

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

In the Matter of the Second Prudence Review)
of KCP&L Greater Missouri Operations)
Company's Implementation of Energy)
Efficiency Programs in Furtherance of the)
Missouri Energy Efficiency Investment Act)
(MEEIA).)

File No. EO-2017-0210

STAFF'S REPORT OF MEEIA PRUDENCE REVIEW

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Prudence Review Of Cycle 1 Costs Related To The Missouri Energy Efficiency Investment Act For The Electric Operations Of Kansas City Power And Light Greater Missouri Operations Company* ("Report" or "Report of MEEIA Prudence Review"), respectfully states to the Missouri Public Service Commission ("Commission"):

Background

1. KCP&L Greater Missouri Operations Company's ("GMO") tariff provides that "Commission staff shall perform prudence reviews no less frequently than at twenty-four (24) month intervals in accordance with 4 CSR 240-20.093(10)..."¹ This tracks the language of Commission Rule 4 CSR 240-20.093(10) as authorized under § 393.1075.3 and § 393.1075.11 RSMo as supplemented.

2. The Staff's prudence review also complies with the *Non-Unanimous Stipulation And Agreement Resolving KCP&L Greater Missouri Operations Company's MEEIA Filing* approved by the Commission in File No. EO-2012-0009, which states in

¹ KCP&L Greater Missouri Operations Company, P.S.C. MO. No. 1, 1st Revised Sheet No. 138.6, "PRUDENCE REVIEWS."

part (paragraph) “22. Prudence Review. A prudence review in accordance with 4 CSR 240-20.093(10) shall be conducted...”²

3. Rule 4 CSR 240-20.093(10), in part, sets a timeline for certain activities related to the prudence review. It also establishes the following schedule by which certain events are to take place based on the date the Staff starts its prudence review. The Staff filed its notice and began its prudence review of the costs associated with GMO’s Demand-Side Programs Investment Mechanisms (“DSIM”) on February 1, 2017.

Friday, June 30, 2017	Submission of Staff Recommendation
Monday, July 10, 2017	Request for hearing
Wednesday, August 30, 2017	Commission Order, if no hearing requested

Results of MEEIA Prudence Review

4. In accordance with the above rule, Staff files its Report with the Commission regarding the results of its examination and analyses in this case. The Staff’s Energy Resource Analysis Section was responsible for conducting the prudence review. Staff’s Report is attached as *Appendix A*.

5. Staff reviewed and examined a variety of items including GMO’s DSIM program costs, the TD-NSB Share, performance incentive award, and interest. Staff’s second MEEIA prudence review includes the period of January 1, 2015 through December 31, 2015 (program year 2015) and also includes the costs for the carry-over time period of January 1, 2016 through June 30, 2016 that allowed for the completion of projects in the Cycle 1 C&I Rebate Custom program. Staff also reviewed costs for the

² “The Non-Unanimous Stipulation and Agreement Resolving KCP&L Greater Missouri Operations Company’s MEEIA Filing is approved.” P. 3, *Order Approving Non-Unanimous Stipulation And Agreement Resolving KCP&L Greater Missouri Operations Company’s MEEIA Filing*, effective November 25, 2012.

period of July 1, 2016 through December 31, 2016 because some costs, related energy and demand savings and TD-NSB Share were incurred after the end of the carry-over period of January 1, 2016 to June 30, 2016.

6. As a result of Staff's review and analyses for the review period of January 1, 2015 through December 31, 2016, the Staff found no instances of imprudence on the part of GMO's decision-makers as explained in detail in Staff's Report.

7. In conclusion, for this review period Staff has verified the reported 99,168,410 kWh of energy savings, 43,167 kW of demand savings and \$9,375,869 of actual throughput disincentive for the MEEIA Cycle 1 Programs. During this review period GMO incurred program costs of \$39,303,915.

WHEREFORE, in accordance with the Commission's Rules, the Staff prays the Commission accept its Report of MEEIA Prudence Review.

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin
Deputy Staff Counsel
Missouri Bar No. 51709
Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 526-7779 (Telephone)
(573) 751-9285 (Fax)
bob.berlin@psc.mo.gov (e-mail)

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 30th day of June, 2017.

/s/ Robert S. Berlin

**PRUDENCE REVIEW OF CYCLE 1 COSTS
RELATED TO THE
MISSOURI ENERGY EFFICIENCY INVESTMENT ACT
FOR THE ELECTRIC OPERATIONS
OF
KANSAS CITY POWER AND LIGHT
GREATER MISSOURI OPERATIONS COMPANY**

January 1, 2015 through December 31, 2016

**MISSOURI PUBLIC SERVICE COMMISSION
STAFF REPORT**

FILE NO. EO-2017-0210

*Jefferson City, Missouri
June 30, 2017*

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MEEIA Prudence Review of Costs Report

I. Executive Summary

The Missouri Public Service Commission (“Commission”) Staff (“Staff”) reviewed and analyzed a variety of items in examining whether Kansas City Power & Light Greater Missouri Operations Company (“GMO” or “Company”) reasonably and prudently incurred costs associated with its demand-side programs and demand-side programs investment mechanism (“DSIM”) which were approved by the Commission in Case Nos. EO-2012-0009 and EO-2014-0355.

Staff performed its first DSIM costs prudence review for GMO’s Missouri Energy Efficiency Investment Act¹ (“MEEIA”) demand-side programs and DSIM in File No. EO-2015-0180 which included the review period of January 26, 2013 through December 31, 2014. This report reflects Staff’s second GMO DSIM cost prudence review for the remainder of GMO’s Cycle 1 program costs (“Program Costs”), annual energy and demand savings, throughput disincentive - net shared benefits (“TD-NSB”), TD-NSB Share and performance incentive (“PI”) award for the period of January 1, 2015 through December 31, 2016 (“Review Period”). The total Review Period is comprised of the three (3) time periods.

1. The first time period is calendar year 2015 which is also called Cycle 1 program year 2015 (“PY2015”). The total amount of program costs for PY2015 was \$22,341,462, and the actual TD-NSB Share was \$4,855,757.

2. The second time period is January 1, 2016 through June 30, 2016 (“Carry-over Period”). The Carry-over Period is defined in paragraph 12 of the *Non-Unanimous Stipulation and Agreement Resolving MEEIA Filings* which was approved on April 6, 2016 in File Nos. EO-2015-0240 and EO-2015-0241 (“2016 Stipulation”).² The total amount of Carry-over Period actual program costs reported was \$16,962,453 and the actual TD-NSB Share amount was \$4,520,112.

¹ Section 393.1075, RSMo. 2016

² 12. Transition Between MEEIA Cycles. a. The last day to submit an application for the Cycle 1 C&I Custom Rebate program is December 15, 2015. The last day for approval of an application for the Cycle 1 C&I Custom Rebate program is January 31, 2016. The last day for completion of customer projects and submission of complete paperwork by customers is June 30, 2016. The final payment by KCP&L/GMO of rebates for all Cycle 1 projects is July 31, 2016.

1 3. The third time period is July 1, 2016 through December 31, 2016. Although the
2 Carry-over Period was defined to end on June 30, 2016, there was an additional \$494,099 of
3 program costs and a reduction in the TD-NSB Share of \$70,265 for this time period. Of that
4 amount \$175,610 occurred after July 31, 2016 which is explained in detail later in this report.

5 Staff also reviewed GMO's Cycle 1 performance incentive that was awarded during the
6 Review Period. The Cycle 1 performance incentive award amount was \$5,461,153³ and will be
7 discussed in detail later in the report.

8 As a result of its review and analyses for the Review Period of January 1, 2015 through
9 December 31, 2016, Staff did not find any instances of imprudence occurring during
10 this review.

11 **BACKGROUND**

12 On December 22, 2011, GMO filed, in Case No. EO-2012-0009, its application under
13 MEEIA and the Commission's MEEIA rules⁴ for approval of GMO's first MEEIA application.
14 On October 29, 2012, GMO, Staff, Office of the Public Counsel, Missouri Department of
15 Natural Resources, Natural Resources Defense Council, Sierra Club, Earth Island Institute,
16 d/b/a Renew Missouri, Missouri Industrial Energy Consumers, and Wal-Mart Stores East, L.P.
17 and Sam's East, Inc. filed a *Non-Unanimous*⁵ *Stipulation And Agreement Resolving KCP&L*
18 *Greater Missouri Operations Company's MEEIA Filing* ("2012 Stipulation").

19 Through its November 15, 2012 *Order Approving Non-Unanimous Stipulation And*
20 *Agreement Resolving KCP&L Greater Missouri Operations Company's MEEIA Filing* in Case
21 No. EO-2012-0009, the Commission authorized GMO to implement its three-year⁶ "Plan"
22 including: 1) fifteen (15) demand-side programs ("MEEIA Programs") described in GMO's
23 December 22, 2011 MEEIA application and modified to reflect the terms and conditions
24 contained in the 2012 Stipulation, and 2) a demand-side programs investment mechanism.
25 Through its January 23, 2013 *Order Granting Expedited Treatment, Overruling Objection, and*

³ GMO's Cycle 1 performance incentive award of \$5,461,153 was determined in accordance with provisions of paragraph 5. b. ii. of the 2012 Stipulation.

⁴ 4 CSR 240-3.163, 4 CSR 240-3.164, 4 CSR 240-20.093 and 4 CSR 240-20.094.

⁵ The Commission's order approving the 2012 Stipulation included: "MGE, Ameren Missouri, AG Processing and SIEUA did not sign the stipulation and agreement, but they did not object within seven days of its filing. Therefore, pursuant to Commission Rule 4 CSR 240-2.115, the Commission will treat the stipulation and agreement as unanimous."

⁶ Starting January 26, 2013 and ending December 31, 2015.

1 *Approving Compliance Tariffs*, the Commission approved rates⁷ for the MEEIA DSIM Charge
2 on customers' bills in Case No. ER-2012-0175 to recover: 1) estimated annual programs' costs⁸
3 and 2) 90% of estimated Company TD-NSB Share. TD-NSB Share is the annualized value of a
4 three-year annuity of 13.55% of the actual pre-tax net share benefit ("NSB") which GMO is
5 allowed to recover to offset the TD associated with the Cycle 1 programs.

6 GMO's Cycle 1 DSIM tracks, with carrying costs, the differences between 1) the
7 estimated programs' costs billed to customers through rates and the actual programs' costs and
8 2) 90% of estimated annualized TD-NSB Share billed to customers through rates and the actual
9 TD-NSB Share based upon actual programs' costs and energy efficiency measures installed and
10 with deemed values for measure savings, measure lives and avoided costs.

11 The DSIM also allows for recovery of a performance incentive award amount over a
12 two year period.⁹

13 The Commission's July 2, 2014 *Order Regarding Application* in Case No.
14 EO-2014-0355 approved GMO's proposed Residential Home Lighting Rebate program, and
15 the program's cumulative annual energy and demand savings targets of 25,162,228 kWh and
16 2,673 kW, respectively and also modified and corrected the three-year Plan's cumulative
17 annual energy and demand savings targets¹⁰ to 161,280,888 kWh and 66,525 kW, respectively.
18 The Residential Home Lighting Rebate program became GMO's sixteenth (16th) demand-side
19 program on July 6, 2014. The July 2, 2014 Order also "froze" the Plan's Multi-Family
20 program and Energy Star New Homes program effective February 11, 2015.¹¹

21 On April 1, 2016, the GMO Cycle 1 DSIM general rate case tracker mechanism ceased
22 to exist as a result of the following language on pages 12 and 13 of the 2016 Stipulation:

23 (ii) **Recovery Mechanism:** It is the intent of the Signatories
24 that KCP&L and GMO ultimately shall bill customers for an
25 amount as close as reasonably practicable to the actual

⁷ The residential and non-residential rates for the MEEIA DSIM Charge approved in Case No. ER-2012-0175 are \$0.00311 per kWh and \$0.00202 per kWh, respectively.

