Exhibit No. 9

Evergy Missouri Metro & West – Exhibit 9
Brian A. File
Sur-Surrebuttal Testimony
File No. EO-2020-0262
October 21, 2020

EXHIBIT NO.
9

Exhibit No.:
Issue: MEEIA program design and operation
Witness: Brian A. File
Type of Exhibit: Sur-Surrebuttal Testimony
Sponsoring Party: Evergy Metro, Inc. and Evergy Missouri West, Inc.
Case No.: EO-2020-0227 / 0228
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: EO-2020-0227 / 0228

SUR- SURREBUTTAL TESTIMONY

OF

BRIAN A. FILE

ON BEHALF OF

EVERGY METRO, INC. and EVERGY MISSOURI WEST, INC.

Kansas City, Missouri
October 21, 2020

SUR- SURREBUTTAL TESTIMONY

OF

BRIAN A. FILE

Case Nos. EO-2020-0227 / 0228

Q: Please state your name and business address.

A: My name is Brian A. File. My business address is 1200 Main St., Kansas City, Missouri 64105.

Q: By whom and in what capacity are you employed?

A: I am employed by Evergy Metro, Inc. and serve as Director, Demand-Side Management for Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West").

Q: On whose behalf are you testifying?

A**:** I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West.

Q: Are you the same Brian A. File who previously filed rebuttal testimony in these dockets?

A: Yes.

Q: What is the purpose of your sur-surrebuttal testimony?

A: The purpose of my sur- surrebuttal testimony is to respond to OPC's case-in-chief filed in its rebuttal testimony in this case. I will also respond to the surrebuttal testimony of Staff and OPC.

I: RESPONSE TO MARKE REBUTTAL TESTIMONY

Q: First, what is the Commission's prudence standard?

A: As stated in my rebuttal testimony on pages 9-10, the Commission's prudence standard is a "reasonableness" standard to be judged not based on hindsight but what was reasonable at the time.

Q: Has OPC's rebuttal testimony created a serious doubt as to the prudence of Evergy's management of its MEEIA programs based on ratios of incentive vs. non-incentive costs?

A: No. OPC's flawed critique is a quintessential hindsight analysis that makes no attempt to satisfy the actual legal standard for a prudency case. OPC rests its argument on a simplistic and deeply flawed analysis of ratios that Mr. Marke created.

Q: Explain broadly why OPC's ratio analysis (Marke Rebuttal, pp. 3-7) does not show imprudence by Evergy in the management of its MEEIA programs.

A: OPC's incentive to non-incentive ratios are not appropriate to draw any conclusion with regard to Evergy's prudence of MEEIA program operations. OPC's ratios do not show imprudence by Evergy's management because OPC's ratios do not account for the following: (1) utilities categorize "incentive" and "non-incentive" costs differently, (2) OPC's methodology unjustifiably assumes that "incentive-costs" are directly linked to savings or cost effectiveness, (3) Evergy operated according to Commission approved-budgets for its MEEIA programs and (4) the size of the utility matters in a comparison of ratios involving administrative costs.

Q: Is it appropriate to compare "incentive costs" and "non-incentive costs" between utilities?

A: It depends. While it might seem appropriate to benchmark these costs with other utilities, if the utilities categorize their incentive and non-incentive costs differently, then it is not appropriate. Many times, benchmarking cannot be taken at face value unless a deeper understanding is pursued. Similarly, OPC's analysis is not an "apples to apples" comparison because of this.

The definition of "incentive" needs to be understood when making the comparison as there are various interpretations of the word incentive as defined in demand-side management. As noted in the foundational document describing energy efficiency benefit/cost tests, the California Standard Practice Manual, describes the following about incentives…

> Some difference of opinion exists as to what should be called an incentive. The term can be interpreted broadly to include almost anything. Direct rebates, interest payment subsidies, and even energy audits can be called incentives. Operationally, it is necessary to restrict the term to include only dollar benefits such as rebates or rate incentives (monthly bill credits). Information and services such as audits are not considered incentives for the purposes of these tests. If the incentive is to offset a specific participant cost, as in a rebate-type incentive, the full customer cost (before the rebate must be included in the PC_t term[1]

Evergy applies a conservative view in calling an incentive, a dollar benefit in terms of rebates or rate incentives. For example, for some of Evergy's programs (programmable thermostat, small business direct install, income eligible multi-family) that OPC takes

[1] California Standard Practice Manual - Economic Analysis of Demand-Side Programs and Projects; October 2001 – pg 11 Footnote 3 (https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy_-_Electricity_and_Natural_Gas/CPUC_STANDARD_PRACTICE_MANUAL.pdf)

specific issue with[2], Evergy calls the majority of the customer benefit a "delivery" cost as it relates to the California Standard Practice Manual benefit cost tests and reported to Energy Information Administration ("EIA") for the analysis used in this case. These "delivery" costs are categorized as a "non-incentive" in OPC's analysis. During Cycle 2, Evergy provided a free smart learning thermostat device (sometimes with free installation) to customers to curtailing its summer peak demand through its residential demand response program. In Evergy's evaluation of its cost effectiveness tests, that cost is included as a delivery cost because no rebate or cash exchanged hands with the customer. It was not included as an incentive cost. Other utilities may deem that cost an "incentive". The customer received a benefit that was the same as spending $170-$250 at a retail store for that device. However, as described by the California Standard Practice manual, neither of these approaches is inherently wrong, but how it is included within cost effectiveness testing can significantly impact a program and change the outcome of a simple incentive / non-incentive ratio comparison.

Q: What is a more appropriate ratio to analyze the per dollar effectiveness of different utilities' energy efficiency programs?

