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

EVERGY MISSOURI METRO'S AND EVERGY MISSOURI WEST'S
REPLY BRIEF

COME NOW, 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") (collectively, "Evergy" or the "Company"), and for its Reply Brief ("Brief") in this matter, states :

I. INTRODUCTION

Evergy respectfully submits that Staff's and OPC's allegation of imprudence by the Company in the management of its MEEIA programs are based in their policy disagreement over the MEEIA Cycle 2 Programs themselves. Staff's and OPC's attempt to dress-up their policy disagreement to fit the "reasonableness" standard required of a prudency case falls flat because it literally asks the Commission to find that a reasonable person would disregard the operative MEEIA tariff, ignore the 2019 Stipulation and Agreement as to the number of demand response events to be called, and reject the primary design and purpose of the MEEIA Cycle 2 Programs. Further, Staff and OPC's asks the Commission to find that a reasonable person would embark on a high-risk strategy of weather prediction to arbitrage day ahead locational marginal prices (DA LMPs) and

Southwest Power Pool fees (SPP Fees). Lastly, most of Staff's and OPC's recommended disallowances are based on a new, unsupported financial measurement to determine the success of the MEEIA Cycle 2 programs calculated within a timeframe that is not found in statute, regulation or Commission decision.

II. STAFF'S AND OPC'S PROPOSED PRUDENCE ADJUSTMENTS ARE NOT WITHIN THE SCOPE OF A MEEIA PRUDENCE REVIEW.

Staff expresses surprise on p. 3 of its Initial Brief that the scope of the MEEIA audit is still an issue. However, the Commission indicated last August that it needed to make factual and legal findings in this case regarding whether the costs at issue were recovered under the DSIM.[1] There is ample evidence that the costs at issue (capacity sales and SPP fees) are not recovered through the DSIM and therefore do not belong in a MEEIA prudence review. [2]

Commission rule 20 CSR 4240-20.093(11), defines the scope of review as limited to "the costs subject to the DSIM". Costs recovered under the DSIM include program costs, throughput disincentive and earnings opportunities for the MEEIA programs. The Commission should find that "costs subject to the DSIM" do not include 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.

Staff (p.3 of Initial Brief) and OPC (p. 6 of Initial Brief) both quote witness Luebbert for his contention that since the costs of the MEEIA programs and incentives are funded through the DSIM, Staff can propose to reduce the amount that the Company recovers under the DSIM for these programs. Staff's theory appears to be that because the Company did not implement the programs

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[1] August 19, 2020 Order Denying Motion to Limit Scope, p. 3.
[2] See p. 14 of Evergy Initial Post Hearing Brief.

in the way Staff has suggested for the first time in the MEEIA prudence audit (i.e., make bi-lateral sales contracts where there are no customers or call events to reduce SPP fees to the detriment of the goals of the MEEIA program) that the Commission should reduce the amount the Company recovers through the DSIM for successful MEEIA programs that passed all cost-effectiveness tests required by the Commission. This unsupported contention 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 this 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.

OPC contends at pp. 6-7 of its Initial Brief that a Missouri Court of Appeals decision[3] concerning Ameren's Fuel Adjustment Clause ("FAC") provides support for its position that adjustments to Evergy's DSIM can be made for prudence adjustments for alleged savings that Evergy allegedly "lost." This case does not provide any support for OPC's position. First, the Ameren off-system sales contracts at issue were actual contracts that resulted in revenues for Ameren. In this case, Staff's bi-lateral sales contract adjustment is hypothetical since there was no opportunity, as explained in Section VII below, for Evergy Metro to make bi-lateral sales and recognize revenue despite Evergy Metro's best efforts to do so. Second, the Ameren case cited by OPC recognized that the proper place to take into account Ameren's off-system sales revenues was the Ameren FAC[4] under the workings of Ameren's FAC tariff and the FAC statute. Similarly, Evergy Missouri Metro's FAC tariff provides that off-system sales contracts of one-year or less are

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[3] *State ex rel. Union Elec. Co. v. Pub. Serv. Comm'n*, 399 S.W. 3d 467 (W.D. App. 2013).
[4] *Id*. at 470,488.

recorded and netted against fuel costs recovered in the FAC.[5] 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 (and the Company has shown that that no imputation is warranted) it must take place in the FAC, where the Company's fuel and purchased power costs are recovered. Staff's adjustments belong in an FAC audit case 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.