⁸ Programs' costs means program expenditures, including such items as program design, administration, delivery, end-use measures and incentive payments, evaluation, measurement and verification, market potential studies and work on the TRM.

⁹ This award shall result from final EM&V as described in paragraph 5.b.ii and Appendix B of the 2012 Stipulation.

¹⁰ KCP&L Greater Missouri Operations Company P.S.C. MO. No. 1, 2nd Revised Sheet No. R-63.01.

¹¹ On February 11, 2015 GMO stopped accepting new application for the Multi-Family program and for the Energy Star New Homes program because these programs were determined to be not cost-effective.

1 MEEIA Programs' costs incurred, the TD, and any earned EO
2 Award as provided for herein. The initial DSIM Rider
3 illustrative tariff sheets are attached as Appendix D and reflect
4 the recovery of Commission-approved MEEIA Program costs,
5 TD and EO Award, including interest. *The rate to be charged to*
6 *residential and non-residential classes initially will be*
7 *determined by including the estimated initial six month*
8 *Program costs and the TD plus the unrecovered balances from*
9 *Cycle 1 MEEIA programs for KCP&L and one-fourth of the*
10 *unrecovered balances from GMO (GMO unrecovered balances*
11 *from Cycle 1 will be recovered over a 24 month period) as set out*
12 *in the tariff sheets in Appendix D. [Emphasis added.]*

13 While the GMO Cycle 2 Rider DSIM¹² provided – on April 1, 2016 - the means for recovery of
14 Cycle 1 program costs, TD-NSB Share and any performance incentive award, the
15 determination of the Cycle 1 monthly TD-NSB Share amounts and any Cycle 1 performance
16 incentive award amount continued to be governed by paragraphs 5 of the 2012 Stipulation as a
17 result of paragraph 12. d. of the 2016 Stipulation.¹³

18 Commission Rule 4 CSR 240-20.093(10) requires that the Staff conduct prudence
19 reviews of an electric utility's costs for its DSIM no less frequently than every twenty-four
20 (24) months. This Report documents Staff's second review of the prudence of GMO's Cycle 1
21 Programs' costs, Company TD-NSB Share and interest for the Review Period. To complete its
22 review of Company TD-NSB Share, Staff reviewed and verified the deemed annual energy
23 (kWh) savings and deemed annual demand (kW) savings, avoided costs resulting from deemed
24 annual energy and demand savings, and the monthly calculations of annual net shared benefits.

25 Commission Rules 4 CSR 240-20.093(9) and 4 CSR 240-2.163(6) require that
26 GMO file quarterly a Surveillance Monitoring Report. Attached as Addendum A to this Report
27 is Page 6 of GMO's highly confidential Surveillance Monitoring Report including status of the
28 MEEIA Programs and DSIM costs for the quarter ended, and cumulative total ended
29 December 31, 2016.

¹² GMO tariff sheets Original Sheet No. 138 through Original Sheet No. 138.8 which all have an effective date of April 1, 2016.

¹³ d. Recovery of all Cycle 1 DSIM costs including all program costs, all throughput disincentive and any performance incentive for Cycle 1 C&I Custom Rebate program projects will be achieved through the Cycle 1 DSIM subject to prudence review for Cycle 1 DSIM costs. As the result of the agreements in this Stipulation, KCP&L and GMO shall use their respective Cycle 1 2015 DSMore files to calculate the Cycle 1 gross benefits to determine the TD-NSB for projects completed under the C&I Custom Rebate program between January 1, 2016 and June 30, 2016. These projects will be modeled in DSMore with a completion date of December 31, 2015. The Cycle 1 performance incentive amounts will result from full retrospective EM&V.

Table 1 below identifies the line items and amounts from Addendum A which are the subject of Staff's prudence review.

Table 1					
Cumulative Totals for January 1, 2015 through December 31, 2016					
Category	Descriptor	Cycle 1 Period January 1, 2015 to December 31, 2015	Carry-over Period January 1, 2016 to June 30, 2016*	Cost outside of Carry-over Period July 1, 2016 to December 31, 2016	Total for Prudence Review Period
Total Programs' Costs (\$)	Billed	\$ 13,063,941			\$ 13,063,941
Total Programs' Costs (\$)	Actual	\$ 22,341,462	\$ 16,468,354	\$ 494,099	\$ 39,303,915
Total Programs' Costs (\$)	Varriance	\$ (9,277,521)	\$ (16,468,354)	\$ (494,099)	\$ (26,239,974)
Total Programs' Costs (\$)	Interest	\$ 3,270	\$ (83,364)	\$ (67,866)	\$ (225,558)
Energy Savings (kWh)	Actual	56,795,351	42,373,059	**	99,168,410
Demand Savings (kW)	Actual	33,755	9,412	**	43,167
Net Shared Benefits (\$)	Actual	\$ 35,735,844	\$ 33,977,320	\$ (518,561)	\$ 70,231,725
90% Company TD-NSB Share (\$)	Billed	\$ 4,461,352	\$ 1,016,740	\$ 167,835	\$ 5,645,927
Compay TD-NSB Share (\$) (1)	Actual	\$ 4,855,757	\$ 4,590,377	\$ (70,265)	\$ 9,375,869
Compay TD-NSB Share (\$)	Variance	\$ (394,405)	\$ (3,573,637)	\$ 238,100	\$ (3,729,942)
Compay TD-NSB Share (\$) cumulative	Interest	137,006	\$ 10,086	\$ (2,688)	\$ 7,398

* Denotes the approved continuation of GMO's MMEIA Cycle 1 Commerical and Industrial Custom Program

** Annual energy and demand savings for completed Carry-over projects were booked to December, 2015.

In evaluating prudence, Staff reviews whether a reasonable person making the same decision would find both the information the decision-maker relied on and the process the decision-maker employed to be reasonable based on the circumstances at the time the decision was made, *i.e.*, without the benefit of hindsight. The decision actually made is disregarded; instead, the review evaluates the reasonableness of the information the decision-maker relied on and the decision-making process the decision-maker employed. If either the information relied upon or the decision-making process employed was imprudent, then Staff examines whether the imprudent decision caused any harm to ratepayers. Only if an imprudent decision resulted in harm to ratepayers, will Staff recommend a refund.

This prudence review completes GMO's MEEIA DSIM Cycle 1 energy efficiency programs.

Table 2 shown below reflects a summary of all program costs, annual energy and demand savings, and GMO's TD-NSB Share for the entirety of GMO's MEEIA DSIM Cycle 1.

Table 2		
Highly Confidential		
Cumulative Totals for January 1, 2013 through December 31, 2016		
Complete MEEIA DSIM Cycle 1		
Category	Descriptor	Cycle 1 Period January 1, 2013 to December 31, 2016
Total Programs' Costs (\$)	Billed	\$ 48,553,367
Total Programs' Costs (\$)	Actual	\$ 61,967,247
Total Programs' Costs (\$)	Vanriance	\$ (13,413,880)
Total Programs' Costs (\$)	Interest	\$ (107,349)
Energy Savings (kWh)	Actual	187,504,958
Demand Savings (kW)	Actual	84,395
Net Shared Benefits (\$)	Actual	113,455,169
90% Company TD-NSB Share (\$)	Billed	\$ 14,694,817
Compay TD-NSB Share (\$) (1)	Actual	\$ 15,373,176
Compay TD-NSB Share (\$)	Variance	\$ (678,359)
Compay TD-NSB Share (\$) cumulative	Interest	\$ 307,649
Performance Incentive	Actual	\$ 5,461,153

II. MEEIA Programs

GMO used various request for proposal ("RFP") processes to contract: 1) implementers for its individual MEEIA Programs, 2) EM&V contractor for its residential and business MEEIA Programs, 3) demand-side management cost effectiveness software (DSMore[®] software by Integral Analytics), and 4) comprehensive demand-side programs' data management system (Applied Energy Group's VisionDSM[®] Tracker and Reporting System ("VisionDSM[®]"))¹⁴.

¹⁴ Although VisionDSM[®] was used for the duration of GMO's Cycle 1 Plan, GMO implemented a new system, Nexant iEnergy[®] system in early 2016 to better conform to GMO's Cycle 2 Plan. All VisionDSM[®] data was migrated to the new Nexant iEnergy[®]. Staff relied upon this migrated data in report form to perform this Prudence Review.

Table 3 summarizes for each of the sixteen (16) MEEIA Programs: Commission-approved cumulative annual energy and demand savings targets, program implementers and program EM&V contractor:

Table 3
2013 - 2015 Energy Efficiency Plan

MEEIA Programs	Cumulative Annual Energy Savings Targets (kWh) (1)	Annual Demand Savings Targets (kW)	Program Implementers	Program EM&V Contractors
Res. Lighting & Appliance	6,439,487	3,275	APT	Navigant Consulting, Inc
Multi-Family	4,292,991	288	AEG/CLEARResults	Navigant Consulting, Inc
Energy Star New Homes	3,859,602	1,177	AEG/CLEARResults	Navigant Consulting, Inc
Air Conditioning Upgrade Rebate (Cool Homes)	19,921,194	11,661	Proctor Engineering	Navigant Consulting, Inc
Home Performance with Energy Star	6,432,670	2,964	MEC	Navigant Consulting, Inc
Income-Eligible Weatherization	1,286,533	91	Various CAP Agencies	Navigant Consulting, Inc
Appliance Recycling	2,060,635	121	JACO	Navigant Consulting, Inc
C&I Prescriptive Rebates	21,464,957	4,419	AEG/CLEARResults	Navigant Consulting, Inc
C&I Custom rebates	59,180,562	8,038	AEG/CLEARResults	Navigant Consulting, Inc
Energy Optimizer		8,461	Honeywell	Navigant Consulting, Inc
MPower		21,637	Ziphany	Navigant Consulting, Inc
Business Energy Analyzer		0	AEG/CLEARResults	Navigant Consulting, Inc
Home Energy Analyzer		0	AEG/CLEARResults	Navigant Consulting, Inc
Residential Reports	11,180,029	1,720	Opower	Navigant Consulting, Inc
Building Operator Certification			AEG/CLEARResults	Navigant Consulting, Inc
Home Lighting Rebate	25,162,228	2,673	AEG/CLEARResults	Navigant Consulting, Inc
Total	161,280,888	66,525		

Targets are based on savings at customers' meters (excluding transmission and distribution line losses).

Applied Energy Group (AEG) contract was terminated as 12/31/2014 and CLEARResults became the business program implementor beginning 11/10/2014.

The individual program implementers record individual items of programs' costs and individual energy efficiency measures in real time (daily) into the VisionDSM[®] system as they incur programs' costs and deliver programs' services to customers and retail partners. Monthly, GMO downloads files from the VisionDSM[®] model for input to the DSMore[®] model in order to calculate programs' benefits and then to calculate programs' net benefits¹⁵ in compliance with GMO's Annual Report required by 4 CSR 240-20.093(8) and 4 CSR 240-3.163(5)(A).