A: A more appropriate ratio is dollars per kilowatt hour or dollars per kilowatt saved for utilities of similar size (and administering similar programs). Using this methodology, Evergy is on par with its peer utilities. This ratio of $/kWh or $/kW shows that for every dollar the Evergy spends on its MEEIA programs, it is getting near or better than average kW or kWh savings as compared to other utilities with similar programs. If you utilize the same source of information provided by OPC in its testimony (EIA 2018 program data),

[2] Marke Rebuttal, pg 10-12 – Table 1 & 2

one could arrive at a very much different conclusion than OPC, but one would arrive at the right conclusion using the $/kWh or $/kW ratio that Evergy was prudently managing their programs. If one were to use a comparable set of utility DSM programs (spend between $1 million and $40 million per year), MO Metro and MO West rank 32nd and 44th, respectively, out of 159 utilities in $/kWh. This places Evergy at or near the top quartile in dollars spent per kWh saved. This means that 75% of the other utilities operate their programs more expensively than Evergy for every dollar spent to achieve energy reduction. In looking at the more appropriate ratios for utilities running MEEIA in Missouri, Table 1 below demonstrates that for PY 2019 Evergy Metro's and Missouri West's Total Resource Cost ("TRC") test total portfolio program costs were lower than that of Ameren Missouri. The costs used to calculate these figures are the program costs used by Ameren's and Evergy's EM&V contractors to calculate TRC cost effectiveness ratios.

Table 1

PY 2019 DSM Portfolio Cost Comparisons

	Program Costs $/per kW	Program Costs $/per kWh
Ameren PY 2019	**$ 537.84**	**$ 0.327**
Evergy Metro PY 2019	**$ 470.88**	**$ 0.293**
Missouri West PY 2019	**$ 349.05**	**$ 0.273**

Similarly, Table 2 below demonstrates that for PY2018, per the respective EM&V reports, that Evergy's TRC total portfolio program costs were lower than that of Ameren Missouri, and costs on a UCT incentive and TRC non-incentive costs were lower than that of Ameren Missouri on a per kW basis and comparable on a per kWh basis.

Table 2

PY 2018 DSM Portfolio Cost Comparisons

	TRC Program Costs $/per kW	TRC Program Costs $/per kWh
Ameren PY 2018	**$ 1,136.75**	**$ 3.940**
Evergy Metro PY 2018	**$ 716.97**	**$ 0.294**
Missouri West PY 2018	**$ 517.90**	**$ 0.560**

	UCT Incentive Costs / per kW	TRC Non-incentive Costs / per kW
Ameren PY 2018	**$ 355.62**	**$ 224.42**
Evergy Metro PY 2018	**$ 167.84**	**$ 195.52**
Missouri West PY 2018	**$ 112.61**	**$ 156.23**

	UCT Incentive Costs / per kWh	TRC Non-incentive Costs / per kWh
Ameren PY 2018	**$ 0.11**	**$ 0.07**
Evergy Metro PY 2018	**$ 0.07**	**$ 0.08**
Missouri West PY 2018	**$ 0.08**	**$ 0.11**

Tables 3, 4, 5, and 6 below, using EIA-861 data, also clearly demonstrate that on a total spend basis per MWh and/or per kW, that Evergy's costs are equivalent and more often are lower as compared to neighboring utilities and compared to an average of all US utilities reporting energy efficiency (EE) costs and energy savings.

Table 3

EIA-861 2019 EE MWh Cost Comparisons

	Total Costs / per MWh	Incentive Costs / per MWh	Other Costs / per MWh
EIA-861 Average	**$ 0.21**	**$ 0.13**	**$ 0.08**
Ameren MO	**$ 0.17**	**$ 0.10**	**$ 0.07**
Ameren IL	**$ 0.29**	**$ 0.18**	**$ 0.11**
Liberty Utilities	**$ 0.17**	**$ 0.15**	**$ 0.02**
Evergy Metro	**$ 0.14**	**$ 0.07**	**$ 0.07**
Missouri West	**$ 0.12**	**$ 0.05**	**$ 0.07**

Table 4

EIA-861 2019 EE MW Cost Comparisons

	Total Costs / per MW	Incentive Costs / per MW	Other Costs / per MW
EIA-861 Average	**$ 833.30**	**$ 512.62**	**$ 320.68**
Ameren MO	**$ 607.29**	**$ 367.24**	**$ 240.05**
Ameren IL	**$ 1,798.57**	**$ 1,137.92**	**$ 660.65**
Liberty Utilities	**$ 1,224.00**	**$ 1,108.00**	**$ 116.00**
Evergy Metro	**$ 688.63**	**$ 332.63**	**$ 356.01**
Missouri West	**$ 668.69**	**$ 367.24**	**$ 240.05**

Table 5

EIA-861 2018 EE MWh Cost Comparisons

	Total Costs / per MWh	Incentive Costs / per MWh	Other Costs / per MWh
EIA-861 Average	**$ 0.20**	**$ 0.20**	**$ 0.01**
Ameren MO	**$ 0.19**	**$ 0.11**	**$ 0.08**
Ameren IL	**$ 0.26**	**$ 0.16**	**$ 0.10**
Liberty Utilities	**$ 0.14**	**$ 0.12**	**$ 0.02**
Evergy Metro	**$ 0.12**	**$ 0.06**	**$ 0.07**
Missouri West	**$ 0.14**	**$ 0.06**	**$ 0.09**

Table 6

EIA-861 2018 EE MW Cost Comparisons

	Total Costs / per MW	Incentive Costs / per MW	Other Costs / per MW
EIA-861 Average	**$ 714.39**	**$ 691.85**	**$ 22.54**
Ameren MO	**$ 580.72**	**$ 335.51**	**$ 245.20**
Ameren IL	**$ 1,915.60**	**$ 1,171.66**	**$ 743.94**
Liberty Utilities	**$ 861.33**	**$ 742.67**	**$ 118.67**
Evergy Metro	**$ 714.66**	**$ 318.43**	**$ 396.23**
Missouri West	**$ 736.22**	**$ 297.46**	**$ 438.75**

Q: Does the size of a utility impact the comparative analysis of dollars per kWh/kW savings for different utilities?