III. EVERGY ACTED PRUDENTLY IN ITS IMPLEMENTATION OF THE RESIDENTIAL PROGRAMMABLE THERMOSTAT PROGRAM.

Staff rhetorically asks "Would a reasonable person give away smart thermostats, free of charge, to customers who did not even participate in the program? Would a reasonable person decide to slow the rate of installations by restricting participation in the program to the most expensive method of installation (direct installation)?" Staff's Initial Brief, P. 4.

First, Staff's argument is inconsistent. When Staff complains of "customers who did not participate" they are referring to the small number of customers who chose the do-it-yourself ("DIY") installation option and do not install the device. But Staff also complains of the direct installation method as the "most expensive."[6] Staff demands a 100% participation rate while simultaneously demanding the least expensive means of installation (DIY), which results in less than 100% participation rate. If Staff wanted 100% participation rate, then only the most expensive means of installation could be employed. Evergy offered its customers free residential thermostats with

[5] 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.
[6] *Id.*; *See also*, Ex. No. 101C, Fortson Direct, BJF-d3, p. 28.

differing installation options for the purpose of maximizing participation and then controlled those differing channels of installation based on the objectives of the program.[7]

Second, giving away free thermostats and offering differing channels of installation are entirely reasonable based up the programs design and purpose of Evergy's MEEIA Cycle 2 residential thermostat program. Evergy's MEEIA Cycle 2 residential thermostat programs were designed to reduce annual system-wide peak load by maximizing customer participation in the program and that is exactly the result achieved by the program.[8] Neither Staff, nor OPC offered any evidence that a different incentive structure would have been as successful in reaching the customer participation rates necessary for the purposes of the program.

Third, participation rates were included in the calculation of cost-effectiveness. As discussed in Evergy's Initial Brief on page 17, customer participation rates of the residential programmable thermostat program are accounted for by regulation[9] in determining the cost-effectiveness of the programs. As stated before, the Company's MEEIA Cycle 2 programs were found clearly to be cost-effective.[10] Staff and OPC's attempt to isolate a small number of non-participating customers, which has already been accounted for under the statutorily authorized cost-effectiveness test, ignores the full context of these programs.

Fourth, as described in the rebuttal testimony of Evergy witness Brian File, the Company engaged in extensive and fruitful outreach with the small number of non-participating customers that received free residential thermostats.

> While most all customers understand the offer and requirements for receiving their device, there were a minority that still don't complete the process for possible reasons as described above. These customers were a

[7] Ex. 5, File Rebuttal Testimony, p. 13, lns. 11-15.
[8] Evergy's Initial Brief, P. 28 (citing Ex. 106A and Ex. 106B).
[9] 20 CSR 4240.092(L)(JJ), (NN), (PP), (WW), (XX).
[10] Evergy's Initial Brief, p. 5.

> strong focus of our marketing and customer outreach as early as 2017 in order to help encourage these customers to finish the process. Across both jurisdictions, the Company sent over 15,000 emails, made almost 6,000 phone calls and sent 3,200 mailers to customers. From these contacts, the Company was able to convince over 5,700 customers to complete the thermostat installation. The Company's multiple customer engagement tactics improved the activation rate of installations during the Cycle from around 80% to over 93%. This superior DYI installation rate recognized by vendor partners as above industry average and in fact won an award at Chartwell's EMACS 2018 Customer Experience Conference for the marketing campaign used to best engage customers to prompt participation. As a point of reference, per Google Nest representatives' other utilities see on average ~80% installation and activation rates, showing that Evergy is well above average in encouraging every customer to install and activate eligible devices.

Ex. 5, File Rebuttal Testimony, Pg. 14-15. The actions of the Company show that it reasonably and prudently dealt with the known problem of "non-installers" and therefore should not be penalized by Staff's adjustment.