Table 4 is a summary of each MEEIA Program's deemed annual energy savings, deemed annual demand savings, benefits, costs and net benefits for the Review Period. Also, included in Table 4 shown below are Strategic Initiative Programs which consists of portfolio

¹⁵ Net benefits means the present value of the lifetime avoided costs (i.e., avoided energy, capacity, transmission and distribution, and probable environmental compliance costs) for the Plan using the deemed values, less the 2013 present value of programs' costs as further described in paragraphs 5.b.i. and 6.b. of the 2012 Stipulation.

EM&V costs and portfolio overhead costs including general, education, marketing, potential study, data tracking, and communication.

Table 4						
January 1, 2015 through December 31, 2016						
MEEIA Programs	Cumulative Annual Energy Savings (kWh)	Cumulative Annual Demand Savings (kW)	Programs' Benefits (2013 \$)	Programs' Costs (Nominal \$)	Programs' Costs (2013 \$)	Programs' Net Benefits (2013 \$)
Res. Lighting Rebates	20,708,473	2,201	\$ 8,084,987	\$ 2,344,669	\$2,013,602	\$6,071,385
Res. Appliance Rebates	68,475	10	\$ 88,001	\$ 389,294	\$334,326	\$ (246,325)
Res. HVAC	3,431,994	1,913	\$ 7,082,830	\$ 2,154,225	\$1,850,048	\$ 5,232,782
Res. Refrigerator Recycling	2,078,890	273	\$ 1,997,687	\$ 834,548	\$716,710	\$ 1,280,977
Res. Home Energy Reports *	-2,889,983	-726	\$ 645,260	\$ 699,156	\$600,435	\$ 44,825
Res. Energy Star New Homes	147,014	184	\$ 362,689	\$ 293,951	\$252,445	\$ 110,244
Res. Performance Energy Star	987,776	459	\$ 1,390,868	\$ 740,241	\$635,719	\$ 755,149
Res Low Income	187,084	139	\$ 401,898	\$ 515,740	\$442,918	\$ (41,020)
Multi Family	85,571	79	\$ 225,459	\$ 24,482	\$21,025	\$ 204,434
Home Energy Analyzer			\$ 4,681,049	\$ 231,470	\$198,786	\$ 4,482,263
Bus. Custom	70,335,793	15,789	\$ 72,066,332	\$ 27,164,203	\$23,328,618	\$ 48,737,714
Bus. Standard	4,027,322	1,574	\$ 5,038,904	\$ 569,660	\$489,224	\$ 4,549,680
Optimizer	0	3,442	\$ -	\$ 2,058,934	\$1,768,213	\$ (1,768,213)
Mpower	0	17,830	\$ 882,839	\$ 812,189	\$697,508	\$ 185,331
Business Energy Analyzer			\$ -	\$ 35,643	\$30,610	\$ (30,610)
Building Operator Certificate			\$ -	\$ 5,375	\$4,616	\$ (4,616)
EM&V Costs	0	0	\$ -			\$ -
Portfolio Overhead Costs	0	0	\$ -	\$ 430,132	\$369,397	\$ (369,397)
Total	99,168,409	43,167	\$ 102,948,803	\$ 39,303,912	\$ 33,754,200	\$ 69,194,603

III. Prudence Review Process

On February 1, 2017, Staff initiated this second prudence review of costs of GMO's DSIM in compliance with 4 CSR 240-20.093(10) as authorized under Sections 393.1075.3 and 393.1075.1, RSMo. 2016. This prudence review was performed by members of the Energy Resources Department of the Commission Staff Division. Staff obtained and analyzed a variety of documents, records, reports and work papers, emails and phone calls with GMO personnel to complete its prudence review of costs for the MEEIA rider for the Review Period of January 1, 2015 through December 31, 2016. In compliance with 4 CSR 240-20.093(10), this prudence review was completed within one-hundred-fifty (150) days of its initiation.

1 If the Commission were to order any disallowance of costs as a result of prudence
2 reviews and/or corrections, such a disallowance amount shall be an ordered adjustment (“OA”)
3 in a future GMO Rider DSIM rate adjustment filing.¹⁶

4 **IV. Prudence Review Standard**

5 In *State ex rel. Associated Natural Gas Co. v. Public Service Com'n of State of Mo.*, the
6 Western District Court of Appeals stated the Commission defined its prudence standard as follows:

7 [A] utility's costs are presumed to be prudently incurred....
8 However, the presumption does not survive “a showing of
9 inefficiency or improvidence... [W]here some other participant in
10 the proceeding creates a serious doubt as to the prudence of
11 expenditure, then the applicant has the burden of dispelling these
12 doubts and proving the questioned expenditure to have been
13 prudent.

14 In the same case, the PSC noted that this test of prudence
15 should not be based upon hindsight, but upon a reasonableness
16 standard: [T]he company's conduct should be judged by asking
17 whether the conduct was reasonable at the time, under all the
18 circumstances, considering that the company had to solve its
19 problem prospectively rather than in reliance on hindsight. In
20 effect, our responsibility is to determine how reasonable people
21 would have performed the tasks that confronted the company.

22 954 S.W.2d 520, 528-29 (Mo. App. W.D., 1997) (citations omitted).

23 In reversing the Commission in that case, the Court did not criticize the Commission's
24 definition of prudence, but held, in part, that to disallow a utility's recovery of costs from its
25 ratepayers based on imprudence; the Commission must determine the detrimental impact of
26 that imprudence on the utility's ratepayers. *Id.* at 529-30. This is the prudence standard Staff
27 has followed in this review. Staff reviewed for prudence the areas identified and discussed
28 below for GMO's DSIM.

29 **V. Billed Revenue**

30 **A. Recovery of Program Costs and 90% of Company TD-NSB Share**

31 **1. Description**

32 For the Review Period, GMO billed customers through a separate line item on
33 customers' bills titled “DSIM Charge” to recover estimated energy efficiency programs' costs
34 and 90% of estimated Company TD-NSB Share. The “DSIM Charge” is based on the

¹⁶ GMO Rider DSIM Original Sheet No. 138.3.

1 customer's monthly consumption and the applicable energy efficiency investment rates
2 approved by the Commission initially in Case Nos. ER-2012-0175 and subsequently in Case
3 Nos. EO-2015-0241, ER-2016-0327, ER-2017-0166 and ER-2017-0317.

4 During PY2015 GMO billed customers \$13,063,941 to recover its estimated energy
5 efficiency programs' costs. For the same period, GMO actually spent \$22,341,462 on its
6 energy efficiency programs. Thus GMO under-collected \$9,277,521 from its customers for
7 programs' costs during the PY2015. During PY2015 GMO billed customers \$4,461,352 for
8 90% of estimated Company TD-NSB Share. The actual Company TD-NSB Share for PY2015
9 was \$4,855,757. Thus, GMO under-collected \$394,405 from its customers for Company
10 TD-NSB Share during PY2015.

11 During the PY2016 GMO billed customers \$9,301,536 to recover its estimated energy
12 efficiency programs' costs. During PY2016, GMO actually spent \$16,962,453 on its energy
13 efficiency programs. Thus, GMO under-collected \$7,660,927 from its customers for programs'
14 costs during the PY2016. During the PY2016, GMO billed customers \$1,184,575 for 90% of
15 estimated Company TD-NSB Share. The actual Company TD-NSB Share for the PY2016 was
16 \$4,590,112.¹⁷ Thus, GMO under-collected \$3,335,537 from its customers for Company
17 TD-NSB Share during PY2016. GMO's actual TD-NSB Share for PY2016 includes the
18 addition of \$524,522 to correct for GMO's failure to discount program costs to 2013 dollars for
19 program costs incurred during 2014 and during 2015 as provided for in paragraph 5 b. i. of the
20 2012 Stipulation. For more detail on this issue, see section **IX Throughput Disincentive – Net**
21 **Shared Benefits (TD-NSB) Share** of this Report.

22 **2. Summary of Cost Implications**

23 If GMO was imprudent in its decisions relating to the determination of the "DSIM
24 Charge" for customers' bills, ratepayer harm could result in an increase in billed revenue.

25 **3. Conclusion**

26 Staff found no indication that GMO has acted imprudently regarding the determination
27 of the "DSIM Charge" for customers' bills.

28 **4. Documents Reviewed**

29 a. *GMO's 2013 - 2015 MEEIA Plan;*

¹⁷ GMO's actual TD-NSB Share for PY2016 includes the addition of \$524,522 to correct for GMO's failure to discount program costs to 2013 dollars for program costs incurred during 2014 and during 2015. For more detail on this issue, see section IX Throughput Disincentive – Net Shared Benefits (TD-NSB) Share A.TD-NSB Share.

- b. Approved MEEIA Energy Efficiency and Demand Side Management Programs Tariff Sheets;
- c. GMO's Quarterly Surveillance Monitoring Reports, Page 6;
- d. GMO's DSM Advisory Group Quarterly Reports; and
- e. Staff Data Requests; 0002, 0003, 0005, 0014, 0015, 0021, 0022 and 0024.

Staff Expert: Dana E. Eaves

VI. DSM Tracking Software

A. Transition to new DSIM tracking software

1. Description

Staff reviewed the controls GMO has developed to assure demand-side program incentive payments are accounted for properly. Staff also reviewed the incentive amounts paid to customers to make sure they complied with incentive levels for individual measures approved for each energy efficiency program. Data management and recordkeeping is critical for the proper administration of the DSIM tracker. GMO contracted in late 2012 with Applied Energy Group ("AEG") to provide an integrated software tracking system called VisionDSM[®] that allows GMO to store, manage and process data for its entire DSM portfolio over each programs' life-cycles for GMO's Cycle 1 Plan. VisionDSM[®] specifically allowed GMO to develop operating rules for its approved energy efficiency programs, process customers' applications, support processing and payment of incentives and provide regulatory compliance and management reporting. However, GMO issued requests for proposals to four vendors in October of 2015 in an effort to find a single system that would afford GMO better functionality in managing its MEEIA Programs for its DSIM Cycle 2. The winning bidder for records tracking system was Nexant iEnergy[®] system and the new system came online in early 2016. VisionDSM[®] was not available to be accessed by Staff as it had in the 1st MEEIA prudence review. All data that had resided on the previous VisionDSM[®] system was migrated to the new Nexant iEnergy[®] system.

GMO granted Staff remote on-line access to the Nexant iEnergy[®] system for Staff's use in conducting Staff's MEEIA prudence review. Staff reviewed customer data, incentive levels, customer applications and annual energy and demand savings for all of GMO's approved energy efficiency programs. Staff found the Nexant iEnergy[®] system does not provide a complete auditable trail of costs from time of application to time of payment of

1 incentives. Staff had to rely on GMO's general ledger to accurately review program costs.
2 Nexant iEnergy[®] allowed Staff to verify deemed annual energy and demand savings at a
3 measure level detail.

4 **2. Summary of Cost Implications**

5 If GMO was imprudent in its decisions relating to the administration and
6 implementation of the AEG VisionDSM[®], ratepayer harm could result in an increase in
7 future rates.

8 **3. Conclusion**

9 Staff found no indication that GMO has acted imprudently regarding the
10 implementation and administration of the AEG VisionDSM[®] software or the transition to
11 Nexant iEnergy[®] system.

12 **4. Documents Reviewed**

- 13 a. GMO's Cycle 1 Plan;
- 14 b. Approved MEEIA Energy Efficiency and Demand Side Management
- 15 Programs Tariff Sheets;
- 16 c. Staff Data Requests; 0002, 0003 and 0023; and
- 17 d. GMO MEEIA Vender and Implementer Contracts.