A: Yes. Like virtually all utility economics, scale matters. The larger the utility the more "non-incentive" costs are spread out over a greater number of customers. For instance, the EIA data utilized by OPC in this case has a range of utility program size from $11,000 per year to $363 Million per year. Clearly the fixed administrative costs could be spread quite a bit differently across programs of those sizes. It is inappropriate to compare the administrative costs per total program spend for utilities of significantly different sizes. The comparison set used in the figures quoted in the previous question narrowed the comparison utilities to those spending in the range to $1 Million to $40 Million per year to give similar scale to each Evergy jurisdiction that spent $10 Million to $12 Million per year.

Q: Is this what OPC has done in its rebuttal testimony?

A: Yes. OPC's analysis rests on the flawed assumption that all utilities are the same in size with the same or similar energy efficiency programs. They included all utilities across the entire range of $11,000 per year to $363 Million per year.

Q: What about OPC's contention (Marke Rebuttal, p. 9) that non-profit community action agencies are held to a stricter standard than the utility?

A: OPC mischaracterizes the categorization of costs once again and therefore creates a conclusion not based in reality. The Low-Income Weatherization program is another perfect example of how the distinction between incentive and non-incentive is misunderstood by OPC. Evergy categorizes the costs for all the measures (insulation, lighting, weatherstripping, etc.) and the installation costs of those measures as "delivery" of the program because no cash, rebates or bill credits are provided to the customer. OPC's analysis makes this look like a negative in how the program is managed and the amount of benefits received by the customer. In other words, OPC's analysis mischaracterizes the delivery cost of the weatherization measures as an administrative cost "inefficiency" when it is actually the cost of installing the weatherization measure in the customers' home. I doubt that OPC would want less spent on the measures and installation of weatherization for our low-income customers just because Evergy calls it "delivery" and not "incentive". In the Commission approved budgets for MEEIA Cycle 2, Evergy actually has an "administration" category of costs (along with incentive, delivery, EM&V and marketing) that represent personnel and systems to accomplish the management of the programs from Evergy's standpoint. The final value of the administrative percentage of total spend for PY3 and PY4 was between 8 and 9 percent (lower than the 13% as identified above that is allowed non-profit community action agencies to run low-income weatherization assistance program under the operative tariff).

Q: Even comparing utility companies of similar size that use similar cost descriptions are there other problems with such a comparison?

A: Yes. Such an analysis would need to be conducted on a per device basis. Take for example, two utilities with HVAC rebate programs: If one utility gives a rebate of $500 and the other utility gives a rebate of $1000 for the same device, under OPC's analysis the utility that gave the $1000 rebate would be better according to OPC's ratio. This is because the "incentive" part of the equation would increase in relative size to the "non-incentive" portion. OPC's ratio methodology could easily incentivize inefficient management of incentives. As described above, a much better evaluation is the total dollars spent per kWh saved to measure effectiveness of a program relative to peers with similar measures/programs.

Q: Are Evergy's MEEIA budgets approved by the Commission?

A: Yes. OPC's allegation that Evergy's allocation of dollars to non-incentives costs is akin to an unregulated non-profit organization siphoning revenue from its cause to bloated administrative costs ignores the fact that Evergy's MEEIA budgets are filed and approved by the Commission[3]. OPC does not allege that Evergy violated or disregarded its Commission approved MEEIA budgets.

Q: How does Evergy's MEEIA performance in this period compare to the Commission approved budgets and incentive / non-incentive ratios?

A: On top of being near the top quartile of comparable utility programs and better than neighboring utilities, Evergy also performed in savings ratios ($/kWh and $/kW) within close tolerance with the original MEEIA filings approved by the Commission and operated

[3] EO-2015-0240 & EO-2015-0241

within the MEEIA rules. The table below shows that in 5 out of the 8 categories (PY3 & PY4 for each $/kW, $/kWh), Evergy operated at a better ratio than anticipated. The three categories that performed below anticipated included adjustments to realization rate after the fact but were still deemed cost effective.

Figure 1

$/kW comparison Filed to Actual				
MO West	**Filed**	**Filed**	**Actual**	**Actual**
	$/kW	**$/kW**	**$/kW**	**$/kW**
	PY3	**PY4**	**PY3**	**PY4**
Total EE	$ 957	$ 879	$ 771	$ 757
Total DR	$ 85	$ 81	$ 135	$ 112
Total	$ 258	$ 212	$ 320	$ 296
MO Metro	**Filed**	**Filed**	**Actual**	**Actual**
	$/kW	**$/kW**	**$/kW**	**$/kW**
	PY3	**PY4**	**PY3**	**PY4**
Total EE	$ 955	$ 917	$ 669	$ 835
Total DR	$ 127	$ 92	$ 151	$ 96
Total	$ 506	$ 427	$ 430	$ 356

$/kWh comparison Filed to Actual				
MO West	**Filed**	**Filed**	**Actual**	**Actual**
	$/kWh	**$/kWh**	**$/kWh**	**$/kWh**
	PY3	**PY4**	**PY3**	**PY4**
Total EE	$ 0.18	$ 0.17	$ 0.15	$ 0.17
Total DR	$ 2.49	$ 3.09	$ 8.59	$ 5.48
Total	$ 0.24	$ 0.24	$ 0.22	$ 0.23
MO Metro	**Filed**	**Filed**	**Actual**	**Actual**
	$/kWh	**$/kWh**	**$/kWh**	**$/kWh**
	PY3	**PY4**	**PY3**	**PY4**
Total EE	$ 0.19	$ 0.19	$ 0.15	$ 0.18
Total DR	$ 1.62	$ 1.48	$ (82.90)	$ 3.78
Total	$ 0.22	$ 0.21	$ 0.18	$ 0.22

Q: Please respond to OPC's allegation (Marke Rebuttal, p. 14) that Evergy does not account for participation in demand response programs.

