (“Evergy Missouri West”) (collectively herein “Evergy”) and file this response to Staff (“Staff”) for the Missouri Public Service Commission (“Commission”) and the Office of the Public Counsel’s (“OPC”) *Response to Evergy’s Motion to Limit the Scope of Proceeding* pursuant to 20 CSR 4240-2.080. For its cause Evergy states the following:

1. On July 29, 2020 Evergy filed a motion that sought to limit the scope of this proceeding to costs subject to the Demand Side Investment Mechanism (“DSIM”) pursuant to 20 CSR 4240-20.093. This motion was in response to Staff’s Reports¹ which recommended disallowances based on Staff’s flawed position that Evergy: (1) should have entered into bi-lateral capacity sales and (2) failed to minimize Southwest Power Pool (“SPP”) expenses.

¹ Related to the Second Prudence Review of Cycle 2 Costs Related to the Missouri Energy Efficiency Investment Act (“MEEIA”) for the Operations of Evergy Missouri Metro and Evergy Missouri West.

2. Evergy's Motion to Limit the Scope ("Motion") argues that these recommendations are inappropriate in this proceeding because they are not "costs subject to the DSIM" – the parameters established by 20 CSR 4240-20.093(11).

3. Staff filed its response to the Motion on August 7, 2020 arguing as follows, "Staff recommends that the Commission disallow the amounts in question because they are a result of decisions made during the implementation of MEEIA Cycle 2 Demand Response programs." (Emphasis added.) Staff's Response, Par. 4.

4. Evergy respectfully submits that this is clearly not within the parameters established under 20 CSR 4240-2.080(11), i.e. costs subject to the DSIM. Staff makes no attempt to argue that its recommended disallowances are comprised of such costs. In fact, Staff goes on to list the actual costs which are subject to the DSIM, namely, "The program costs, throughput disincentive, and earnings opportunity associated with the Demand Response Incentive program and the Residential Programmable Thermostat program are collected through the DSIM and are therefore subject to the MEEIA prudence audit." Id. Notably *not* included in Staff's list of actual "costs subject to the DSIM" are hypothetical bi-lateral capacity contracts or speculative reductions in SPP expenses which may or may not have resulted from decisions which occurred during the implementation of the MEEIA Cycle 2 Demand response programs.

5. It is not Evergy's position that these issues should never be considered by the Commission. Rather, Staff's recommendations, while misplaced and wrong, are appropriately heard within the existing fuel adjustment clause ("FAC") prudence proceedings² or a general rate case.

² See, *In the Matter of the Ninth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West*, Case No. EO-2020-0262; *In the Matter of the Third Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Metro, Inc. d/b/a Evergy Missouri Metro*, Case No. EO-2020-0262.

Evergy will strongly defend its decisions related to these issues in those appropriate proceedings. It is beyond factual dispute that revenues from a hypothetical bi-lateral capacity contract or speculative reductions in SPP expenses would flow through Evergy's Rider FAC or be included in the cost-of-service calculation in a general rate case, not Evergy's DSIM. Such costs are not collected through or otherwise subject to the DSIM.

6. Evergy Missouri Metro's FAC tariff provides that off-system sales contracts of one-year or less are recorded and netted against fuel costs recovered in the FAC.³ Staff's capacity adjustment seeks to impute the revenue received from a hypothetical capacity contract against costs of MEEIA programs recovered under the DSIM. If any revenue from a hypothetical capacity contract is to be imputed it must take place in the FAC, where the Company's fuel and purchased power costs are recovered. Staff's adjustment belongs in an FAC audit case (see footnote 2 for case reference) for any hypothetical capacity contract of less than one-year duration and in a general rate case if the hypothetical contract is over one-year duration.

7. A portion of Staff's adjustments related to SPP schedule 11 fees are also recovered through the FAC. Under Evergy Missouri Metro FAC tariff sheet 50.24 and Evergy Missouri West tariff sheet 127.16, 26.40 percent of SPP transmission costs are recovered through the FAC for Missouri Metro and 47.20 percent for Missouri West. Staff's imputation of SPP fees that it believes could have been reduced by the Company should be handled in the FAC, not through the DSIM which does not recover SPP fees. Any adjustment to the amount of SPP fees that is not recovered in the FAC should be addressed in a general rate case.

³ See Evergy Missouri Metro tariff sheet 50.22 for the calculation which removes capacity sales and tariff sheet 50.24 for the definition of off system sales.

8. OPC also filed a response to Evergy's Motion on August 7, 2020. Similar to Staff's argument, OPC in arguing against the Motion ignores the language of the regulation which sets the parameters of prudence review to "costs subject to the DSIM" in favor of any costs whatsoever that can be tied to "programs funded by the DSIM". OPC Response, Par. 6. This vastly and unreasonably expands the universe of costs and revenues to be considered under a DSIM prudence review. Indeed, nearly any adjustment related to the cost of providing electric service could be justified under OPC's rationale, since MEEIA programs are designed to improve efficiency. The Commission should require, as specified in 20 CSR 4240-20.093(11), that any adjustment must be to a cost subject to the DSIM.

9. On a pragmatic level, the management decisions of Evergy, like all public utilities, are interrelated in their impact to the utility company and their customers. However, a DSIM prudence review should not be utilized as a catch-all proceeding for any prudence disallowance related to areas that are not subject to the DSIM. In a general rate case, the Commission considers all relevant factors in setting just and reasonable rates. In this particular case, the disallowances recommended by Staff are more appropriately heard in the FAC prudence review cases which actually deals with the costs and revenues contemplated by Staff or in a general rate case.

WHEREFORE, Evergy respectfully request the Commission issue its order limiting the scope of this proceeding as discussed herein and striking such testimony as it deems appropriate.

Respectfully Submitted,

/s/ Roger W. Steiner

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**Attorneys for Respondent Evergy Missouri
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First-Class United States Postal Mail, postage prepaid, on this 18th day of August 2020, to all counsel of record.

/s/ Roger W. Steiner

Roger W. Steiner