18 *Staff Expert: Dana E. Eaves*

19 **VII. Actual Program Costs**

20 **A. Total Program Costs**

21 **1. Description**

22 GMO's programs' costs include incentive payments and program administration costs
23 for residential and business programs and strategic initiative program costs for general,
24 accounting, regulatory, administrative, general, implementation, and marketing costs. Costs
25 that are in the Strategic Initiative Programs accounting code are allocated to individual
26 programs on a weighted basis of \$ per program (with Marketing costs allocated to only
27 Residential programs on a weighted basis).

28 Staff reviewed all actual program costs GMO is seeking to recover through its
29 "DSIM Charge" to ensure only reasonably and prudently incurred costs are being recovered
30 through the DSIM tracker and Rider DSIM mechanisms. Staff reviewed and analyzed for
31 prudence GMO's adherence to contractual obligations, resolutions of problems, adequacy of

controls, and compliance with approved tariff sheets. GMO provided Staff accounting records for all programs' costs it incurred during the Review Period. Staff categorized these costs by program and segregated them between incentives payments and program administrative costs.

The results of Staff's categorization of programs' costs are provided in Table 5 shown below.

Table 5 Actual Incentive and Program Cost Totals Programs' Costs January 1, 2015 through December 31, 2016			
	Total Costs	Incentives	Program Administration
*Home Lighting Rebate	\$ 2,344,669	\$ 1,443,600	\$ 901,069
*Residential Appliance Rebate	\$ 389,294	\$ 78,179	\$ 311,116
Air Conditioning Upgrade Rebate	\$ 2,154,225	\$ 1,111,529	\$ 1,042,696
Energy Optimizer	\$ 2,058,934	\$ -	\$ 2,058,934
Appliance Recycling Rebate	\$ 834,548	\$ 232,420	\$ 602,128
Home Performance with Energy Star	\$ 740,241	\$ 450,725	\$ 289,516
Home Energy Report Program - Pilot	\$ 699,156	\$ -	\$ 699,156
Income-Eligible Weatherization	\$ 515,740	\$ 491,403	\$ 24,336
Strategic Initiative Program	\$ 430,132	\$ -	\$ 430,132
Energy Star New Homes	\$ 293,951	\$ 266,000	\$ 27,951
Home Energy Analyzer	\$ 231,470	\$ -	\$ 231,470
Multifamily	\$ 24,482	\$ 18,780	\$ 5,702
Subtotal Residential Programs	\$ 10,716,840	\$ 4,092,637	\$ 6,624,203
Business Energy Efficiency Rebates - Custom	\$ 27,164,203	\$ 23,953,968	\$ 3,210,235
Business Energy Efficiency Rebates - Standard	\$ 569,660	\$ 245,931	\$ 323,730
M Power	\$ 812,189	\$ 516,408	\$ 295,781
Business Energy Analyzer	\$ 35,643	\$ -	\$ 35,643
Building Operator Certification	\$ 5,375	\$ 5,175	\$ 200
Subtotal Business Programs	\$ 28,587,070	\$ 24,721,482	\$ 3,865,589
Total Program Costs	\$ 39,303,910	\$ 28,814,118	\$ 10,489,792
Costs by Subaccounts			
Customer Rebates	\$ 28,814,118		
Program Delivery	\$ 6,481,160		
Marketing	\$ 1,369,058		
Administrative	\$ 1,324,394		
Evaluation	\$ 967,879		
Implementation	\$ 281,562		
Accounting/Regulatory	\$ 65,739		
Total Program Costs	\$ 39,303,910		

* In Tariff Sheets R-64.21, these two programs are combined as "Home Lighting Rebate".

1 GMO incurs administrative costs that are directly related to the implementation of its
2 approved energy efficiency programs. Staff uses the term “administrative” to mean all costs
3 other than incentives.¹⁸ Staff reviewed each administrative category of cost to determine the
4 reasonableness of each individual item of cost and if the costs being sought for recovery were
5 directly related to energy efficiency programs and recoverable from customers through the
6 “DSIM Charge”.

7 GMO provides incentive payments to its customers as part of its approved energy
8 efficiency programs. Incentive payments are an important instrument for encouraging
9 investment in energy efficient technologies and products by lowering higher upfront costs for
10 energy efficiency measures compared to the cost of standard measures. Incentive payments can
11 also complement other efficiency policies such as appliance standards and energy codes to help
12 overcome market barriers for cost-effective technologies.

13 GMO has also developed internal controls that allow for review and approval at various
14 stages of the accounting of costs for its energy efficiency programs. During Staff first MMEIA
15 prudence review an in-person meeting was held March 30, 2015, between Staff and GMO
16 personnel at GMO’s Kansas City office, a presentation was given to Staff detailing accounting
17 controls developed specifically for its energy efficiency programs. GMO made available each
18 of its program managers for Staff questions and each program manager provided detailed
19 actions they take to confirm the accuracy of the information provided by each of its
20 implementers and business partners. GMO has developed internal procedures that provide
21 program managers and other reviewers a detailed and approved method for reviewing invoices.
22 Also, each program manager provided Staff samples and a walk-through of how they complete
23 their invoice reviews. Staff used the information obtained during this prior meeting in the
24 development of this Report.

25 **2. Summary of Cost Implications**

26 If GMO was imprudent in its decisions relating to the administration and
27 implementation of the Residential and Business Energy Efficiency Programs, ratepayer harm
28 could result in an increase in future rates.

¹⁸ Incentives are program costs for direct and indirect incentive payments to encourage customer and/or retail partner participation in programs and the costs of measures which are provided at no cost as a part of a program.

1 **3. Conclusion**

2 Staff found no indication that GMO has acted imprudently regarding the costs
3 associated with its Energy Efficiency Programs.

4 **4. Documents Reviewed**

- 5 a. GMO's Cycle 1 Plan;
6 b. Approved MEEIA Energy Efficiency and Demand Side Management
7 Programs Tariff Sheets; and
8 c. Staff Data Requests; 0001, 0002, 0003 and 0023.

9 *Staff Experts: Ron Irving and Dana E. Eaves*

10 **B. Implementation Contractors**

11 **1. Description**

12 GMO hired business partners for design, implementation and delivery of its portfolio of
13 residential and business energy efficiency programs to customers. Contracting with competent,
14 experienced and reliable program implementers is extremely important to the success of
15 GMO's energy efficiency programs and for affording GMO's customers the greatest benefits.

16 In 2012, GMO issued RFPs for program implementers to directly administer one or
17 more of GMO's energy efficiency programs. GMO selected and contracted with the
18 organization identified in Table 2 to implement individual MEEIA Programs. All of the
19 implementers identified on Table 2 are nationally recognized contractors that have solid
20 histories of energy efficiency programs' design and implementation.

21 Staff reviewed GMO's relationship with its implementers to gauge if GMO acted
22 prudently in the selection and oversight of its program implementers. During Staff's first
23 prudence review GMO held in-person meetings on March 30, 2015 at which a wide array of
24 topics were discussed. During these discussions Staff and the implementers conducted an open
25 dialogue on GMO's overall working relationship with its program implementers, problems that
26 arose during the course of the deployment of specific programs and program implementer
27 responsiveness and ability to solve problems and address issues as they arose. Staff is satisfied
28 with GMO's having formed a good working partnership with the implementers.

Staff also examined the contracts between GMO and the implementers in an effort to determine if the terms of the contract were followed during the implementation of the residential and business programs.

Achieved cumulative deemed annual energy and demand savings relative to the planned cumulative annual energy and demand savings for the same period is important to understanding the overall performance of GMO's energy efficiency programs.

Table 6 below provides a comparison of achieved energy and demand savings and planned deemed energy and demand savings for GMO's residential and business programs for the Review Period. If GMO was unable to achieve its planned energy and demand savings levels, that could be an indication the programs were not being prudently administered by the implementers and by GMO. Although some of GMO's residential programs did not meet energy savings targets, the Business Custom program performance allowed GMO to meet and exceed its overall energy efficiency portfolio annual energy and demand saving targets.

Table 6
January 1, 2015 through December 31, 2016

MEEIA Programs	Achieved Annual Energy Savings (kWh)	Planned Annual Energy Savings (kWh)	Variance	Achieved Annual Demand Savings (kW)	Planned Annual Demand Savings (kW)	Variance
Res. Lighting	20,708,473	15,580,197	5,128,276	2,201	1,655	546
Res. Appliance Rebates	68,475	2,617,676	(2,549,201)	10	1,331	(1,321)
Res. HVAC	3,431,994	6,890,465	(3,458,471)	1,913	4,036	(2,123)
Res. Refrigerator Recycling	2,078,890	837,656	1,241,234	273	61	212
Res. Home Energy Reports	-2,889,983	0	(2,889,983)	-726	0	(726)
Res. Energy Star New Homes	147,014	1,308,838	(1,161,824)	184	399	(215)
Home Performance Energy Star	987,776	2,181,397	(1,193,621)	459	1,005	(546)
Res. Low Income	187,084	436,279	(249,195)	139	31	108
MultiFamily	85,571	1,745,118	(1,659,547)	79	117	(38)
Total Residential Programs	24,805,294	31,597,626	-6,792,332	4,532	8,635	(4,103)
Bus. Standard	4,027,322	8,725,588	(4,698,266)	1,574	1,796	(222)
Bus. Custom	70,335,793	20,068,853	50,266,940	15,791	2,726	13,065
Mpower	0	0	0	17,830	3,505	14,325
Optimizer	0	0	0	3,442	2,662	780
Total Business Programs	74,363,115	28,794,441	45,568,674	38,637	10,689	27,948
Total Portfolio	99,168,409	60,392,067	38,776,342	43,169	19,324	23,845

2. Summary of Cost Implications

If GMO was imprudent in its decisions related to the selection and supervision of its program implementers, ratepayer harm could result in an increase in the future rates.

1 **3. Conclusion**

2 Staff found no indication that GMO has acted imprudently regarding the selection and
3 supervision of its program implementers.

4 **4. Documents Reviewed**

- 5 a. GMO's Cycle 1 Plan;
6 b. Approved MEEIA Energy Efficiency and Demand Side Management
7 Programs Tariff Sheets;
8 c. GMO's DSM Advisory Group Quarterly Report; and
9 d. Staff Data Requests; 0001, 0002, 0003, and 0004, 0015.

10 *Staff Expert: Dana E. Eaves*

11 **C. Marketing**

12 **1. Description**

13 GMO provided Staff with its general ledger of all MEEIA related program costs for
14 January 2015 – December 2016, and Staff reviewed these costs for prudence. Staff was able to
15 sort costs by program. From this sort, Staff viewed and checked all of GMO's marketing
16 related expenses from January 2015 through December 2016. During the Review Period,
17 GMO spent a total of \$1,369,058 on marketing related to its MEEIA Programs. The Company
18 used various media sources and third party vendors to promote its MEEIA Programs. GMO's
19 advertising vendors included Global Prairie, Honeywell, Power Direct Marketing, E-Source
20 Companies, Proctor Engineering Group, Harvest Graphics, and Bank of Nova Scotia. For the
21 determination of prudence in this case the Staff utilized the Kansas City Power and Light
22 advertising standard that was adopted by the Commission in Case No. EO-85-185 et al.
23 The commission has recognized the following five categories to determine the treatment of
24 allowing or disallowing advertising expenses:

- 25 1. General: informational advertising that is useful in the provision of adequate
26 service;
27 2. Safety: advertising which covers the ways to safely use electricity and to
28 avoid accidents;
29 3. Promotional: advertising used to encourage or promote the use of electricity;
30 4. Institutional: advertising used to improve the company's public image; and
31 5. Political: advertising associated with political issues.

