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State Corporation Commission
of Kansas

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

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| In the Matter of the Application of Evergy Metro, Inc. for Approval to Extend Demand-Side Management Programs | ) ) ) | Docket No. 20-KCPE-154-MIS |

**NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION
[PUBLIC VERSION]**

The Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively), and for its Notice of Filing of Staff's Report and Recommendation state as follows:

Staff hereby files the attached Report and Recommendation dated May 26, 2020, which analyzes Evergy Metro's request for approval of proposed program and budgets for its demand side management (DSM) portfolio of programs. The programs include; Programmable Thermostat (PT), Home Energy Analyzer (HEA), Business Energy Analyzer (BEA), Building Operator Certification (BOC), and Income-Eligible Weatherization (IEW) program.

In the Report and Recommendation, Staff recommends the PT and IEW Programs be continued because they are in the public interest and that the proposed budgets be found prudent and approved. Regarding the HEA, BEA and BOC Programs, Staff recommends extension of these programs be rejected because they are not in the public interest and instead Staff recommends the Commission extend the programs and the budgets for those programs at the current levels.

WHEREFORE, Staff requests the Commission consider its Report and Recommendation and for any other further relief as the Commission deems just and reasonable.

Respectfully submitted,

s/Cole Bailey

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# REPORT AND RECOMMENDATION
# UTILITIES DIVISION
# PUBLIC VERSION
## **Confidential Information Denoted by Asterisks**

**TO:** Susan K. Duffy, Chair
Shari Feist Albrecht, Commissioner
Dwight D. Keen, Commissioner

**FROM:** Douglas Hall, Research Economist
Justin Prentiss, Senior Research Economist
Lana Ellis, Deputy Chief of Economics and Rates
Robert Glass, Chief of Economics and Rates
Jeff McClanahan, Director of Utilities

**DATE**: May 26, 2020

**SUBJECT:** Docket No. 20-KCPE-154-MIS: In the Matter of the Application of Evergy Metro, Inc. for Approval to Extend Demand-Side Management Programs

## EXECUTIVE SUMMARY

Evergy Metro requests the approval of proposed programs and budgets for its demand side management (DSM) portfolio. The portfolio consists of one regular DSM program—Programmable Thermostat (PT) program; three educational programs—Home Energy Analyzer (HEA), Business Energy Analyzer (BEA), and Building Operator Certification (BOC) programs; and one low-income program—Income-Eligible Weatherization (IEW) program. Staff uses a two-step procedure to evaluate continuing DSM programs and budgets.

The first step is to determine if the programs are in the public interest and, therefore, should be continued. The criterion for determining whether regular DSM programs are in the public interest and should be continued is whether they are cost effective. Cost effectiveness is evaluated by how well these programs perform using the Total Resource Cost (TRC) and Ratepayer Impact Measure (RIM) benefit-cost tests. The criterion for determining whether education and low-income DSM programs are in the public interest and should be continued is whether the educational proposed budgets and low-income proposed budgets are each below a 5% cap of the total DSM portfolio budget.

The second step is to determine whether the proposed budgets are prudent. Prudency is determined by analyzing whether the budget expenditures are within the scope of the program and whether the budget expenditures are reasonable given past program performance and future expectations for the program.

Staff applied the two-step procedure to the PT, HEA, BEA, BOC, and IEW programs. An evaluation, measurement and verification (EM&V) analysis was performed on the PT Program as required and the TRC and RIM scores were both above 1.0. Thus, the PT Program was determined to be cost effective; therefore, it is in the public interest and should be continued. Further, the PT Program's proposed expenditures are within the scope of the program, and because they are less than the previous budgets and are declining, they are reasonable. Therefore, the proposed budgets are prudent. Because the PT program is in the public interest and the proposed budgets are prudent, Staff recommends approval of continuing the PT Program and its proposed budgets through 2022.

Staff's analysis shows the proposed budgets of the educational programs—HEA, BEA, and BOC programs—far exceed the 5% cap on educational budgets, and therefore, the programs are not in the public interest and should not be continued with Evergy Metro's proposed expansion of the programs. Instead, Staff recommends the Commission extend those programs at the current levels. Should the Commission disagree with Staff's analysis of the proposed program expansions or wish to change Commission policy for education programs, Staff has also performed a Step Two analysis of the proposed educational program budgets. Assuming the Commission disagrees with Staff and finds Evergy Metro's expansion plans for the programs are in the public interest, Staff concluded that the proposed expenditures are within the scope of the expanded programs and are reasonable given those future expectations and, therefore, are prudent. However, Staff's primary recommendation is that the HEA, BEA, and BOC proposed program expansion be rejected, and the Commission extend the program budgets at their current levels.