Lastly, Staff suggests that Evergy should have sought a tariff change regarding the various authorized channels of installation.[11] This position disregards the "development/infrastructure costs to implementing a customer co-payment."[12] Additional costs and months of delays would have been incurred before a functional co-pay system could have been in put place.[13] This is evidenced by the time it took to get the co-pay functionality in place at the start of MEEIA Cycle 3.[14] To do so mid-cycle would have also caused discontinuity and costumer confusion for that program.[15] Moreover, such a policy change would be unnecessary because the program's costs were being managed within

[11] See, Ex. 105, Luebbert Surrebuttal Testimony, p. 18.
[12] Ex. 5, File Rebuttal Testimony, pp. 14-15.
[13] *Id.*
[14] *Id.*
[15] *Id.*

the *Commission-approved budget* for those programs.[16] Altering the residential programmable thermostat programs was a solution without a problem.

The Commission should reject Staff and OPC's argument that the Company acted imprudently because it gave away smart thermostat to interested customers and offered different channels of installation in an effort to maximize participation the residential thermostat program.

IV. EVERGY ACTED PRUDENTLY IN ITS IMPLEMENTATION OF ITS DEMAND RESPONSE INCENTIVE PROGRAM.

Staff's argument against Evergy on its Demand Response Incentive ("DRI") program is based on the programs design, not implementation. "The Demand Response Incentive Program contracts ***should have been designed*** to properly incentivize participants that perform well during called events and not provide, or minimize, incentives to those participants that do not perform during called events."[17](Emphasis added.)

Notably, this allegation is not directed toward the reasonableness of any management decisions made by Evergy within the context of its Commission-approved DRI program.[18] Neither Staff, nor OPC argue that Evergy imprudently managed its DRI programs in violation of the Commission-approved DRI tariff or the associated program descriptions that accompanied the filing and stipulation and extension of such tariff. Rather Staff and OPC just do not like the ***design*** of the program, which Staff inaccurately characterized as being "focused on maximizing the megawatts ("MW") enrolled and did not properly motivate participating customers to follow through with the contracted load reductions…"[19] This assessment of the design and proper motivation of DRI customers and its effect on the success of the DRI program is wrong in several ways.

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[16] *Id.*
[17] Staff's Initial Brief, p. 5.
[18] Ex. 5, File Rebuttal, p. 19.
[19] Staff's Initial Brief, p. 5.

Under the DRI program Evergy's economic incentives are aligned with its customers. "It is in the Company's best interest to manage the budget to gain all the participation possible. Evergy does not create value and therefore does not create earnings opportunity unless the customers curtail."[20] Enrollment without participation does not benefit the Company.

In part because the incentives of Evergy and its DRI customers are aligned, the Company implemented a robust process of engagement with its DRI customers to ensure increase participation and success. [21] Neither Staff, nor OPC disputed the existence of Evergy's multi-stage process of DRI customer engagement, which involved "pre-contact touch points" and a "feedback loop with the customer to see what in the curtailment plan worked or what didn't and adjust accordingly."[22] This process was in fact acknowledged by third-party evaluator and bore out in the increasing realization rates during the MEEIA Cycle 2 timeframe.[23] The changes to DRI customer contracts resulting from Evergy's process of continually working and communicating with its DRI customers can be found in Table 3, DRI Contract Changes, on page 21 of company witness Brian File's rebuttal testimony.[24]

[20] Ex. 5, File Rebuttal, p. 19.
[21] Ex. 5, File Rebuttal Testimony, p. 20.
[22] *Id.*
[23] *Id.*
[24] *Id.* at 21.

15 **Table 3**
16 DRI Contract changes

DRI contract changes (MO Metro and West)	2019 vs 2018
# of customers w/ kW adjustments	81
Net curtailment load change from adjustments	-3,609 kW
# of customers removed	35
Net curtailable load lost from removals	16,512 kW

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Evergy's DRI program were designed to achieve the legal standard of MEEIA programs provided by statute[25] and regulation[26] -- cost-effectiveness. Evergy managed its DRI programs in conformity with their design and, by doing so, achieved cost-effectiveness as contemplated by Missouri statute.[27] As described in in the rebuttal testimony of Evergy Witness Brian File, the DRI program in Evergy Metro territory achieved 140% of the energy demand savings target and in Evergy Missouri West territory, the DRI program achieved 58% of the demand savings target.[28] Neither Staff, nor OPC dispute that the DRI program was successful under the cost-effectiveness test. To do so would be contrary to the assessment of the EM&V Evaluator and Staff's own independent auditor.[29] "[T]he DRI program deliver strong demand reductions and demonstrate the value the provide as a flexible capacity resources."[30]

[25] Section 393.1075.3, RSMo.
[26] 20 CSR 4240-20.093.
[27] Evergy's Initial Brief, p. 6.
[28] *Id.* at 18.
[29] *Id.* at 6.
[30] *Id.*

The Commission should reject Staff and OPC's argument that the Company acted imprudently be operating its DRI program in conformity with its Commission-approved design and tariff.