A: This allegation is incorrect. Evergy has and always will measure demand reduction associated with participation in the demand response programs. The simplest example is that our programs are evaluated by a third-party every year to determine the impact on peak

demand savings associated with devices and customers *that participate* in annual demand response events. OPC seems to forget that the entire utility earnings opportunity framework for MEEIA Cycle 2 agreed upon by parties was identified as the measure of success. The earnings opportunity for these programs is based on the demand reduction measured and achieved by *participating* residential and business customers during actual peak reduction events. For Witness Marke to say that the "Company has never measured success by how much demand savings were achieved or how many customers actually participated[4]" is flat wrong and frankly, disingenuous. OPC is part of the stakeholder group who reviews and participates in the EM&V approval process that sets the earnings opportunity final value every year.

Q: Lastly, please respond to OPC's contention (Marke Rebuttal, p. 15) that the Company has zero intention of utilizing thermostats to produce benefits for customers?

A: Dr. Marke forgets the purpose of the MEEIA demand response programs as they are designed is to reduce the annual system peak. The most important number (and measure of success as noted previously) to this program is how much system annual peak the programs can reduce. This reduction value impacts system planning and generation capacity build/purchase decisions along with SPP capacity plus reserve requirements. He throws out that the infrastructure "goes unused" and it "could shave off expensive peak demand" with no supporting evidence or data to the point. Instead, the third-party EM&V studies from this period show the amount of kW peak reduction created by the thermostat program to be 24.6 MW for MO Metro and 29.9 MW for MO West in total for Cycle 2 (at

[4] Marke Rebuttal Testimony pg 14 ln 22-24.

end of PY2019). These MW values are 164% and 143%, respectively, of the targets set aside by the Commission.

Q. Do OPC's adjustments (Marke Rebuttal, pp. 12-13) have any merit?

A. No. Not at all. As shown above, his dollar disallowances are based upon a fundamental misunderstanding of the costs of the programs. OPC uses a flawed analysis to come to the incorrect conclusion that Missouri West was imprudent in spending incentives and non-incentives. On top of the flawed analysis Witness Marke uses an arbitrary ratio of 50/50 for disallowance. As a reminder, many of the administrative costs that he rails against are actually direct customer energy and demand savings benefits in terms of devices (e.g. thermostats) or measures (e.g. air sealing) which are part of these Commission approved programs.

II. RESPONSE TO MARKE SURREBUTTAL

Q: Should OPC witness Marke's recommended disallowance and policy suggestion of a 50/50 ratio of program overhead costs to energy efficiency measures (pp. 2-4, Marke surrebuttal) be adopted by the Commission?

A; No. As explained above, his assumptions are not sound nor are his calculations accurate. The Company's programs do not have excessive overhead as compared to similarly sized utilities and are more efficient than most utilities in terms of dollars per kWh saved. In addition, the Company's programs were in line with Commission approved levels of spend by category, with better values in most categories.

Q: Do you agree with witness Marke's assertion on p. 5 of his surrebuttal that the residential and business programable thermostat programs have been placed on "minimal use auto-pilot"?

A: No. Evergy has and continues to use the thermostat program as designed to mitigate annual system peak (which, by definition, only happens once per year). There is an active process to identify potential demand response event days that will help meet the objective of the program that include looking at a variety of input variables and information (such as SPP load and pricing trends, weather forecasts, etc.). In one way, maybe Dr. Marke's comment is a compliment since it appears that we do our work to mitigate peaks so well that it looks like "auto-pilot".

Q: How many programable thermostat events and DRI events were called during the prudence period (April 1, 2018 – December 31, 2019)?

A: The company called five thermostat events in 2019 to meet the Stipulation and Agreement requirements. The confusion around the source and the number of thermostat demand response events called in PY2019 seems to be based on an issue with the first version of PY2019 EM&V reports provided by the third-party evaluator, Guidehouse (formerly Navigant). Guidehouse originally sent via email to stakeholders (including PSC Staff) a final databook for PY2019 (on date 9/11/2020) that incorrectly listed two events called despite the actual full EMV PY2019 Appendix pdf report (section N.1.1. page 104 (Evergy MO West)), and page 116 (Evergy Metro) stating the correct value of five events. The databook was later updated and it was uploaded to EFIS in case numbers EO-2019-0240 and E0-2019-0241 on October 19, 2020. As the final takeaway, the data request responses

and testimony in this case are correct and Evergy did comply with the stipulation in calling five thermostat events in PY2019.

Q: Witness Marke alleges in his surrebuttal testimony (p. 7) that there is "literally no downside and only upside to calling events" and that there "is no reason that demand events could not be called every day". Do you agree?

A: Absolutely not. Witness Marke doesn't understand that customers do not want events called every day and would likely not participate if this was the case. Staff raises a similar issue in its Surrebuttal and I respond to this issue in my response to Staff below.

Q: Witness Marke appears to argue that the Commission's MEEIA 3 order somehow dictates how the Company should have operated its MEEIA 2 programs (p. 9-10 surrebuttal). Do you agree?

A: No, the MEEIA 3 Order occurred after the MEEIA 2 programs were complete. Witness Marke states that the Commission approved MEEIA 3 "based in large part on the argument of lower SPP fees and overall savings that must necessarily exist…". The Commission indicated that SPP member costs are a source of *potential* **s**avings and in the Company's September 2019 testimony the Company did agree with that potential if substantial changes were made to the programs. While Evergy may have recognized the potential ancillary benefits of reduced SPP fees, it entirely untrue that the Commission's MEEIA 3 decision was "based" on such benefits.

Q: Do you agree with witness Marke's opinion that a MEEIA program's cost effectiveness test results are irrelevant to this prudence review (p. 10-11 surrebuttal)?