The low-income program—IEW—slightly exceeded the 5% cap on proposed low-income budgets, but by less than in the previous docket where the Commission granted a waiver from the cap.[1] With a new waiver, the program is in the public interest and should be continued. Further, the proposed budget expenditures were shown to be within the scope of the program and are reasonable given past performance and future expectations for the program. Therefore, the proposed budgets are prudent. Because the proposed program, with the waiver, is in the public interest and the proposed budgets are prudent, Staff recommends the IEW program continue and the Commission approve the proposed program budgets through 2022.

## BACKGROUND

### Procedural Background

On May 18, 2004, Kansas City Power & Light Company (KCP&L) requested the Kansas Corporation Commission (KCC) open a general investigation to examine KCP&L's future resource planning—Docket No. 04-KCPE-1025-GIE (04-1025). A resource plan was developed and agreed to by KCP&L in the 04-1025 Docket that included a portfolio of DSM programs that KCP&L agreed to submit for Commission approval. The DSM portfolio included the five programs that Evergy Metro is asking, in the current Docket, to extend three years: (1) Residential and Small Commercial and Industrial Air Conditioner Cycling Rider (ACC); (2) Online Energy Information Tariff; (3) BEA Program; (4) BOC Program; and (5) Low Income Weatherization

[1] Docket No. 16-KCPE-446-TAR.

Program (Low Income). Staff will refer collectively to the above five pilot programs as the 04-1025 DSM portfolio.

Each of these programs was submitted for approval separately after the approval of the resource plan on August 5, 2005. All five of the programs were approved by the Commission and started as pilot programs and, after nearly 15 years, they remain pilot programs.[2] Why these programs continue as pilot programs requires an explanation of their tangled path to the current docket.

The 04-1025 DSM portfolio was tied to the DSM budgets in the 04-1025 Stipulation and Agreement, which expired December 1, 2010. On June 11, 2010, KCP&L filed an Application in Docket 10-KCPE-795-TAR (10-795) requesting the status of the programs in the 04-1025 DSM portfolio be changed from pilot to permanent, requesting the approval of some additional DSM programs, requesting the existing Energy Efficiency Rider be replaced by a forward-looking cost recovery rider, and requesting that a shared-benefits incentive mechanism for KCP&L be included in the new rider.[3] KCP&L stated a condition for continuing the 04-1025 DSM portfolio on a permanent basis was "that the cost recovery mechanism and performance incentive mechanism proposed herein are also approved by the Commission."[4]

Several parties to the 10-795 Docket filed testimony critical of some of KCP&L's proposed DSM programs and suggested changes to the programs or rejection of some programs.[5] In response, KCP&L filed two alternative motions: a motion to amend the filed Application, and if that motion is rejected, a motion to withdraw the Application. KCP&L's primary concern was the increase in the level of risk created by "[t]he myriad of positions and recommendations presented by the parties[.]"[6] Because of the increased risk, KCP&L's amended Application reduced the portfolio of programs and reduced the five-year proposed budgets from over $40 million to slightly over $5 million. However, KCP&L's proposed new cost recovery and incentive mechanism was unchanged in the amended Application.[7]

The trigger for KCP&L's withdrawal motion was the Commission's treatment of the amended Application. "Should the Commission reject KCP&L's request to amend its Application, in whole or in part, then KCP&L hereby moves to withdraw the Application in its entirety."[8] In response, the Commission issued an Order on January 5, 2011 that denied the motion to amend the Application and granted KCP&L's motion to withdraw the Application.[9]

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[2] Application of Evergy Metro, Inc. for Approval to Extend Demand-Side Management Programs, Docket No. 20-KCPE-154-MIS, Oct. 1, 2019, pp.2-3.

[3] Application of Kansas City Power & Light Company for Approval to Implement a Portfolio of Demand Side Management Programs Including Affordability, Energy Efficiency, Demand Response and Educational Programs, and to Implement a Rider for Recovery of Program Costs and Incentives Associates With This Portfolio, Docket No. 10-KCPE-795-TAR, Jun. 11, 2010, p. 11.