1 The Commission utilized these categories of advertisements to explain that a utility's revenue
2 requirement should always include the reasonable and necessary cost of general and safety
3 advertisements; never include the cost of institutional or political advertisements; and include
4 the cost of promotional advertisements only to the extent the utility can provide cost-
5 justification for the advertisements.

6 In Ameren Missouri Case No. ER-2008-0318, the Commission decided that the
7 standards for advertising announced in the KCPL case should be imposed on a "campaign"
8 basis rather than an "ad-by-ad" basis:

9 In the future, Staff would do well to examine advertisements on a
10 campaign basis rather than becoming ensnared in the effort to
11 evaluate individual ads within a larger campaign. If on a balance,
12 a campaign is acceptable then the cost should be recoverable in
13 rates. If the campaign is unacceptable under the Commission's
14 standards, then the cost of all advertisements within the larger
15 campaign should be disallowed.

16 Based on Staff's application of the Commission's past treatment of advertising in previous
17 general rate cases, GMO's MEEIA advertisements are allowable and prudent, because they
18 would be classified as general and promotional with the related costs being reasonable. GMO's
19 MEEIA advertising campaign, as a whole, would also be acceptable under the Commission's
20 ruling in Case No. ER-2008-0318.

21 **2. Summary of Cost Implications**

22 If GMO was imprudent in its decisions related to management of its education and
23 communications for the MEEIA Programs, ratepayer harm could result in an increase in
24 future rates.

25 **3. Conclusion**

26 Staff found no indication that GMO has acted imprudently regarding its education and
27 communication for the MEEIA Programs.

28 **4. Documents Reviewed**

- 29 a. Case No. EO-85-185, Case No. ER-2008-0318 and Case No. and
30 ER-2014-0258 Cost of Service Report pages 113-115;
- 31 b. MEEIA Program Costs January 2013 – June 2016; and
- 32 c. Staff Data Requests; 0002 and 0003.

33 *Staff Experts: Ron Irving and Dana E. Eaves*

D. Evaluation, Measurement and Verification (“EM&V”) Contractors

1. Description

GMO is required to hire independent contractor(s) to perform and report EM&V of each Commission-approved demand-side program. Commission rules allow GMO to spend approximately 5% of its total budget for EM&V for all approved demand-side program costs.¹⁹ Navigant Consulting, Inc. (“Navigant”) conducted and reported the EM&V results for GMO’s Cycle 1 demand-side programs. Navigant filed in Case No. EO-2012-0009 its EM&V final reports for GMO’s Cycle 1 programs on September 26, 2014, June 27, 2017²⁰ and October 24, 2016 for PY2013, PY2014, and PY2015 (including Carry-over Period), respectively. The Commission’s Auditor filed its EM&V final reports in Case No. EO-2012-0009 on October 9, 2014, October 13, 2015 and October 25, 2016 for PY2013, PY2014, and PY2015 (including Carry-over Period), respectively. The Commission Auditor’s EM&V reports all include some recommendations for improvement but also find that Navigant’s EM&V final reports conformed to industry standards and best practices.²¹

During the Review Period, GMO expended \$967,879 for EM&V, which represents 2.46% of the \$339,303,910 total programs’ costs. For the totality of GMO’s Cycle 1 DSIM program costs GMO expended \$2,271,402 for EM&V, which represents 3.67% of the \$61,968,044 total programs’ costs. Thus, the costs associated with the EM&V did not exceed the 5% maximum cap.

2. Summary of Cost Implications

If GMO was imprudent in its decisions relating to the selection and supervision of its EM&V contractor’s ratepayer harm could result in an increase in future rates.

3. Conclusion

Staff found no indication that GMO has acted imprudently regarding the selection and supervision of its EM&V contractors.

¹⁹ 4 CSR 240-20.094(7)(A) Each utility’s EM&V budget shall not exceed five percent (5%) of the utility’s total budget for all approved demand-side program costs. The 2012 Stipulation includes in its paragraph 11. EM&V a. Approximately five percent of the three-year MEEIA Programs’ costs budget will be spent for EM&V. Ameren Missouri will consider input from the stakeholder group, as described in paragraph 14, in its determination of how best to allocate and utilize the EM&V budget.

²⁰ Navigant’s PY2014 EM&V final report was inadvertently not filed in October 2015 when it was determined to be final.

²¹ Pages 8 and 63 of Commission Auditor Annual Report on Evaluation, Measurement & Verification Findings for KCP&L – Greater Missouri Operations Company (GMO) Program Year 2015 filed in Case No. EO-2012-0009 on October 25, 2016.

1 **4. Documents Reviewed**

- 2 a. GMO's Cycle 1;
- 3 b. Approved MEEIA Energy Efficiency and Demand Side Management
- 4 Programs Tariff Sheets; and
- 5 c. Staff Data Requests; 0001, 0002, 0015 and 0018.

6 *Staff Expert: Dana E. Eaves*

7 **VIII. Program Costs Review for EM&V and Performance Incentive**

8 **A. Program Costs Review for EM&V**

9 **1. Description**

10 Staff compared actual GMO MEEIA Cycle 1 program costs to the program costs used

11 by GMO's third-party independent EM&V contractor, Navigant, in their EM&V analysis. In

12 2013, the actual GMO MEEIA Cycle 1 program costs were \$227,709 higher than the program

13 costs used by Navigant. In 2014, the actual GMO MEEIA Cycle 1 program costs were

14 \$300,221 higher than the program costs used by Navigant. In 2015, the actual GMO MEEIA

15 Cycle 1 program costs were \$105,891 lower than the program costs used by Navigant. This

16 was determined to be a direct result of the EM&V schedule in which GMO supplied Navigant

17 with program costs at a "point in time." However, in 2013 and 2014, GMO continued to incur

18 costs after the final EM&V report was filed. Staff is concerned with the practice of having

19 EM&V performed for a program year or an entire cycle without including all program costs.

20 Staff determined there to be no ratepayer harm from the EM&V reports not including all

21 program costs in this instance, but points out that there is potential for ratepayer harm in other

22 instances where the amount of unrecognized program costs in EM&V is great enough to cause

23 one or more demand-side programs to not be cost-effective.

24 One of the significant outputs of EM&V is cost/benefit ratios at the program and

25 portfolio level. A program and/or portfolio are considered to be cost effective if their

26 cost/benefit ratio is above 1.0. If, for example, a program or portfolio is found to have a

27 cost/benefit ratio slightly above 1.0 based off of final EM&V and that program or portfolio is

28 relied upon for future planning purposes and is either continued as it is or approved to be a part

29 of a new MEEIA cycle only to discover at a later date that costs incurred after EM&V drove

30 that benefit/cost ratio below 1.0, ratepayers would ultimately be paying for a non-cost-effective

31 program(s). In 2015, GMO supplied Navigant with program costs at a "point in time" that

ended up being an overstatement of final actual program costs. Staff has a similar concern with having EM&V performed for a program year or an entire cycle with program costs being overstated. This could lead to a program and/or portfolio appearing to be less cost-effective than it actually is. Staff is not making a recommendation to address its concern in this Report, but notes that this is an issue that will need to be revisited in the near future.

B. Program Costs Review for Performance Incentive

1. Description

Similarly, Staff compared actual GMO MEEIA Cycle 1 program costs to the program costs used to calculate GMO's performance incentive. In MEEIA Cycle 1, GMO's PI was based on a percentage of net shared benefits. Net shared benefits are equal to present value of annual ex-post net benefits²² less present value of annual program costs where both ex-post annual net benefits and annual program costs are discounted at 7.06%.²³

These cost-benefit relationships work as follows: the lower the program costs the higher the net shared benefits and the higher the program costs the lower the net shared benefits. Consequently, if program costs are understated then net shared benefits and PI are overstated. This would lead to GMO over-collecting from its customers causing a detriment to those customers. Conversely, if program costs are overstated then net shared benefits and PI are understated. This would lead to GMO under-collecting from its customers causing a detriment to GMO.

Paragraph 12. d. of the 2016 Stipulation states:

d. Recovery of all Cycle 1 DSIM costs including all program costs, all throughput disincentive and any performance incentive for CYCLE 1 C&I Custom Rebate program projects will be achieved through the Cycle 1 DSIM subject to prudence review for Cycle 1 DSIM costs. As the result of the agreements in this Stipulation, KCP&L and GMI shall use their respective Cycle 1 2015 DSIMore files to calculate the Cycle 1 gross benefits to determine the TD-NSB for projects completed under the C&I Custom Rebate program between January 1, 2016 and June 30, 2016. *These projects will be modeled in DSIMore with a completion date of December 31, 2015.* The Cycle 1 performance

²² For the Cycle 1 performance incentive, ex-post net benefits are determined by GMO's independent EM&V evaluator, Navigant. Navigant filed its Cycle 1 *GMO Evaluation, Measurement, & Verification Report – FINAL Program Year 2015* in Case No. EO-2012-0009 on October 24, 2016.

²³ Appendix A of the 2012 Stipulation.

incentive amounts will result from full retrospective EM&V.
[Emphasis added.]

The actual GMO MEEIA Cycle 1 net present value of program costs for the Carry-over Period is \$1,760,913 higher than the net present value of the program costs for the carry-over period used in the calculation of GMO's PI. However, the actual GMO MEEIA Cycle 1 net present value of program costs for 2014 and 2015 were \$69,886 and \$1,702,039, respectively, lower than the net present value of program costs used to calculate GMO's PI. The actual GMO MEEIA Cycle 1 program costs in 2013 equaled the net present value of the program costs used in the calculation of GMO's PI. The net total variance of 2013 – 2016 actual GMO MEEIA Cycle 1 program costs and the net present value of program costs used to calculate GMO's PI is (\$11,012). Since GMO's PI is based on a percentage of net benefits, in order to determine the over or under-statement of the PI that same percentage can be applied to the over or under-statement of program costs as illustrated in Table 7 below:

TABLE 7					
Performance Incentive Over-statement					
	2013	2014	2015	2016	Total Cycle 1
NPV of GL Costs to 2013 \$	\$ 8,424,395	\$ 13,300,109	\$ 19,492,469	\$ 14,799,393	\$ 56,016,366
Costs used in calculation of PI in 2013 \$	\$ 8,424,395	\$ 13,369,995	\$ 21,194,507	\$ 13,038,480	\$ 56,027,377
Variance of Costs not reflected in PI calculation	\$ -	\$ (69,886)	\$ (1,702,039)	\$ 1,760,913	\$ (11,012)
Performance Incentive percentage	5.16%	5.16%	5.16%	5.16%	5.16%
Total Overstatement of PI (excluding interest)	\$ -	\$ (3,606)	\$ (87,825)	\$ 90,863	\$ (568)

The variance of costs not reflected in the PI calculation for 2014 was due to a 2016 marketing adjustment attributed to 2014 (when it was incurred). This \$74,819 was not included in the GMO's 2014 General Ledger but was included in the 2014 costs used in calculating the PI. However, the \$74,819 was included in the 2016 general ledger ("2016 GL") but was not included in the 2016 costs used in calculating the PI. The \$74,819 is accounted for in 2016, but if it is taken out of 2016 and added back into 2014, the total overstatement of PI of (\$3,606) for 2014 becomes \$0 and the total overstatement of PI of \$90,863 for 2016 becomes \$87,495.²⁴ The variance of costs not reflected in the PI calculation for 2015 was due to some 2016 costs being included in the 2015 net benefit calculation. \$1,950,806 was not included in the 2015 GL but was included in the 2015 costs used in calculating the PI. However, the \$1,950,806