A: No. Witness Marke opines on a vague "working definition" of cost-effectiveness as simply "something that is good value". In fact, the MEEIA rules clearly define the cost-effectiveness tests[5] to be used for demand-side programs. They are not just for market potential studies as Witness Marke claims. Witness Marke is confused when he indicates that cost effectiveness ratios are without merit in a prudence review and the Commission needs to look at actual program implementation, managerial competence and reasonableness instead. But these are the very things that are measured and included in the cost-effectiveness tests. All programs costs; administration, incentive, delivery, EM&V and marketing are factored into the cost-effectiveness tests[6].

Q: Do you agree with witness Marke's contention on. P. 11 of his surrebuttal that the Company elected not to use its MEEIA 2 programs to lower rates and reduce emissions for customers?

A: No. There was no "decision" by the Company not to utilize the programs to their full extent to provide the benefits that they were designed to provide. The MEEIA 2 programs, including demand response programs, operated as they were designed. Customers as a whole benefited from the reduction of system annual peak demand and individual participating customers enjoyed the additional benefits of a connected thermostat that drives energy and demand savings. Witness Marke's example of an EnergyStar HVAC is off base and not applicable here as he insinuates that all of the program incented thermostats are sitting in boxes not installed. They are in actuality verified to be installed.

[5] 20 CSR 4240-20.093(8)(D)(1)(B)(II)
[6] 20 CSR 4240.092(1) (JJ) & (NN) & (PP) & (WW) & (XX)

We have an EM&V process that validates the installation (bolstered in this case by knowing if the thermostat is connected to Wi-Fi) of the devices and validates when the thermostats are called to reduce load that the meter data reflects that they did. The Energy Star HVAC example holds no relevance to this situation.

III. RESPONSE TO STAFF

Q: Please respond to Staff Witness Tandy's surrebuttal testimony.

A: The Company agrees with Ms. Tandy's assessment on p. 3 of her testimony that OPC's prudence adjustment is simply an arbitrary reduction of costs that should be rejected by the Commission. Witness Tandy's treatment of administrative costs recognizes additional costs that the Company incurred are related to the provision of MEEIA programs but still does not recommend recovery of all the costs. The Company continues to recommend that the Commission recognize the level of administrative costs that is contained in my Rebuttal Testimony.

PREDICTING PEAKS

Q: Please respond to witness Luebbert's reference to Evergy's response to Staff's data request 0123 and 0121 in Case No. E0-2019-0132.

A: Witness Luebbert points to Evergy's data responses in EO-2019-0132 as showing "Evergy employees were aware of potential benefits" with SPP fees and market pricing opportunities. Evergy does not now -- nor has it ever -- denied the potential small incremental benefits of avoiding SPP fees. But this does not equate to Staff's or OPC's position that a reasonable person would have called more events than Evergy did.

The potential benefits derived from reduction in SPP fees and day-ahead market pricing opportunities are minimal compared to the value of the long-term reduction of

system annual peaks. Evergy's demand response programs were designed to maximize reducing the annual system peak demand because that is where the greatest value is derived. Additional SPP benefits would only be realized if Evergy successfully predicted the peak day of not one, but two or more months. Staff's original disallowance is based on hitting all four demand response season monthly peaks (Jun-Sept). Calling more events does not automatically mean that additional SPP benefits will be realized.

In fact, reducing the focus on the annual system peak and increasing the focus on SPP fees could reduce the total overall benefit achieved if the annual system peak was missed.

Q: Witness Luebbert asserted at p. 12 that it is "reasonable to assume… that the Company could have reduced at least a portion of the SPP fees". Does that mean that it is easy to achieve an additional reduction in SPP fees?

A: It is not a reasonable assumption nor are reductions easy to achieve. In fact, no matter how many events are called in a month, unless an event is called on the peak day of the month, no additional SPP fees would be avoided. Predicting the day of the annual system peak is somewhat challenging, but attainable. Predicting the peak for any other month, however, is considerably harder, even harder is accurately predicting the peak day for multiple months. The primary driver for this is, of course, the uncertainty of weather. Weather forecasts are not 100% accurate for day ahead weather let alone for the next month or the whole summer. For example, if you have an unseasonably warm day in the first few days of June, should you call an event or should you wait? June is likely to get warmer later in the month, but it might not. However, it is easy in hindsight to know which day is the peak day, which is how Staff did its analysis of SPP fees. When Staff performed its calculation

of SPP fees, it did not base it "on the circumstances and information known at the time the decision was made, i.e., without the benefit of hindsight"[7]. Staff did not make its own prediction of daily peaks based on the information the Company had at the time. Staff used hindsight knowledge of what days the monthly peaks occurred to perform their calculations.

Q: Are LMP prices only determined by the weather?

A: No. LMP prices can be affected by any number of external events like transmission congestion or generation outages. Calling events solely for the purpose of arbitraging DA LMP market prices has many risks and is not consistent with sound business decision-making as described in John Carlson's rebuttal testimony. Additionally, the relative value (as discussed below) as a trade-off for that risk is quite small.