[4] Ibid., p. 6.

[5] Motion of Kansas City Power & Light to Amend Application or Alternative Motion to Withdraw Application and Request for Expedited Order, Docket No. 10-KCPE-795-TAR, December 15, 2010, p. 6.

[6] Ibid., p. 6.

[7] Ibid., p. 10.

[8] Ibid., p. 11.

[9] Order on KCP&L's Motion to Amend Application or Alternative Motion to Withdraw Application, Docket No. 10-KCPE-795-TAR, January 5, 2011, p. 14.

The issue of whether KCP&L's 04-1025 DSM package had satisfied the requirement of the 04-1025 Stipulation and Agreement was settled when, on February 21, 2011, the Commission ordered that the DSM programs were in compliance with the 04-1025 Stipulation and Agreement.[10] Even though KCP&L was allowed to withdraw its amended Application and the Commission found KCP&L in compliance with the 04-1025 Stipulation and Agreement, the Commission noted that KCP&L was not "relieved of its obligations, including its contractual commitments and existing tariffs[.]" The Commission stated that KCP&L should fulfill all of its commitments concerning DSM programs until these programs expire.[11]

On May 27, 2011, KCP&L filed an Application in the 11-KCPE-780-TAR Docket again requesting its DSM programs be approved on a permanent basis. Additionally, KCP&L proposed restricting additional customers from participating in the Energy Optimizer Program, effectively placing the program into maintenance mode.[12] The Commission filed an Order on January 4, 2012, approving the DSM programs as pilots for an additional two years.[13]

On July 18, 2013, KCP&L filed an Application for extension of its DSM programs for two more years. The Commission ordered, on October 23, 2014, approval of a settlement agreement extending the DSM programs as pilot programs through December 31, 2016.[14] Part of the settlement agreement required KCP&L to complete an EM&V analysis on the Energy Optimizer Program, which was renamed Programmable Thermostat (PT).[15]

On April 6, 2016, KCP&L filed its Application and report in Docket No. 16-KCPE-446-TAR (KEEIA Docket) proposing an extensive portfolio of new DSM programs. In addition, KCP&L requested the dissolving of "the current DSM program tariffs effective with their current expiration date of December 31, 2016."[16]

An evidentiary hearing was originally scheduled for September 12-14, 2016, but those proceedings were postponed in order to allow KCP&L an opportunity to supplement its Application.[17] Because of the resetting of the 240-day clock in the KEEIA Docket, KCP&L requested an extension of its existing DSM programs until September 30, 2017.[18] The Commission ordered the DSM programs to be extended until September 30, 2017, operating under the existing 2014-2016 budgets, with the extension not to be construed as program approval.[19] On June 22, 2017, the Commission filed an Order in the KEEIA Docket approving KCP&L's Application with modifications. Asserting

[10] Order Addressing KCP&L's Compliance With the 1025 S&A, Canceling Evidentiary Hearing and Denying KCP&L's January 21, 2011 Petition for Reconsideration, Docket No. 10-KCPE-795-TAR, Feb. 21, 2011, p.7.

[11] Ibid., p. 7.

[12] Direct Testimony of Jason D. Jones on Behalf of Kansas City Power & Light Company, Docket No. 11-KCPE-780-TAR, May 27, 2011, p. 10.

[13] Order Approving Application with Modification, Docket No. 11-KCPE-780-TAR, Jan. 4, 2012, p. 10.

[14] Order Approving Joint Motion for Approval of Settlement Agreement, Docket No. 14-KCPE-042-TAR, Oct. 23, 2014, p. 9.

[15] Joint Motion for Approval of Settlement Agreement, Docket No. 14-KCPE-042-TAR, Oct. 10, 2014, Attachment A, p. 7.

[16] Application of Kansas City Power & Light Company for Approval of Demand-Side Management Program Portfolio and Recovery Mechanism, Docket No. 16-KCPE-446-TAR, Apr. 6, 2016, p. 5.

[17] Order Amending Procedural Schedule, December 15, 2016.

[18] Order Amending Procedural Schedule, December 15, 2016.

[19] Order Amending Procedural Schedule, Docket No. 16-KCPE-446-TAR, Dec. 15, 2016, p. 5.

the Commission Order substantially modified the DSM Plan, KCP&L withdrew its application pursuant to K.S.A. 66-1283(c)(1)(C) on June 30, 2017.