V. EVERGY ACTED PRUDENTLY IN THE NUMBER OF DEMAND RESPONSE EVENTS CALLED BECAUSE ITS MANAGEMENT CONFORMED WITH THE DESIGN AND PURPOSE OF THE PROGRAM AND THE PROGRAMS ACHIEVED COST-EFFECTIVENESS.[31]

Staff and OPC's contention that Evergy should have called more demand response events in an effort to reduce DA LMPs and SPP Fees by trying to predict monthly peak loads and calling demand response events accordingly should be rejected by the Commission.

First, Staff misapprehends the Company's power to predict the weather, and other variables, in order to arbitrage DA LIMP's and SPP fees. Ex. 6, File Rebuttal, P. 27. Staff and OPC's recommended disallowances are calculated using historical data that assume perfect predictive powers and no cost for wrong predictions.[32] Staff and OPC are wrong in their assessment of the Company's predictive powers and their failure to understand the potential financial impacts of wrong predictions.

Second, Staff and OPC recommends this risky arbitraging strategy in order to capture a small fraction of the benefits these programs were designed to capture.[33] Figure 3, found in the sur-surrebuttal testimony of Company witness Brian File shows that "to achieve the 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."[34] The relatively insignificant benefits achieved from the high-risk strategy

[31] Section V is responsive to Issue 4 (SPP Fees) and 5 (DA LMPs) which are both predicated on Staff and OPC's recommended strategy of monthly weather prediction to arbitrage DA LMPs and reduce SPP fees.
[32] Ex. 6, File Sur-rebuttal Testimony P. 27; Ex. 3, Carlson Rebuttal Testimony, p. 9.
[33] *Id.* at p. 25, Fig. 3.
[34] *Id.*

proposed by Staff and OPC could derail the primary purpose and success of the MEEIA Cycle 2 programs.

Third, Staff and OPC's position assumes that calling more demand response events will have little or no effect on customer behavior or affect the primary design and objective of the program. This assumption is wrong.[35] In addition to being a logical conclusion that customers do not have an endless tolerance for their electric provider adjusting the thermostat, Evergy also provided empirical data that shows a correlation between the number of curtailment events and the level customer behavior. Id. at P. 22. Calling more curtailment events would negatively impact the primary objective of those programs to reduce annual systemwide peak load reduction. Id.

Fourth, as discussed in the previous Section, Staff's fundamental complaint is that Evergy did not provide "tangible financial benefits"[36] to customers within the review period of the MEEIA Cycle 2 programs.[37] In support of this argument, Staff points to Evergy's acknowledgment that DA LMPs and SPP Fees could be sources of additional benefits.[38] This argument mistakes the potential economic benefits of a *byproduct* of demand response resources with the *primary benefit* of the demand response resources.

> It is possible that Evergy, in a quest to obtain a relatively insignificant amount of potential benefits [less than 6%], could have operated its MEEIA programs incongruently with those program designs and 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 long-term benefit of the MEEIA programs.[39]

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[35] *Id.* at p. 21.
[36] Ex. 105, Luebbert Sur-rebuttal, p. 7.
[37] Evergy Initial Brief, P. 17.
[38] Ex. 105, Luebbert Sur-rebuttal, p. 5.
[39] Ex. 6, File Sur-surrebuttal testimony, p. 22.

An analogous confusion would be to mistake the value of fly ash with the value of electricity generation from a coal-fired power plant. Staff and OPC mistake a minor ancillary benefit with the primary benefit.