MEEIA 2 PROGRAM DESIGN

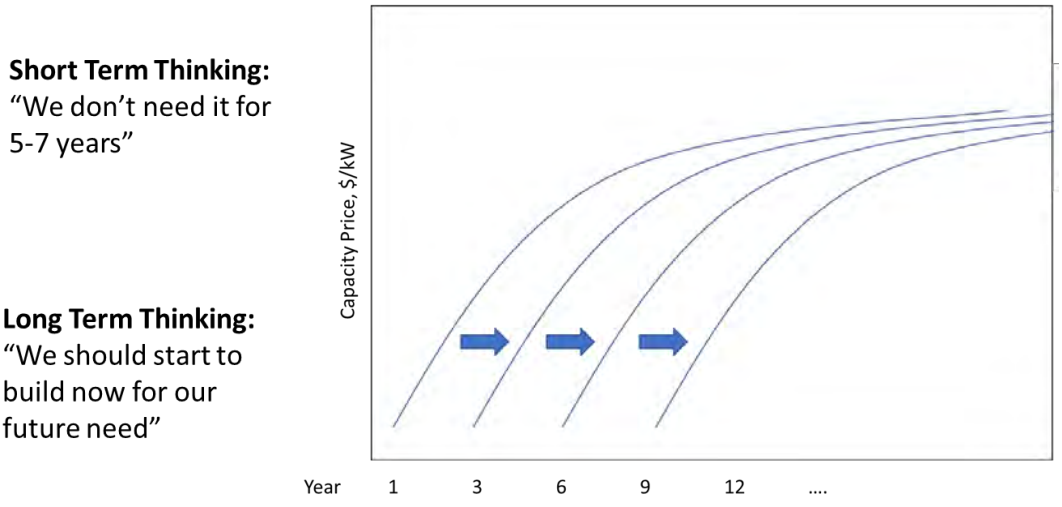
Q: Are Staff and OPC falling into a short-term thinking trap?

A: Yes. Evergy's Cycle 2 Demand Response programs were designed to create long term value for customers in terms of capacity planning which is evaluated in the integrated resource planning process. Staff and OPC have fallen into a short-term thinking trap that happens regularly with demand response or capacity in general. The short-term thinking trap (sometimes called the "cycle of denial") tries to optimize for short-term incentives (e.g. current year's capacity price or small energy price incentives) that will result in significant risk to long term supply and capacity availability. As a public utility, Evergy is charged with looking at the long-term viability of supply and reliability for our customers. As an example, energy capacity supply curves typically operate in a "contango" style curve

[7] Staff Report, pg. 5 ln. 5-6

that starts with prices low in current times and higher in future times (see Figure 2 below). The short-term thinking would dictate prices are low now so let's not build and/or only buy on the market. Over time, if a utility keeps acting on this short-term thinking of current prices it will not be prepared for when the inevitable price increases. Such short-term thinking will result in significant financial and system reliability implications. Many co-ops and municipals are forced to operate in this short-term environment with only market availability and prices mentality because they don't have the scale (financial or overall load) to build capacity on their own. And to combat that risk, municipals and co-ops end up procuring long term contracts (10-20 years) to help solidify their supply and avoid reliability issues. This is evidenced by most purchase power agreements being based on 20-year time horizons.

Figure 2



Despite Staff's and OPC's assertions, MEEIA programs do not need to create some short-term huge financial benefit to be valuable to customers and rate payers. To further explain, just because the company doesn't build (or avoid building) a combustion turbine every year doesn't mean that there is not value every year in building the demand-side resource. In

effect, the building of MEEIA programs over time create a resource that has value over the long term as evidenced in the IRP and is the right thing for customers and the community.

Q: Is Staff and OPC's assertion that calling more events would be at zero or very minimal incremental costs accurate? Please explain.

A: While potentially a small impact to the MEEIA budget for incremental event calls, both Staff and OPC ignore significant and substantial impact to customers, peak load reduction potential and overall program effectiveness for calling superfluous events "because you can." I'll explain more on the impact to customers first. Signing up for a demand response program like the programmable thermostat program means that you are allowing a utility to make changes to your air conditioning load during typically the hottest days of the summer. This requires a significant amount of trust (as well as financial incentives) to manage through the inconvenience. If a customer were to start having their air conditioning adjusted regularly during the hottest times of the day, like 20 times a summer or even every day as suggested by OPC, the entirety of the program would change.

First, the customer will likely require a different compensation and second, the potential participant pool will decrease significantly as the number of customers willing to cede that much control of their equipment would likely be a small percentage of the population. Just think about your own personal situation, would you allow the utility to change your temperature every day all summer even if you were getting a free thermostat and $25? My educated guess is that most people would answer "no". There is a threshold of trust and interactivity and that level of control and calling 20 - 50 events would surpass it by far.

Second, the negative impact to peak load reduction efforts by calling an increased number of events. Building on the above customer points, there is a known correlation with the number of events called and the number of customers that will opt-out. In this case, opt-out means an individual customer changes the temperature setting during a demand response event to a "more comfortable" setting thereby stopping the peak load reduction. In fact, the Company answered a data request in this regard in the MEEIA Cycle 3 case. The total amount of participation (length of time in events) was lower by 6% in PY2016 when 8 events were called as compared to PY2017 and PY2018 when 3 and 2 events, respectively were called. While this is a small sample set, the trend is important to note: The more events called leads to a diminishing return in event performance as more customers "opt-out" of the event. While this might seem harmless, the degradation is such that the impact to the most important time (the system annual peak usually in July/August) will be diminished. As I'll explain later, reducing the impact that system annual peak is the primary and large majority of the value of demand response that will now be impacted.

Q: But couldn't Evergy have tried to maximize the benefits by implementing the MEEIA programs in way that those programs were not designed?