On September 11, 2017, KCP&L filed an Application to extend its existing DSM programs for five years. The Commission filed an Order on August 7, 2018, adopting a settlement agreement that extended the DSM programs until February 1, 2020, required KCP&L to submit an EM&V analysis for the PT program to the Commission no later than October 1, 2019, and directed that if continuation of the DSM programs was desired, an Application would be submitted by that same date.[20]

On October 1, 2019, KCP&L filed the EM&V analysis in Docket No. 18-KCPE-124-TAR (18-124 Docket) and filed an Application in Docket No. 20-KCPE-154-MIS (20-154 Docket) for a three-year extension of its DSM programs. The proposed budgets for the DSM programs are shown in Table 1, along with the percentage that each program proposed budget is of the total DSM portfolio.

**Table 1**

| **Evergy Metro Submitted Program Budgets: 2020 to 2022** | | | | |
|---|---|---|---|---|
| Program | 2020 | 2021 | 2022 | Total |
| Programmable Thermostat | $ 197,966 | $ 180,841 | $ 181,216 | $ 560,023 |
| Home Energy Analyzer | $ 137,500 | $ 137,500 | $ 137,500 | $ 412,500 |
| Business Energy Analyzer | $ 282,000 | $ 132,000 | $ 132,000 | $ 546,000 |
| Building Operator Certification | $ 26,737 | $ - | $ 26,737 | $ 53,474 |
| Income Eligible Weatherization | $ 41,872 | $ 41,872 | $ 41,872 | $ 125,616 |
| Total | $ 686,075 | $ 492,213 | $ 519,325 | $1,697,613 |
| | | | | |
| **Program Budgets as a Percentage of the Portfolio** | | | | |
| Program | 2020 | 2021 | 2022 | Total |
| Programmable Thermostat | 29% | 37% | 35% | 33% |
| Home Energy Analyzer | 20% | 28% | 26% | 24% |
| Business Energy Analyzer | 41% | 27% | 25% | 32% |
| Building Operator Certification | 4% | 0% | 5% | 3% |
| Income Eligible Weatherization | 6% | 9% | 8% | 7% |

## ANALYSIS

### Jurisdiction

Pursuant to K.S.A. 66-101, the Commission is given full power, authority, and jurisdiction to supervise and control electric public utilities (as defined in K.S.A. 66-101a) doing business in Kansas and is empowered to do all things necessary and convenient for the exercise of such power, authority, and jurisdiction.

[20] Order Approving Joint Settlement Agreement, Docket No. 18-KCPE-124-TAR, Aug. 7, 2018, p. 6.

Kansas law grants broad authority to the Commission to ensure public utilities provide reasonably efficient and sufficient services and facilities at just and reasonable rates. The provisions of the Public Utilities Act, and all grants of power, authority, and jurisdiction made to the Commission, are liberally construed, and the Commission is expressly granted "all incidental powers necessary to carry into effect the provisions of this act". From these grants of power, the Commission has previously found it is authorized to approve DSM programs it finds are in the public interest and approve program budgets it finds are prudent.

**Standards for Approval**

***Two-Step Procedure for Evaluating Program Continuation and Proposed Budgets for DSM Programs***

Staff evaluates the DSM program budgets using a sequential two-step procedure: (1) whether the programs are in the public interest and should be continued; and, if so, (2) whether the proposed budgets are prudent and should be approved.

***Step One—Whether the Programs are in the Public Interest and should be continued***

The first step is to determine if the programs are in the public interest and should be continued. For regular DSM programs, the Commission established cost effectiveness criteria and recognized benefit-cost test results as the standard for meeting the public interest requirement. In the 08-GIMX-442-GIV (08-442) Docket, the Commission emphasized the Total Resource Cost (TRC) and Ratepayer Impact Measure (RIM) benefit-cost tests as measures of cost effectiveness. Although the Commission did not set a bright-line rule for TRC and RIM scores, the Commission did say that the TRC needed to be at least 1.0.[21] In the 442 Order following the collaboration, the Commission stated, "It is unlikely a program that fails the TRC test will be approved by the Commission."[22] In Docket No. 16-KCPE-446-TAR, the Commission took a more flexible position with respect to the RIM: "a program that scores less than 1 on the RIM test may still be considered by the Commission for approval, depending on the degree of RIM test failure, its performance on the other tests, and whether the Commission believes [the program] will effectively address Commission goals, such as meeting low-income and rental property issues for example."[23]

In Docket 08-442, the Commission established a 5% guideline for all educational programs as a percentage of the total DSM portfolio budget.[24] In the KEEIA Docket, the Commission established the 5% guideline as a 5% cap. And the Commission added a 5% cap to all low-income programs as a percentage of the DSM portfolio budget because, in part, education programs and low-income programs share the feature of not being required to pass benefit-cost tests.[25]

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[21] Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification, Docket No. 08-GIMX-442-GIV, Apr. 13, 2009, pp. 9-10.