²⁴ The Total Overstatement of PI (excluding interest) for 2016 is reduced by \$3,368 instead of \$3,606 due to discounting back to 2014 dollars.

was included in the 2016 GL but was not included in the 2016 costs used in calculating the PI. The \$1,950,806 is accounted for in 2016, but if it is taken out of 2016²⁵ and added back into 2015, the total overstatement of PI of (\$87,825) for 2015 becomes \$0 and the total over-statement of PI of \$87,495 for 2016 becomes \$0. The total GMO MEEIA Cycle 1 overstatement of PI (excluding interest) is \$0 as illustrated in Table 8 below:

TABLE 8						
Performance Incentive Reconciliation						
	2013	2014	2015	2016	Total Cycle 1	
NPV of GL Costs to 2014 \$	\$ 8,424,395	\$ 13,300,109	\$ 19,492,469	\$ 14,799,393	\$ 56,016,366	
Costs used in calculation of PI in 2014 \$	\$ 8,424,395	\$ 13,369,995	\$ 21,194,507	\$ 13,038,480	\$ 56,027,377	
Variance of Costs not reflected in PI calculation	\$ -	\$ (69,886)	\$ (1,702,039)	\$ 1,760,913	\$ (11,012)	
Performance Incentive percentage	5.16%	5.16%	5.16%	5.16%	5.16%	
Total Overstatement of PI (excluding interest)	\$ -	\$ (3,606)	\$ (87,825)	\$ 90,863	\$ (568)	
Expalanation for Differences in GL Costs and PI Calculation Costs						
2016 Marketing Adjustment Attributed to 2014 (when incurred) for Discounting Purposes			1,950,806	(1,943,461)		
Discounted			1,702,039	(1,695,630)		
Performance Incentive percentage			5.16%	5.16%		
Impact on PI (excluding interest)			\$ 87,825	\$ (87,495)	\$	331
2016 Costs Included in 2015 NSB		74,819		(74,819)		
Discounted		69,886		(65,278)		
Performance Incentive percentage		5.16%		5.16%		
Impact on PI (excluding interest)		\$ 3,606		\$ (3,368)		238
Net Overstatement of PI	\$ -	\$ 0	\$ 0	\$ 0	\$	0

Staff initially discovered the issue in its review of the actual 2016 GMO MEEIA Cycle 1 program costs for the carry-over period compared to the 2016 program costs used to calculate GMO's PI. Staff corresponded with GMO in an attempt to understand the difference in the various filings. GMO reviewed the issue and explained the variances to be directly related to the circumstances explained above.

2. Summary of Cost Implications

If GMO was imprudent in its decisions related to the calculation of its performance incentive ratepayer harm could result in an increase in future rates.

3. Conclusion

Staff found no indication that GMO has acted imprudently regarding the selection and supervision of its EM&V contractors.

²⁵ An additional \$7,345 is included in 2016 program costs to correct for an income-eligible weatherization entry that was accounted for in KCP&L but should have been accounted for in GMO.

1 **4. Documents Reviewed**

- 2 a. GMO's three-year Plan;
- 3 b. Approved MEEIA Energy Efficiency and Demand Side Management
- 4 Programs Tariff Sheets;
- 5 c. GMO's Prudence Review work papers; and
- 6 d. Staff Data Requests; 0001, 0002, 0015 and 0018.

7 *Staff Expert: Brad Fortson*

8 **IX. Rebates after July 31, 2016**

9 **1. Description**

10 GMO and other signatories agreed in paragraph 12. a. of the 2016 Stipulation that

11 "The final payment by GMO of rebates for all Cycle 1 projects is July 31, 2016." However,

12 five (5) customers chose to receive their rebate payments in the form of bill credits. These bill

13 credits were not issued to these customers in full until such time that their usage was

14 sufficient to off-set these credits which fell outside of the agreed to July 31, 2016 date for

15 final rebate payments.

16 **2. Summary of Cost Implications**

17 If GMO did not abide by the agreement to make the final payment of rebates for all

18 Cycle 1 projects is July 31, 2016, ratepayer harm could result in an increase in rates.

19 **3. Conclusion**

20 Staff found that GMO substantially complied with the agreement to make the final

21 payment of rebates for all Cycle 1 projects by July 31, 2016, as it used accrual accounting when

22 it booked these cost, although credits were issued past the July 31, 2016 date. Staff also could

23 not identify any rate payer harm as a result of the issuance of these bill credits past the agreed

24 to date of July 31, 2016 for payment of rebates.

25 **4. Documents Reviewed**

- 26 a. GMO's Cycle 1 Plan;
- 27 b. Cycle 1 transition stipulation and agreement; and
- 28 c. Staff Data Requests; 0002, 0003, and 0024.

29 *Staff Expert: Dana E. Eaves*

1 **X. Throughput Disincentive – Net Shared Benefits (TD-NSB) Share**

2 **A. TD-NSB Share**

3 **1. Description**

4 For a utility that operates under a traditional regulated utility model a “throughput
5 incentive” is created when a utility’s increase in revenues is linked directly to its increase in
6 sales. This relationship between revenues and sales creates a financial disincentive for the
7 utility to engage in any activity that would decrease sales, such as utility sponsored energy
8 efficiency programs.

9 Annual net shared benefits are a determination of benefits that are expected to result
10 from energy efficiency programs through net present value (“NPV”) of benefits (avoidance of
11 costs of energy, capacity, transmission and distribution and probable environmental costs) less
12 the NPV of costs for approved energy efficiency programs as specified in paragraph 5. b. i. of
13 the 2012 Stipulation.

14 For GMO’s Cycle 1 program and DSIM, the sharing of annual net shared benefits
15 between the customers and the utility is agreed to offset the throughput disincentive GMO is
16 expected to incur as a result of its approved Cycle 1. A sharing percentage of 13.55% was
17 agreed to in the 2012 Stipulation.

18 Staff has verified each component of the TD-NSB Share calculation that was provided
19 by GMO in the Quarterly Surveillance Reports, Page 6. GMO’s March 31, 2016 Quarterly
20 Surveillance Report includes increases to the following line items as a result of GMO
21 correcting for its failure to discounting its program costs for 2014 and 2015 to 2013 dollars as
22 required by paragraph 5. b. i. of the 2012 Stipulation when calculating its monthly TD-NSB.

- 23 • Actual (Estimated) Net Benefits (TD-NSB) increased by \$3,971,011;
24 • Actual (Disincentive) Company TD-NSB Share increased by \$524,522; and
25 • Interest for the Company TD-NSB Share increased by \$13,327.

26 Staff first identified GMO’s failure to properly discount its 2014 and 2015 program costs to
27 2013 dollars during its review of GMO MEEIA Annual Report.²⁶ The corrections listed above

²⁶ Staff Comments Regarding KCP&L Greater Missouri Operations Company’s Demand-Side Program Annual Report for 2015 filed on May 24, 2016 in File No. EO-2016-0251.

1 were first included in GMO's MEEIA rates as a result of GMO Rider DSIM rate adjustment in
2 Case No. ER-2016-0327 filed on June 1, 2016 for new MEEIA rates effective August 1, 2016.

3 **2. Summary of Cost Implications**

4 If GMO was imprudent in its reporting and/or calculating the Company TD-NSB Share,
5 ratepayer harm could result in an increase rates.

6 **3. Conclusion**

7 As discussed above, Staff found that GMO had not performed the actual TD-NSB
8 calculations and actual TD-NSB Share calculations correctly during PY2014 and PY2015.
9 GMO corrected its PY2014 and PY2015 errors in its work papers for its Rider DSIM rate
10 adjustment in Case No. ER-2016-0327. Staff has reviewed these work papers, agrees with
11 them, and concludes that no ratepayer harm occurred as a result of GMO correcting for its
12 actual TD-NSB and actual TD-NSB Share or including additional monthly interest for the
13 "corrected" monthly TD-NSB Share variance during PY2014 and PY2015. This is explained
14 in section **VIII. Interest Costs** of this Report.

15 **4. Documents Reviewed**

- 16 a. GMO's Cycle 1 Plan;
- 17 b. GMO work papers included in Case No. ER-2016-0327; and
- 18 c. Staff Data Requests; 0002, 0003, 0015, 0017 and 0021.

19 *Staff Expert: Dana E. Eaves*

20 **B. Gross Deemed Annual Energy and Demand Savings**

21 **1. Description**

22 Staff reviewed the monthly calculation of NPV of the benefits from GMO's MEEIA
23 Programs calculated with DSMore[®] software²⁷. GMO provided Staff its DSMore[®] software
24 program files to show how the NPV of the programs' benefit were calculated during the
25 Review Period. Staff chose a sample of monthly measure counts actually installed for each
26 program measure. From this sampling Staff was able to verify GMO's gross deemed annual
27 program benefits calculations for the Review Period. Staff determined that GMO used the
28 same values for avoided costs, deemed energy and demand savings for measures, incentive

²⁷ DSMore[®] software is a financial analysis tool designed to evaluate the costs, benefits, and risks of demand side management (DSM) programs and services. This tool, built by Integral Analytics, is the industry-leading DSM cost-effectiveness model and is used in more than 27 states for DSM program planning. The power of DSMore lies in its ability to process millions of calculations resulting in thousands of cost-effectiveness results that vary with weather and/or market prices.

1 payments for measures, discount rate, and version of DSMore[®] software as agreed to in the
2 2012 Stipulation.

3 To begin its review of GMO's calculations of its monthly Company TD-NSB Share for
4 the Review Period, Staff reviewed the version of DSMore[®] software that GMO used to
5 calculate the monthly NPV of benefits from its programs during the Review Period to verify
6 that it is the same version of DSMore[®] specified in 2012 Stipulation²⁸. The version of
7 DSMore[®] that GMO used to calculate the monthly Company TD-NSB is XLS Version 6.0.1,
8 GCG Version 6.0.6 which is the version agreed to in the 2012 Stipulation.

9 To review the usage of the same values for avoided costs and discount rate, Staff
10 compared the "Utility Input" tabs in DSMore[®] program's Batch files located in the CD
11 provided for the 2012 Stipulation to those in DSMore[®] program's Batch files for this prudence
12 review. Staff did not find any different values for avoided costs and discount rate used to
13 calculate the NPV of benefits from the programs.

14 Then, Staff performed GMO's monthly programs' benefits calculations using DSMore[®]
15 software. Staff was provided the information that contained monthly costs, measures delivered
16 information, and new measures delivered information with descriptions to start the calculation
17 procedure. Staff was also able to verify this information at a measure level with access
18 provided by GMO to Nextant[®].

19 To calculate an aggregated deemed energy and demand savings from the MEEIA
20 Programs, Staff followed the procedures as detailed for each program in the 2012 Stipulation.²⁹
21 With these procedures, Staff is able to verify the reported 99,168,410 kWh of energy savings
22 and 43,167 kW of demand savings and annual net shared benefits from the savings for the
23 MEEIA Programs during the Review Period.

24 **2. Summary of Cost Implications**

25 If GMO was imprudent in its decisions related to calculating the NPV of the program
26 benefits, ratepayer harm could result in an increase in rates in future general electric rate cases.

27 **3. Conclusion**

28 Staff found no indication that GMO has acted imprudently regarding the calculation of
29 the NPV of the program benefits when using the DSMore[®] software.