Staff and OPC have fallen into the "Cycle of Denial" in which a short-term surplus of capacity justifies a failure to invest in demand side resources.[40] This Cycle of Denial is perfectly reflected in Staff and OPC's new legal standard of prudency, which requires "tangible financial benefits" within the two year prudency review period.[41]

Staff and OPC argue that the DRI programs fall short of a new "tangible financial benefits" standard[42] which they have substituted for cost-effectiveness in their determination of prudent management of Evergy's MEEIA Cycle 2 programs.[43] Additionally, Staff's position is that the MEEIA Cycle 2 programs should have resulted in an almost immediate capacity reduction.[44] This position is clearly contrary to the MEEIA statute and relevant regulations, which contemplates long-term capacity benefits.[45] Staff and OPC's "financial tangible benefits" standard is found nowhere in Missouri statute, regulation or Commission precedent. It is an entirely new financial standard used to assess the prudency of a utility's management in the implementation of its MEEIA programs. The Commission should reject this new measurement and Staff and OPC's arguments based upon this standard.

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[40] *Id.* at 8.
[41] Evergy Initial Brief, p. 20.
[42] *See e.g.*, Ex. No. 105, Luebbert Surrebuttal
[43] Staff and OPC's new financial standard of "tangible financial benefits" is conspicuously missing from Staff's Initial Brief.
[44] See Evergy Initial Brief, p. 20.
[45] *Id.*

VI. EVERGY MISSOURI METRO ACTED PRUDENTLY THROUGH ITS EFFORTS TO ENTER INTO BI-LATERAL CAPACITY CONTRACTS DURING THE AUDIT PERIOD.

Notwithstanding the arguments of Staff[46] and OPC[47], Evergy acted prudently by using its best efforts to sell capacity to third parties during the audit period.[48] In fact, Evergy Missouri Metro sold capacity on a bi-lateral basis to two entities during the time frame of the second MEEIA prudence review.[49] The undisputed evidence demonstrates that subsequent to the entry into those bi-lateral sales contracts, the Company continued to respond to Requests For Proposal ("RFPs") in 2018 and 2019 consistent with its past practices.[50] However, Staff and OPC fault Evergy for not selling more capacity to unnamed third parties during the audit period.[51] OPC even suggests, without any record support, that Evergy did not even try to sell its capacity during the audit period.[52] This accusation is not supported by any evidence.

As explained in Evergy's Initial Brief, Staff and OPC positions are based upon the unrealistic assumptions regarding the available market for bi-lateral sales during the audit period in the SPP region. Capacity purchases and sales made in the SPP market are bilateral in nature. Contrary to OPC's argument[53], SPP does not have a capacity market into which Evergy can bid its excess capacity. OPC may be confusing the MISO market which has a capacity market with the SPP market which does not have a capacity market. Nevertheless, as Evergy witness Carlson explained, in SPP, market participants must canvass the market and find a counterparty that is interested in buying or

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[46] Staff Brief at 9-10.
[47] OPC Brief at 19-21.
[48] Ex. 4, Carlson Sur-surrebuttal, p. 3
[49] Ex. 3 (Confidential), Carlson Rebuttal, p. 4.
[50] *Id.* at 4-5.
[51] Staff Brief at 9-10; OPC Brief at 19.
[52] OPC Brief at 20.
[53] *Id.*

selling capacity as needed.[54] Evergy talks to other utilities, energy marketers, municipalities, independent power producers and financial institutions to understand the needs of the marketplace. However, there were no additional capacity sales to be arranged during the audit period.[55]

Staff does not dispute the Company's evidence that there were no additional deals to be done, but its real complaint is that the Commission found that "Evergy has the ability to create additional revenue by selling its excess capacity through bi-lateral contracts" in its MEEIA *3 Amended Report and Order*. [56] The Commission also relied upon Evergy's estimated avoided capacity costs over the long term. The Commission findings were supported by competent and substantial evidence in the MEEIA 3 proceeding, and they have been upheld by the courts.[57] The Commission's findings remain true today over the long term. However, when viewed on a short-term basis, or when viewed within a specific time frame, there are time periods when the SPP marketplace does not support the immediate sale of capacity from Evergy's units. For example, during the MEEIA 2 audit period, it was not possible to sell more capacity despite the best efforts of Evergy's personnel. Nevertheless, in the future, Evergy hopes to make additional bi-lateral capacity sales as the marketplace changes and evolves.