[22] Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification, Docket No. 08-GIMX-442-GIV, Apr. 13, 2009, p. 10.

[23] Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification, Docket No. 08-GIMX-442-GIV, Apr. 13, 2009, p. 9.

[24] Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification, Docket No. 08-GIMX-442-GIV, Apr. 13, 2009, p. 12.

[25] Final Order, Docket No. 16-KCPE-446-TAR, Jun. 22, 2017, pp. 48-49.

If programs pass the first step in the evaluation process, then Staff recommends the Commission find the programs are in the public interest and should be continued. Next Staff moves on to the second step in the evaluation process—evaluate whether the proposed budgets are prudent and should be approved.

***Step Two—Whether the Proposed Budgets are Prudent and Should be Approved***

In the Commission's Final Order in Docket No. 08-GIMX-441-GIV (08-441), the Commission stated it would "permit utilities to submit DSM portfolios and budgets for review prior to implementation as a means of mitigating utilities' concerns over the potential for Commission disallowance of program expenditures."[26] The Commission also noted its duty to review program costs for prudence.[27]

Staff uses two criteria to evaluate the prudency of proposed DSM budgets. The first criterion is whether the proposed budget expenditures are within the scope of the program—specifically, whether the budget expenditures fit with the description and purpose of the program. The second criterion is whether the budget forecasts are reasonable given past performance and future expectations for the program.

**Staff's Analysis**

The discussion of each DSM program has three parts: (1) a description of the program along with when its initial Application was filed and approved; (2) the two-step evaluation of each program; and (3) Staff's recommendation for each program. Although the discussion of each program follows the same pattern, there are differences in the application of the first step of the two-step evaluation of each specific type of program as explained above—for regular DSM programs, the cost-effectiveness is evaluated and, for education programs and low-income programs, the 5% cap is evaluated.

***Programmable Thermostat Program***

The discussion of the PT Program has three parts. First, a description of the program along with its procedural history is provided. Second, the two-step evaluation of the program is performed. Because the PT Program is a regular DSM program, the first step of the evaluation is based on benefit-cost tests. The second step evaluates the prudency of the proposed budgets. Third, based on the results of Staff's analysis, Staff recommends continuation of the program and approval of its budgets.

***Initial Application, Approval, and Brief Description of the PT Program***

On September 27, 2005, KCP&L filed an Application for its ACC Program. The ACC was a demand response program designed to reduce peak electrical demand by cycling participants' air conditioners during curtailment events. Participating customers were given a programmable thermostat allowing KCP&L to cycle the customer's air conditioner units by adjusting the

[26] Final Order, Docket No. 08-GIMX-441-GIV, Nov. 14, 2008, p. 7.

[27] K.S.A. 66-128a reiterates the Commission's authority to review and evaluate the prudence of any actions or operating practices of any public utility for the purpose of establishing fair and reasonable rates. "Prudence" has been defined by the Kansas Supreme Court as the exercise of "carefulness, precaution, attentiveness and good judgment."

thermostat temperature or by directly cycling the compressor unit.[28] The Commission issued an Order on January 10, 2006, approving the ACC.

A subsequent Order was filed on October 3, 2007, approving minor revisions to the tariff including changing the name of the program to the Energy Optimizer Program (EO).[29] Later the program's name was again changed, this time to Programmable Thermostat—its current name.[30] In May 2011, KCP&L stopped accepting new program participants and, since then, the number of program participants has gradually declined to about 13,000 as of October 1, 2019. Whenever a customer reports an issue with a thermostat, the programmable thermostat is replaced with a standard thermostat and the participant is dropped from the program.[31]

### *Evaluation of Programmable Thermostat*

The first step of the PT Program evaluation is based on the evaluation, measurement, and verification (EM&V) study done for the program and on the benefit-cost tests scores modified by Staff's value of avoided cost. The second step evaluates the proposed budgetary expenditures to determine whether the expenditures are within the scope of the program and whether the proposed budgets are reasonable given past budgetary performance and future expectations for the program.