²⁸ Page 11 of the 2012 Stipulation.

²⁹ Pages 12-18 of the 2012 Stipulation.

1 **4. Documents Reviewed**

- 2 a. GMO's Cycle 1 Plan;
- 3 b. 2016 Stipulation; and
- 4 c. Staff Data Requests; 0002, 0003, 0017 and 0022.

5 *Staff Expert: Dana E. Eaves*

6 **XI. Interest Costs**

7 **1. Description**

8 The 2012 Stipulation provides that for programs' costs: "Interest shall be applied

9 monthly at GMO's short-term borrowing rate to the cumulative differences between the billed

10 amount of monthly MEEIA Programs' costs and the monthly MEEIA Programs' costs actual

11 incurred". During the Review Period GMO reported the interest amount accrued for the

12 Company's program costs as reported on Page 6 of GMO's December 31, 2016 Quarterly

13 Surveillance Monitoring Report was \$(1,472,033). Because GMO under-recovered program

14 costs from customers, the interest amount as of December 31, 2016 would be included in

15 "the regulatory asset or regulatory liability balance (with interest) as of the end of the last

16 period used to update or true-up the test year used for setting new electric rates in such a

17 general electric rate proceeding shall be amortized over three years and the resulting annual

18 amount included in the revenue requirement used to determine base rates in that general electric

19 rate proceeding."³⁰

20 During the Review Period, GMO billed customers an estimated amount for its

21 Company TD-NSB Share compared to the amount of Company TD-NSB Share actually

22 incurred, based on the actual programs' costs and measures installed, on a monthly basis.

23 It was agreed to in the 2012 Stipulation that:

24 If the regulatory asset or regulatory liability balance is not being

25 recovered from/returned to customers via a rider, then in each

26 GMO general electric rate proceeding that occurs after new

27 general electric rates become effective in Case No. ER-2012-

28 0175 and concludes prior to when the entire difference between

29 the amount billed and the amount of GMO's actual TD-NSB

30 Share (separately for the residential and non-residential customer

31 classes) has been recovered/returned, the regulatory liability

³⁰ Pages 9-10 of the 2012 Stipulation.

1 balance (plus accrued carrying costs at GMO's AFUDC rates) at
2 the end of the last period used to update or true-up the test year
3 used for setting new general electric rates in such a general
4 electric rate proceeding shall be amortized over three years and
5 the resulting annual amount included in the revenue requirement
6 used to determine base rates in that general electric rate
7 proceeding. The unamortized balance of any regulatory asset or
8 regulatory liability will be included in rate base. If such a general
9 electric rate proceeding during the three-year Plan period, the
10 true-up will only be partial, meaning at least one more true-up
11 will occur (separately for the residential and non-residential
12 customer classes) in later general electric rate proceedings
13 concluding after the three-year Plan concludes.

14 The MEEIA DSIM Charge on GMO's customers' bills did not include recovery of interest until
15 GMO's unrecovered regulatory asset balances were included in GMO's Cycle 2 Rider DSIM in
16 accordance with paragraph 14 of the 2016 Stipulation.

17 14. Rider.

18 a. Initial rates for Residential and Non-Residential will be
19 computed for estimated initial six month Program Costs and the
20 TD plus the unrecovered balances from Cycle 1 MEEIA
21 programs for KCP&L (GMO unrecovered balances from Cycle
22 1 will be recovered over a 24 month period) as set out in the
23 tariff sheets in Appendix D. Over- or Under- recovery of
24 Commission-approved Program Costs and TD will be tracked
25 and included in Rider adjustment for each six-month period
26 thereafter for estimated Programs Costs and TD. EO will be
27 computed in 2019 and included in Rider over a two-year period
28 thereafter. The Cycle 1 Performance incentive will be collected
29 through the Rider.

30 b. GMO will initiate a rider mechanism as shown on the
31 specimen tariff sheets to take effect January 1, 2016 with rates
32 effective February 1, 2016. GMO reserve balances for Cycle 1
33 will be recovered over a two year period and will be included
34 in the initial tariffs and trued up through the tariff process.

35 On June 1, 2016, GMO filed its first MEEIA rate adjustment filing under the GMO Rider
36 DSIM in Case No. ER-2016-0327. In this filing, GMO witness Tim M. Rush testified on
37 page 3, lines 1 – 11:

1 **Q:** During the recent audit by the Commission Staff of KCP&L's
2 MEEIA programs, it

3
4 was discovered that an error had occurred in the calculation of the
5 Throughput

6
7 Disincentive – Net Shared Benefit (“TD-NSB”) for Cycle 1. Can
8 you explain the

9
10 error and what you have reflected in this filing?

11
12 A: Yes. During the Staff audit, it was discovered that the calculation of
13 the TD-NSB for

14
15 Cycle 1 did not discount the program costs for the 2014 and 2015 TD-
16 NSB back to the

17
18 first plan year in the calculation. The benefits were correctly discounted in
19 the TD-NSB

20
21 calculation. However, by not discounting the program costs, it understated
22 the net

23
24 benefits, which resulted in understating the TD-NSB. *The correction of*
25 *this results in an*

26
27 increase in the unrecovered balance at the end of December 2015
28 of \$524,522 plus

29
30 carrying costs of \$13,327 for a total of \$537,849. [Emphasis added.]

31 Staff has reviewed Mr. Rush's work paper included with his testimony in Case No.
32 ER-2016-0327 and has determined that interest expense totaling \$13,327 was included in the
33 Cycle 1 unrecovered interest balance due to unrecovered TD-NSB Share amount of \$524,522.

34 **2. Summary of Cost Implications**

35 If GMO was not imprudent in its reporting and/or calculating of the interest associated
36 to over- or under-recovery of energy efficiency programs' costs and/ or Company TD-NSB
37 Share ratepayer harm could result in an increase in future rates.

38 **3. Conclusion**

39 Through its review of work papers of Tim M. Rush filed in Case No. ER-2016-0327,
40 Staff concludes that GMO properly included \$13,327 of interest in its unrecovered interest
41 balance at the end of December 2015.

1 **4. Documents Reviewed**

- 2 a. GMO's Cycle 1 Plan;
- 3 b. GMO's Annual DSM Reports;
- 4 c. GMO's Quarterly Surveillance Monitoring Reports;
- 5 d. Work papers of Tim M. Rush filed in Case No. ER-2016-0327; and
- 6 e. Staff Data Requests 0003, 0006, 0018 and 0021.

7 *Staff Expert: Dana E. Eaves*

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

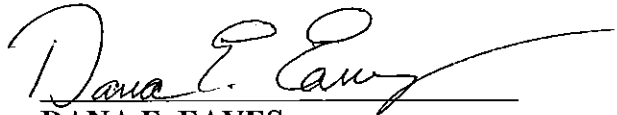
In the Matter of the Second Prudence Review of)
KCP&L Greater Missouri Operations Company's) File No. EO-2017-0210
Implementation of Energy Efficiency Programs in)
Furtherance of the Missouri Energy Efficiency)
Investment Act (MEEIA))

AFFIDAVIT OF DANA E. EAVES

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

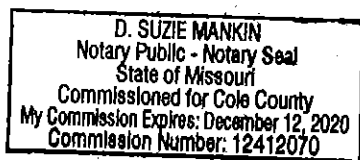
COMES NOW DANA E. EAVES and on his oath declares that he is of sound mind and lawful age; that he contributed to Staff's foregoing *MEEIA Prudence Review of Costs Report* for this case; and that the same is true and correct according to his best knowledge and belief.

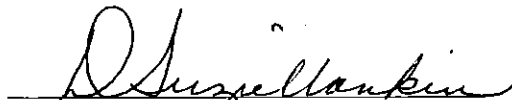
Further the Affiant sayeth not.


DANA E. EAVES

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 29th day of June, 2017.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Second Prudence Review of)
KCP&L Greater Missouri Operations Company's) File No. EO-2017-0210
Implementation of Energy Efficiency Programs in)
Furtherance of the Missouri Energy Efficiency)
Investment Act (MEEIA))

AFFIDAVIT OF BRAD FORTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BRAD FORTSON and on his oath declares that he is of sound mind and lawful age; that he contributed to Staff's foregoing *MEEIA Prudence Review of Costs Report* for this case; and that the same is true and correct according to his best knowledge and belief.

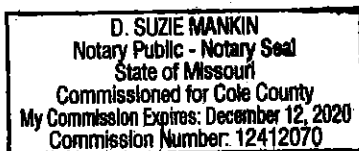
Further the Affiant sayeth not.

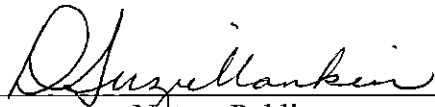


BRAD FORTSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 29th day of June, 2017.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Second Prudence Review of)
KCP&L Greater Missouri Operations Company's) File No. EO-2017-0210
Implementation of Energy Efficiency Programs in)
Furtherance of the Missouri Energy Efficiency)
Investment Act (MEEIA))

AFFIDAVIT OF RON IRVING

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

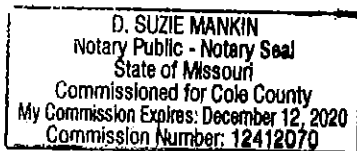
COMES NOW RON IRVING and on his oath declares that he is of sound mind and lawful age; that he contributed to Staff's foregoing *MEEIA Prudence Review of Costs Report* for this case; and that the same is true and correct according to his best knowledge and belief.

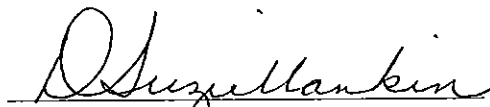
Further the Affiant sayeth not.


RON IRVING

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 29th day of June, 2017.




Notary Public

KCP&L Greater Missouri Operations Company - For All Territories Served As MPS and I&P

Quarter Ended, Year to Date Ended and Cumulative Total Ended December 31, 2015

SURVEILLANCE MONITORING REPORT

Missouri Energy Efficiency Investment Act of 2009 (MEEIA)

Status of Demand-Side Programs and Demand-Side Programs Investment Mechanism

DSM Program Name	Start Date	Planned End Date	Actual End Date
Residential Lighting & Appliance	01/26/2013	12/31/2015	12/31/2015
Multi-Family	01/26/2013	12/31/2015	Frozen 02/11/2015
Energy Star New Homes	01/26/2013	12/31/2015	Frozen 02/11/2015
Cool Homes	01/26/2013	12/31/2015	12/31/2015
Home Performance with Energy Star	01/26/2013	12/31/2015	12/31/2015
Low Income Weatherization	01/26/2013	12/31/2015	12/31/2015
Appliance Recycling	01/26/2013	12/31/2015	12/31/2015
C&I Prescriptive Rebates	01/26/2013	12/31/2015	
C&I Custom Rebates	01/26/2013	12/31/2015	12/31/2015
Energy Optimizer	01/26/2013	12/31/2015	
MPower	01/26/2013	12/31/2015	12/31/2015
Business Energy Analyzer	01/26/2013	12/31/2015	
Home Energy Analyzer	01/26/2013	12/31/2015	
Residential Reports	01/26/2013	12/31/2015	
Building Operator Certification	01/26/2013	12/31/2015	12/31/2015
Home Lighting Rebate	07/06/2014	12/31/2015	12/31/2015