OPC goes beyond Staff in its efforts to denigrate the Commission's findings by speculating that "it is doubtful that Evergy's experience with Cycle 3 will possibly meet 'market-based' numbers Evergy used."[58] Such speculation merely confirms that OPC is using a very short-term view of the purpose of MEEIA programs. In the MEEIA 3 proceeding, OPC and Staff attempted to portray the

[54] Ex. 3, Carlson Rebuttal, p. 3.
[55] *Id.* at 4.
[56] Staff Brief at 9.
[57] *Per Curiam Opinion,* State ex rel. Office of the Public Counsel v. Public Service Commission et al., Case No. WD-2020-83828 (March 2, 2021), *transfer denied*, SC99048 (June 1, 2021).
[58] OPC Brief at 21.

avoided capacity costs as "zero", and the Commission rejected this position.[59] The Commission should not redefine in this MEEIA prudence review audit proceeding the purpose and long term goals of the Company's MEEIA programs , as suggested by Staff and OPC. Instead, the Commission should find that Evergy managed its capacity sales in a reasonable and prudent manner under the circumstances that existed during the MEEIA 2 prudence audit period.

Even if the Commission had some concern about the level of Evergy's capacity sales during the MEEIA 2 prudence audit period, it should not adopt Staff's proposed adjustment of $1,161,474 since it is calculated on an incorrect basis.[60] Mr. Carlson explained the calculation error underlying Staff's proposed adjustment as follows:

> In his analysis, Mr. Luebbert incorrectly applies the 34.2 MW across the whole year. The MEEIA-2 demand response programs are only applicable from June-September, so any hypothetical MWs would only apply to June-September timeframe. Therefore, the hypothetical capacity contract should be for 34.2 MW over the 4-month summer season. This would result in a hypothetical capacity sale of $396,267.60,[61]

In summary, the competent and substantial evidence supports a finding that Evergy managed its bi-lateral capacity sales prudently during the MEEIA audit period. For all the foregoing reasons, the Commission should not adopt Staff's proposed disallowance of $1.2 million related to such sales.

VIII. THE INCENTIVE TO NON-INCENTIVE COSTS RATIOS OF EVERGY'S MEEIA PROGRAMS WERE EQUAL TO OR BETTER THAN COMPARABLE UTILITIES.

As Staff recognized on p. 11 of its initial brief, OPC's proposed "50/50" adjustment is arbitrary and is not suited to a MEEIA prudence review. As explained in Evergy's Initial Post-Hearing brief, OPC's arbitrary adjustment is based on a flawed comparison of costs among 515

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[59] *Amended Report and Order*, pp. 12-13, 25-28, In the Matter of Evergy Missouri Metro and Evergy Missouri West's Notice of Intent to File Applications for Authority to Establish a Demand-Side Programs Investment Mechanism, File No. EO-2019-0132 (March 11, 2020).
[60] Ex. 3, Carlson Rebuttal, pp. 6-7.
[61] *Id.*

electric utilities that differ widely in size and characterize their incentive and administrative costs differently.

At p. 22, OPC alleges that over half of the DSIM amounts paid by customers were going to administrative and other non-incentive spending instead of energy efficiency. This false allegation is due to OPC's misunderstanding of how Evergy characterizes its delivery costs. As explained by Evergy witness Brian File, Evergy calls the majority of the customer benefit a "delivery" cost. [62] These "delivery" costs are categorized as a "non-incentive" in OPC's analysis. [63] For example, during MEEIA 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.[64] 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 and it was not included as an incentive cost.[65]

When a dollars per kilowatt hour or dollars per kilowatt saved for utilities of similar size (and administering similar programs) is used to measure performance, 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.[66] If a comparable set of utility DSM programs (spend between $1 million and $40 million per year), is examined, Evergy Missouri Metro and Evergy Missouri West rank 32nd and 44th, respectively, out of 159 utilities in $/kWh. This places Evergy at or near the top

[62] Ex. 6, File Sur-surrebuttal, p. 4.
[63] *Id.*
[64] *Id.*
[65] *Id.*
[66] Ex 6, File Sur-surrebuttal, pp. 4-5.