A: It is possible that Evergy, in a quest to obtain a relatively insignificant amount of potential benefit, could have operated its MEEIA programs incongruently with those programs' design or purpose. However, like the potential benefits of such change-up, operating those programs outside of their design and intended purpose would also have downsides in terms of customer participation and expectations. Seeking short-term and relatively minor benefits would cause a net-loss for the long-term benefit of the MEEIA programs. Let's talk a little about the alignment of value with the event frequency. First and foremost, the

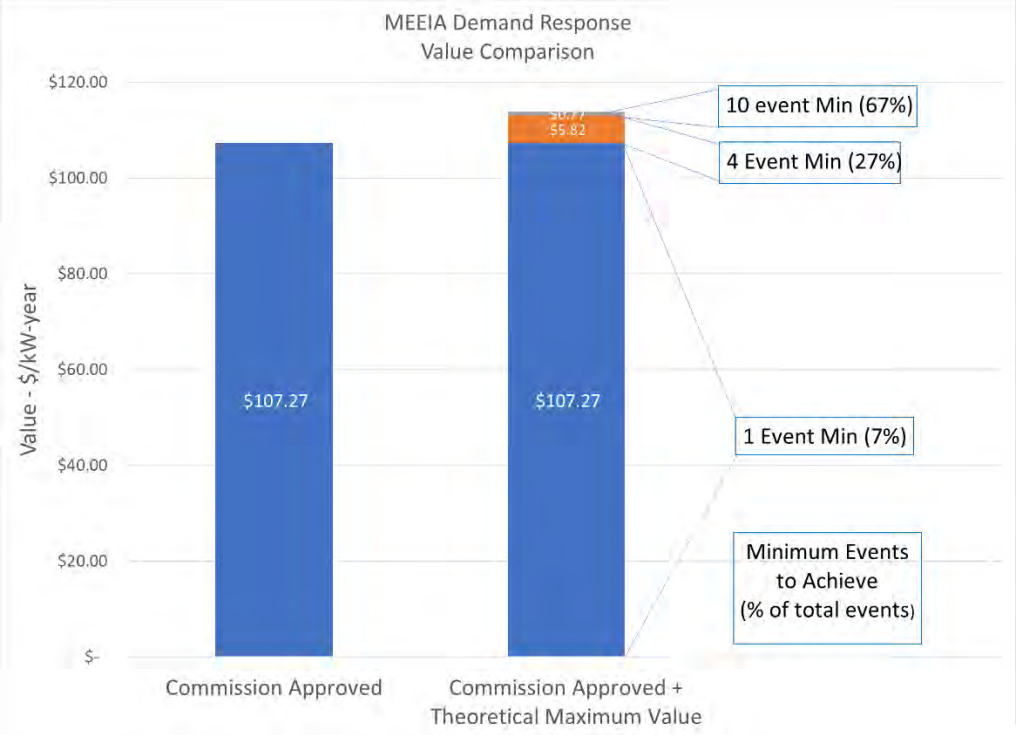
demand response program participant capacity (or the amount of load or kW all assets can reduce when called) is available to use for local or regional system reliability requirements. Evergy coordinates with the internal system operators with insight from SPP communications about generation/load balances to be "on-call" for any potential system reliability events. In fact, for the regional system, SPP has "alert levels" that are monitored to help guide if a situation is tenuous enough to warrant a reliability event call. These reliability calls would likely not have a direct financial benefit to customers, but all would likely argue are highly valuable. Second, the Company, Staff and OPC agreed[8] and the Commission approved to focus the earnings opportunity matrix (or success metrics) on kW reduction for system annual peak derived from energy efficiency and demand response. Reducing the system annual peak is the primary objective and where the value lies in terms of customer benefit and utility measurement. The value associated with the peak reduction is guided by the avoided capacity ($/kW-year) cost agreed upon in the case. Avoided cost is meant to best represent what the Company would have done or had to do in the absence of the program accomplishment. While Staff and OPC seem to have ongoing issues with the specific dollars per kW-year value used for avoided capacity cost, the fact remains that in MEEIA Cycle 2 the value for avoided cost was agreed upon with parties in the Stipulation and approved by the Commission at $107.27/kW-year. Additionally, in MEEIA Cycle 3 for Evergy, the Commission ordered what avoided cost to utilize. So, there is absolutely no reason to re-litigate the application or methodology for determining avoided cost in the context of MEEIA Cycle 2. It is the largest value associated with demand reduction and the prescribed success metric for the program.

[8] EO-2015-0240/0241 – Non-Unanimous Stipulation & Agreement – 11/23/15

Q: Please elaborate on the system annual peak reduction compared to the other value streams claimed by Staff and OPC?

A. In this case, Staff attempted to quantify the value of SPP fee reduction if Evergy was able to reduce the monthly peaks. If Evergy was to perform perfectly as analyzed in hindsight by Staff, the value of the reduction would be a theoretical hindsight maximum of $5.82/kW-year. The assumption is that Evergy would hit one monthly peak already based on the need to hit system annual peak and the three other months of the season hitting the monthly peak perfectly. This is dubious theoretical maximum that almost certainly would not be achieved in reality but we use the number in this case for illustrative purposes. Next, if we look at the value of the day ahead locational marginal price (DA-LMP) mitigation by calling events, Staff provided a value of a potential arbitrary ability to obtain day ahead arbitrage (without contemplating the downside risk as explained by Witness Carlson in rebuttal testimony). This value could be converted to hindsight theoretical maximum value of $0.77/kW-year. Again, the Company has shown that Staff's analysis of DA LMP value creation is fraught with hindsight bias, but in this case we'll also use it as an illustrative value of theoretical maximum to prove the point. Figure 3 below shows the comparison of the Commission approved value of demand response (avoided capacity cost) with the value of the 2 other streams described by Staff and OPC, SPP Schedule 11 fees and DA LMP pricing.

Figure 3



Even to achieve theoretical hindsight maximum values used by Staff, the Company would be spending 90% of the event calls to achieve less than 6% of the value. When charted, this is the very definition of the law of diminishing returns. And it's worth reminding the Commission that to achieve these theoretical maximums of value and perfect event calling, Evergy would need a perfect forecast and a differently designed program with different customer parameters to achieve these values. Both of which did not exist in the prudency review period. No reasonable or effective businessperson would spend time chasing this minimal value but would instead focus time and resources on the most valuable efforts for customers, the Company and the community as Evergy did and continues to do.

Q: Do witness Luebbert ever suggest that the MEEIA programs in question were designed to call a high frequency of events?

A: No, he does not.