Category	Descriptor		Quarter Ended December 31, 2015	YTD December 31, 2015	Cumulative Total Ended
Total Programs' Costs (\$)	Planned	(1)	\$ 3,748,781	\$ 16,106,835	\$ 43,944,072
Total Programs' Costs (\$)	Actual	(6)	\$ 6,747,382	\$ 22,341,462	\$ 45,004,795
Total Programs' Costs (\$)	Variance		\$ (2,998,602)	\$ (6,234,627)	\$ (1,060,723)
Total Programs' Costs (\$)	Billed		\$ 2,835,004	\$ 13,063,942	\$ 39,251,831
Total Programs' Costs (\$)	Actual	(6)	\$ 6,747,382	\$ 22,341,462	\$ 45,004,795
Total Programs' Costs (\$)	Variance		\$ (3,912,378)	\$ (9,277,520)	\$ (5,752,964)
Total Programs' Costs (\$)	Interest	(9)	\$ (16,339)	\$ 3,270	\$ 118,209
Energy Savings (kWh)	Planned	(2)	14,280,723	60,392,067	161,280,889
Energy Savings (kWh)	Actual	(7)	15,106,458	56,795,350	145,131,898
Energy Savings (kWh)	Variance		(825,735)	3,596,717	16,148,991
Demand Savings (kW)	Planned	(3)	4,537	19,324	66,524
Demand Savings (kW)	Actual	(7)	5,441	33,754	74,984
Demand Savings (kW)	Variance		(903)	(14,430)	(8,460)
Net Benefits (\$)	Planned	(4)	\$ 11,231,885	\$ 45,120,956	\$ 113,027,048
Net Benefits (\$)	Estimated		\$ 13,422,193	\$ 35,735,844	\$ 79,996,411
Net Benefits (\$)	Variance		\$ (2,190,307)	\$ 9,385,112	\$ 33,030,637
Company TD-NSB Share (\$)	Planned	(5)	\$ 1,180,371	\$ 5,006,906	\$ 14,749,714
Company TD-NSB Share (\$)	Disincentive	(8)	\$ 1,818,707	\$ 4,855,757	\$ 10,853,064
Company TD-NSB Share (\$)	Variance		\$ (638,336)	\$ 151,149	\$ 3,896,650
90 % Company TD-NSB Share (\$)	Billed		\$ 995,882	\$ 4,461,352	\$ 13,510,242
Company TD-NSB Share (\$)	Disincentive	(8)	\$ 1,818,707	\$ 4,855,757	\$ 10,853,064
Company TD-NSB Share (\$)	Variance		\$ (822,825)	\$ (394,405)	\$ 2,657,178
Company TD-NSB Share (\$)	Interest	(9)	\$ 24,870	\$ 137,006	\$ 300,251

Footnotes:

- (1) Total planned program costs of \$13,315,451 for program year 1, \$14,521,786 for program year 2 and \$16,106,835 for program year 3.
- (2) Total planned energy savings (kWh) are based on 60,392,067 annual 2015 kWh savings.
- (3) Total planned demand savings (kW) are based on 19,324 annual 2015 kW savings.
- (4) Total 2015 planned net benefits based on 25% each quarter of total full year net shared benefits. Per discussion with Staff, estimated net benefits related to the addition of the Home Lighting Rebate program were added to 2014 and 2015 periods as follows: 2014 - \$1,223,546.00, Q1 2015 - \$435,181.95, Q2 2015 - \$419,064.10 and Q3 2015 - \$402,946.25.
- (5) Company TD-NSB Share (\$) are based on \$4,788,509 collected in base rates. Per discussion with Staff, estimated TD-NSB related to the addition of the Home Lighting Rebate program were added to 2014 and 2015 periods as follows: 2014 - \$165,790.48, Q1 2015 - \$58,967.15, Q2 2015 - \$56,783.19 and Q3 2015 - \$54,599.22.
- (6) Actual program costs incurred.
- (7) Actual demand and energy savings are reported at the meter. Energy and Demand savings were adjusted on a cumulative basis in the fourth quarter of 2015 to restate 2014 and 2015 savings to reflect the incremental savings consistent with the targets which were adjusted in June 2014. Annual Energy Savings for 2014 and 2015 on the restated basis were 6,586,791 and (194,983) kWh, respectively. Annual Demand Savings for 2014 and 2015 on the restated basis were 1,938 and (95) kW, respectively. These adjustments had no impact on reported Net Benefits or TD-NSB.
- (8) Disincentive amounts have been adjusted to reflect the 13.55% share applied to the Net Shared Benefits @ 100%.
- (9) Q2 2015 Interest on Program Cost Over Collection includes a \$664 correction and Interest on TD-NSB Share Over Collection includes a \$43 correction noted in the Staff Report on the First MEEIA Prudence Audit.

Notes for Descriptors:

1. Planned = amounts which are consistent with and included in the Company's Commission-approved MEEIA Plan
2. Billed = amounts billed to customers for recovery of Programs' Costs or 90% of Company TD-NSB Share
3. Actual = amounts (prior to evaluation, measurement and verification (EM&V)) used to determine Estimated Net Benefits
4. Estimated = net benefits amounts calculated monthly using DSMore model and prior to EM&V
5. Disincentive = Commission-approved percentage of pre-tax Estimated Net Benefits calculated using a combined federal/state tax rate specified in the utility's Commission-approved DSIM
6. Variance = Planned less Actual, Billed less Actual, Planned less Estimated, Planned less Disincentive, or Billed less Disincentive
7. Interest = amounts of interest determined through the methodology specified in the utility's Commission-approved DSIM

KCP&L Greater Missouri Operations Company - For All Territories Served As MPS and L&P
Quarter Ended, Year to Date Ended and Cumulative Total Ended December 31, 2016
SURVEILLANCE MONITORING REPORT
Missouri Energy Efficiency Investment Act of 2009 (MEEIA)
Status of Demand-Side Programs and Demand-Side Programs Investment Mechanism

DSM Program Name	Start Date	Planned End Date	Actual End Date
Residential Lighting & Appliance	01/26/2013	12/31/2015	12/31/2015
Multi-Family	01/26/2013	12/31/2015	Frozen 02/11/2015
Energy Star New Homes	01/26/2013	12/31/2015	Frozen 02/11/2015
Cool Homes	01/26/2013	12/31/2015	12/31/2015
Home Performance with Energy Star	01/26/2013	12/31/2015	12/31/2015
Low Income Weatherization	01/26/2013	12/31/2015	12/31/2015
Appliance Recycling	01/26/2013	12/31/2015	12/31/2015
C&I Prescriptive Rebates	01/26/2013	12/31/2015	06/30/2016
C&I Custom Rebates	01/26/2013	12/31/2015	12/31/2015
Energy Optimizer	01/26/2013	12/31/2015	12/31/2015 (9)
MPower	01/26/2013	12/31/2015	12/31/2015
Business Energy Analyzer	01/26/2013	12/31/2015	12/31/2015 (9)
Home Energy Analyzer	01/26/2013	12/31/2015	12/31/2015 (9)
Residential Reports	01/26/2013	12/31/2015	12/31/2015 (9)
Building Operator Certification	01/26/2013	12/31/2015	12/31/2015
Home Lighting Rebate	07/06/2014	12/31/2015	12/31/2015

Category	Descriptor		Quarter Ended December 31, 2016	YTD December 31, 2016	Cumulative Total Ended
Total Programs' Costs (\$)	Planned	(1)	\$ -	\$ -	\$ 43,944,072
Total Programs' Costs (\$)	Actual	(6)	\$ (1)	\$ 16,962,452	\$ 61,967,247
Total Programs' Costs (\$)	Variance		\$ 1	\$ (16,962,452)	\$ (18,023,175)
Total Programs' Costs (\$)	Billed		\$ 2,460,886	\$ 9,301,536	\$ 48,553,367
Total Programs' Costs (\$)	Actual	(6)	\$ (1)	\$ 16,962,452	\$ 61,967,247
Total Programs' Costs (\$)	Variance		\$ 2,460,887	\$ (7,660,915)	\$ (13,413,879)
Total Programs' Costs (\$)	Interest	(9)	\$ (67,866)	\$ (225,558)	\$ (107,349)
Energy Savings (kWh)	Planned	(2)	-	-	161,280,889
Energy Savings (kWh)	Actual	(7)	-	42,373,059	187,504,958
Energy Savings (kWh)	Variance		-	(42,373,059)	(26,224,069)
Demand Savings (kW)	Planned	(3)	-	-	66,524
Demand Savings (kW)	Actual	(7)	-	9,412	84,395
Demand Savings (kW)	Variance		-	(9,412)	(17,871)
Net Benefits (\$)	Planned	(4)	\$ -	\$ -	\$ 113,027,048
Net Benefits (\$)	Estimated	(10)	\$ -	\$ 33,458,759	\$ 113,455,169
Net Benefits (\$)	Variance		\$ -	\$ (33,458,759)	\$ (428,122)
Company TD-NSB Share (\$)	Planned	(5)	\$ -	\$ -	\$ 14,749,714
Company TD-NSB Share (\$)	Disincentive	(8)(10)	\$ -	\$ 4,520,112	\$ 15,373,176
Company TD-NSB Share (\$)	Variance		\$ -	\$ (4,520,112)	\$ (623,461)
90 % Company TD-NSB Share (\$)	Billed		\$ 162,690	\$ 1,184,575	\$ 14,694,817
Company TD-NSB Share (\$)	Disincentive	(8)(10)	\$ -	\$ 4,520,112	\$ 15,373,176
Company TD-NSB Share (\$)	Variance		\$ 162,690	\$ (3,335,537)	\$ (678,359)
Company TD-NSB Share (\$)	Interest	(10)	\$ (1,544)	\$ 7,398	\$ 307,649

Footnotes:

- (1) Total planned program costs.
- (2) Total planned energy savings (kWh) savings.
- (3) Total planned demand savings (kW) savings.
- (4) Total planned net benefits.
- (5) Company TD-NSB Share (\$).
- (6) Actual program costs incurred.
- (7) Actual demand and energy savings are reported at the meter.
- (8) Disincentive amounts have been adjusted to reflect the 13.55% share applied to the Net Shared Benefits @ 100%.
- (9) Program ended 12/31/15 except for maintenance program costs to sustain the program until MEEIA Cycle 2 programs become effective April 1, 2016.

(10) In connection with the MPSC Staff KCP&L MO 2016 MEEIA Prudence Audit, Case No. EO-2016-0183, it was determined that the Company had not discounted program costs to 2013 in the calculation of Net Benefits and TD-NSB Share as required in the Non-Unanimous Stipulation and Agreement approved by the Commission in Case No. EO-2012-0009. The effect of correcting this error was an increase in Net Benefits of \$3,971,011.10, TD-NSB Share of \$524,521.97 and Interest of \$13,326.67. This correction is reflected in the quarter ended March 31, 2016.

Notes for Descriptors:

1. Planned = amounts which are consistent with and included in the Company's Commission-approved MEEIA Plan
2. Billed = amounts billed to customers for recovery of Programs' Costs or 90% of Company TD-NSB Share
3. Actual = amounts (prior to evaluation, measurement and verification (EM&V)) used to determine Estimated Net Benefits
4. Estimated = net benefits amounts calculated monthly using DSMore model and prior to EM&V
5. Disincentive = Commission-approved percentage of pre-tax Estimated Net Benefits calculated using a combined federal/state tax rate specified in the utility's Commission-approved DSM
6. Variance = Planned less Actual, Billed less Actual, Planned less Estimated, Planned less Disincentive, or Billed less Disincentive
7. Interest = amounts of interest determined through the methodology specified in the utility's Commission-approved DSM