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. [67]

At p. 25 of its Initial Brief, OPC attempts to "normalize" its arbitrary 50/50 threshold by alleging that non-profit organizations that participate in Evergy's Low Income Weatherization Assistance programs are limited by tariff to administrative costs of no more than 13% of total program funds. As explained in the sur-surrebuttal testimony of Brian File, this comparison (50 % administrative costs for Evergy vs. 13% for non-profit entities) is not based in reality because OPC doesn't understand the distinction between incentive and non-incentive costs. Evergy categorizes the costs for all the measures (insulation, lighting, weatherstripping, etc.) and the installation costs of those measures as "delivery" of the weatherization program because no cash, rebates or bill credits are provided to the customer.[68] OPC's analysis mischaracterizes the delivery cost of the weatherization measures as an administrative cost "inefficiency" when it is actually the cost of equipment and installation the weatherization measure in the customers' home.[69] OPC seems to prefer that less dollars be spent on the measures and installation of weatherization for its low-income customers just because Evergy calls those measures and costs "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. The final value of the administrative percentage of total spend for PY3 and PY4 for the MEEIA weatherization program was between 8 and 9 percent (lower than the 13% as identified above that is allowed non-

[67] *Id*. p. 5.
[68] Ex. 6, File Sur-Surrebuttal, p. 9
[69] *Id.*

profit community action agencies to run low-income weatherization assistance program under the operative tariff).[70]

OPC's Initial Brief at p. 27 contends that its proposed disallowance will "incentivize" Evergy to keep its administrative costs low. Evergy is already incentivized as its administrative costs are lower than Ameren and compare very favorably with the administrative of costs of comparably sized utilities in other states. OPC's comparison of its arbitrary and punitive 50/50 administrative/incentive level to the Commission's PGA incentives for the purchase of natural gas by gas utilities also does not withstand scrutiny. The PGA incentive is designed to encourage responsible natural gas purchases by making gas utilities responsible for some of the fuel costs that it incurred. The gas utility's purchasing decisions are not compared to the performance of other gas utilities. By contrast, OPC's 50/50 threshold improperly compares Evergy's costs to the costs of other utilities even though each utility defines administrative and incentive costs differently. As OPC makes no attempt to establish a baseline of administrative costs for comparison purposes, its proposed disallowance against Evergy Missouri West of $1,930,392 should be rejected.

IX. CONCLUSION

Nothing submitted by Staff and OPC in their respective briefs should cause the Commission to find any imprudence on the part of Evergy during the MEEIA 2 prudence audit period, or cause it to question its previous conclusions with regard to the long-term benefits and value of Evergy's MEEIA programs. Evergy respectfully submits that Staff and OPC's recommend disallowances in this proceeding are based on a curtailment event strategy (attempting to arbitrage DA LMP prices and SPP fees via additional curtailment events) that is inconsistent with how the MEEIA programs

[70] *Id.*

are designed. The evidence clearly shows that Evergy acted in a reasonable manner by implementing its MEEIA Cycle 2 consistent with those programs' design and purpose. The evidence clearly shows that Evergy abided by the terms of the Stipulation and Agreement extending the MEEIA Cycle 2 programs in the summer of 2019. The evidence clearly shows that Evergy was successful in achieving cost-effective MEEIA programs. Staff and OPC's attempt to litigate their MEEIA 3 policy preferences via a prudence review should be recognized and disregarded by the Commission. Neither Staff, nor OPC presented any evidence that would cast a "serious doubt" as the reasonableness of Evergy's decision-making, including Evergy's efforts to sell its capacity during this period.

WHEREFORE, the Company respectfully submits its Brief for consideration by the Commission.

Respectfully Submitted,

/s/ Roger W. Steiner

Roger W. Steiner, MBN 39586
Evergy, Inc.
1200 Main Street
Kansas City, MO 64105
Phone: (816) 556-2791
Fax: (816) 556-2787
roger.steiner@evergy.com

Joshua Harden, MBN 57941
1010 W. Foxwood Drive
Raymore, Missouri 64083
Phone: (816) 318-9966
jharden@collinsjones.com

James M. Fischer, MBN 27543
Fischer & Dority, P.C.
101 Madison, Suite 400
Jefferson City, MO 65101
Phone: (573) 636-6758
Fax: (573) 636-0383
jfischerpc@aol.com

Attorneys for Evergy Missouri Metro and Evergy Missouri West

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing document was served upon counsel for all parties via electronic service on this June 25, 2021.

/s/ Roger W. Steiner

Attorney for Evergy Missouri Metro and Evergy Missouri West