Q: Please respond to Witness Luebbert's assertion that Evergy could have renegotiated DRI contracts in 2019 in order to call more events? (Luebbert surrebuttal Pg. 13)

A: Similar to the prior discussion that Evergy recognized that there was value in mitigating monthly peaks for SPP fees, it did not quantify them and commit to targeting those monthly peaks with the DRI program in PY2019. The broader point here is that the PY2019 MEEIA program extension was agreed upon and approved[9] with exact tariffs as the prior years and very similar parameters (with only a small exception for income eligible program changes). At the point realization of PY2019 program approval (March 2019), the Company was focused on recruiting participants and signing agreements in a very condensed time period (3 months) to achieve the total capacity target. The normal period of recruitment starts in the fall prior Oct/Nov for the following summer period, typically 7-8 months.

REASONABLENESS STANDARD

Q: What is Evergy position on "reasonableness" given the allegations of imprudence in this case?

A: In the proceeding authorizing Evergy's MEEIA Cycle 2 programs[10], the Commission explicitly found that the "Amended MEEIA Plan meets the requirements of MEEIA and the Commission's rules and is *just and reasonable*." The "reasonableness" conclusion of the Commission was specifically based on a finding that the *design* of the MEEIA Cycle 2 programs were cost-effective and "expected to provide benefits to all customers." *Id. at* 13.

[9] EO 2019-0132/0133 – Order approved Stipulation and Agreement

[10] *In the Matter of Kansas City Power & Light Company's Filing for Approval of Demand-Side Programs and for Authority to Establish a Demand-Side Programs Investment Mechanism and In the Matter of KCP&L Greater Missouri Operations Company's Filing for Approval of Demand-Side, File No. EO-2015-0241 Programs and for Authority to Establish a Demand-Side Programs Investment Mechanism, File No. EO-2015-0240 (consolidated).*

Evergy implemented its MEEIA Cycle 2 programs within the design parameters of those programs.

Staff's position that Evergy acted imprudently by implementing the MEEIA Cycle 2 programs within the parameters of those programs design, but not to the satisfaction of Staff, is an attack on the Commission's findings that the design of the MEEIA Cycle 2 programs were reasonable. "The Company's proposed Custom Rebate Program in the Amended MEEIA Plan is designed to both increase net benefits and lower program costs." Id. at 8.

Evergy's position is simple: A reasonable person would have operated the MEEIA programs as designed and approved-by Commission, within the budget set by the Commission, achieving cost-effectiveness as defined by the Commission. This is what Evergy did. Staff's position is that reasonableness required Evergy to scrap the underlying purpose of the MEEIA Cycle 2 programs of reducing system-wide annual peak to chase marginal ancillary objectives by betting on the weather.

Q: Is Staff (Luebbert surrebuttal Pg. 10) clear about the number of events it believes a reasonable person would have called?

A: No. Witness Luebbert seems to recognize the Goldilocks' dilemma with Staff's recommendation when he generously provides, "Staff limited the number of event days that would have been called in a given season recognizing that Evergy would not be able to correctly predict all of the days with relatively high LMPs." Unfortunately witness Luebbert does not provide any basis as to the predictive powers he ascribes to Evergy or a "reasonable person". The number of events deemed "just right" by Staff is arbitrary and based solely on its hindsight analysis of historical data.

Q: Is it appropriate to judge the effectiveness of MEEIA 2 programs on deferred capacity at this point? (Luebbert surrebuttal Pg. 9-10)

A: No. As discussed above, the investment in demand response programs have benefits over many years and there has never been a requirement to defer capacity in the short three to four-year time horizon of each MEEIA cycle.

Q: Do Evergy's customers derive financial benefit from Evergy's implementation of these programs?

A: Yes. the MEEIA program offerings continually show cost effectiveness. This is both in pre-implementation in the approval process as well as in post-implementation in the evaluation process. Additionally, the portfolio of programs reduces the net present value of revenue requirements in the Chapter 22 Integrated Resource Planning process.

Q: Has Evergy's incentive structure for its Residential Programmable Thermostat program and DRI program provided improvements in energy supply?

A: Yes, the demand response programs are an asset that is utilized in the resource planning process to identify the best ways to serve customers' needs now and in the future.

IV. CONCLUSION

Q: How would summarize the points of this sur-surrebuttal and the allegations of Staff and OPC?

A: The commission should not adopt any of the Staff's or OPC's prudence adjustments. Here are a few key items that I would like to summarize in relation to specific demand response allegations.

1) Staff and OPC have unreasonably created a new standard for prudence by using hindsight analysis. Included in this unreasonableness is their claim that the company

should have changed programs to chase new standards that weren't in place all the while with perfect foresight.

2) Staff and OPC fall into the short-term thinking trap about demand response and capacity. Instead, the MEEIA statute and rules dictate the long-term value of demand response and kW reduction.

3) The relative value of chasing the SPP fee reduction and DA-LMP arbitrage is quite small and risky especially when compared to hitting annual peaks associated with approved avoided capacity costs.

4) Even with the small value, calling multiple events to hit SPP fee reduction and DA-LMP arbitrage is very difficult and has other negative impacts.

As shown above, the Company's programs were prudently managed.

Q: Does that conclude your testimony?

A: Yes, it does.

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 Evergy Metro, Inc. d/b/a Evergy Missouri Metro	)))))	**File No. EO-2020-0227**
In the Matter of the Second Prudence Review of the Missouri Energy Efficiency Investment Act (MEEIA) Cycle 2 Energy Efficiency Programs of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	)))))	**File No. EO-2020-0228**

AFFIDAVIT OF BRIAN A. FILE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Brian A. File, being first duly sworn on his oath, states:

1. My name is Brian A. File I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. and serve as Director, Demand-Side Management for Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West").

2. Attached hereto and made a part hereof for all purposes is my Sur-Surrebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of twenty-nine (29) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

Brian A. File

Subscribed and sworn before me this 21st day of October 2020.

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021