*Step One—Whether the Program is in the Public Interest and should be continued*

The Commission required, in the 18-124 Docket, that an EM&V analysis of the PT Program be conducted and filed no later than October 1, 2019. In compliance, KCP&L filed an EM&V analysis by Navigant in the 18-124 Docket on October 1, 2019.[32] Navigant reported the TRC and RIM scores for 2017 and 2018 as 4.45 and 5.06, respectively. In the Application for the current Docket, KCP&L reported the TRC and RIM scores to be 3.15.

While Staff disagrees with the avoided capacity cost used in calculating the test values, using Staff's less generous avoided capacity cost estimate still results in TRC and RIM scores above one—1.32. Because the PT Program had an EM&V analysis done and the benefit-cost tests showed the PT Program was cost effective, the PT program is in the public interest and should be continued.

*Step Two—Whether the Proposed Budgets are Prudent and Should be Approved*

To determine if the proposed budgets are prudent, Staff evaluated whether the proposed expenditures are within the scope of the program and whether the budget forecasts are reasonable given the past performance and future expectations for the program. The proposed budgets for the PT program are shown in Table 2.

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[28] In the Matter of the Kansas City Power and Light Company (KCP&L) Seeking Commission Approval of a Residential and Small Commercial and Industrial Air Conditioner Cycling Rider, Docket No. 06-KCPE-315-TAR, Sep. 27, 2005, p. 5.

[29] Order, Docket No. 08-KCPE-275-TAR, Oct. 3, 2007, p. 5.

[30] Application for Kansas City Power & Light Company, Docket No. 14-KCPE-042-TAR, Jul. 18, 2014, p. 3.

[31] Application of Evergy Metro, Inc. for Approval to Extend Demand-Side Management Programs, Docket No. 20-KCPE-154-MIS, Oct. 1, 2019, Attachment 5, p. 2.

[32] Order Approving Joint Settlement Agreement, 18-124 Docket, Aug. 7, 2018, Attachment A, pp. 3-4.

**Table 2**

| Programmable Thermostat | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|
| **Budgeted Expenditures** | | | | |
| Program Delivery | | | | |
| Administration | | | | |
| Customer Incentives | | | | |
| Marketing | | | | |
| Evaluation | | | | |
| Total | $ 197,996 | $ 180,841 | $ 181,216 | $ 560,053 |

Most of the PT program costs are for program delivery through CLEAResult, an external implementer. CLEAResult handles the PT call center and all thermostat services, including removal and replacement of PT thermostats with standard non-paging thermostats when customers report an issue. The marketing budget is used to remind customers of the curtailment season.[33] Evergy Metro has already submitted an EM&V analysis for the program so no further evaluation costs are budgeted at this time. All these costs fall within the scope of the program.

To determine whether the forecasted PT Program budgets are reasonable given past performance and future expectations, Staff analyzed the expected expenditures and reviewed the PT budgets and expenses for the past five years, shown in Table 3. The original 2014 through 2019 budgets are shown along with the actual expenditures for those years. The difference between budgeted spending and actual spending is presented in the row labeled Budget minus Actual.

**Table 3**

| Programmable Thermostat | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|
| **Budgeted Expenditures** | | | | | | | |
| Program Delivery | $ 250,000 | $ 255,000 | $ 260,100 | $ 265,302 | $ 270,608 | $ 164,380 | $1,465,390 |
| Administration | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Customer Incentives | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Marketing | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Evaluation | | $ - | $ 47,000 | $ - | $ - | $ - | $ 47,000 |
| Total | $ 250,000 | $ 255,000 | $ 307,100 | $ 265,302 | $ 270,608 | $ 164,380 | $1,512,390 |
| **Actual Expenditures** | $ 170,472 | $ 147,502 | $ 202,532 | $ 166,810 | $ 139,179 | $ 81,884 | $ 908,379 |
| **Budget minus Actual** | $ 79,528 | $ 107,498 | $ 104,568 | $ 98,492 | $ 131,429 | $ 82,496 | $ 604,011 |
| **Percent Difference** | 68% | 58% | 66% | 63% | 51% | 50% | 60% |

The actual expenditures for 2014 through 2019 consistently came in under budget. The 30% to 40% lower proposed budgets compared to the prior five years reflects reduced costs because of synergies created by the merger with Evergy Central, which has a similar thermostat program (WattSaver). Additionally, Evergy Metro expects an attrition of 500 participants per year.

The proposed budgets are smaller than previously proposed and, because the historic program expenditures were below previous proposed budgets, Staff concludes that the budget forecasts are reasonable given the past performance of the program and future expectations. Because the

[33] Application of Evergy Metro, Inc. for Approval to Extend Demand-Side Management Programs, Docket No. 20-KCPE-154-MIS, October 1, 2019, Attachment 5, p. 2.

proposed expenditures are within the scope of the program and the budgets are reasonable, Staff concludes the proposed budgets are prudent and should be approved.

***Staff's Recommendation for the PT Program***

Staff analyzed the proposed PT Budgets using its two-step procedure. Staff's Step One analysis shows that the PT program had a required EM&V analysis done and, even with Staff's more conservative estimate of avoided capacity cost, the PT Program passed the required benefit-cost tests. Since the PT Program is cost effective, the PT program is in the public interest and should be continued.

Staff's Step Two analysis shows that the proposed expenditures fall within the scope of the program. Additionally, the proposed budgets are smaller than historically proposed budgets, which is reasonable given that historic program expenditures have been less than the proposed budgets. Given the scope of the expenditures and reasonableness of the proposed budgets, Staff concludes the proposed budgets are prudent.

The proposed programs are in the public interest and the proposed budgets are prudent. Therefore, Staff recommends the Programmable Thermostat program should be continued and the request for approval of the proposed program budgets through 2022 should be granted.

***Education Programs***

Like the PT Program, the discussion of the education programs has three parts. First, a brief description of each program along with their procedural histories are discussed. Second, the two-step evaluation of each educational program is presented. The first step of the evaluation differs from the evaluation for regular DSM programs in that, instead of using cost-benefit tests, the public interest is determined by evaluating whether the total of all educational program budgets falls below the budget cap—5% of the DSM portfolio budget. The second step looks at the prudency of the proposed budgets individually using the same criteria as the PT Program. Third, Staff provides its recommendation for each program.

Because the proposed educational program budgets would far exceed the 5% cap, Staff recommends that the programs be continued at their current budget levels. However, should the Commission choose to approve the expansion of the educational programs, Staff notes the proposed budgets are prudent given the proposed scope of the programs and future expectations.

***Initial Application, Approval, and Brief Description of Each Program***

*Home Energy Analyzer (HEA)*

On November 22, 2005, KCP&L filed an Application in Docket No. 06-KCPE-548-TAR for the Online Energy Information Tariff. KCP&L notified the Commission that it had changed the name of the program to the Home Energy Analyzer (HEA) in Docket No. 06-KCPE-828-RTS.[34] The HEA Program began on December 2, 2005. Using NEXUS Energy software installed on the KCPL website, the HEA allowed customers to enter billing data and physical home information to model energy usage and billing.[35] On March 7, 2006, the Commission filed an Order denying

[34] Susan Nathan, Direct Testimony, Docket No. 06-KCPE-828-RTS, January 31,2006, p. 7.
[35] Memorandum (Internal Citations Omitted), Docket No. 06-KCPE-548-TAR, Mar. 7, 2006, p. 2.

the proposed tariff but approving the HEA Program.[36] The denial of the program as a tariff was based on Staff's argument that the program "does not specify retail electricity pricing, the terms and conditions under which service will be delivered or any other monetary transaction."[37]

Both the HEA and the BEA have changed third party implementers and now use Oracle Utilities Opower. More educational content has been added to the website and information on other DSM programs is also presented.

*Business Energy Analyzer (BEA)*

On May 8, 2006, KCP&L filed an Application for approval of the BEA Program. Although the BEA Program is only for business customers, it is like the HEA Program in that it allows customers to use historical account data to model energy usage and billing. The Commission ordered interim approval of the program on December 22, 2006.[38]

Also, like the HEA, the BEA has changed third party implementers from NEXUS Energy software to Oracle Utilities Opower, which has resulted in the addition of educational content to the website. KCP&L's Application in this Docket requested expansion of the BEA Program.

*Building Operator Certification Program (BOC)*

On January 3, 2007, KCP&L filed an Application for its BOC Program. The program licensed curricula from the Northwest Energy Efficiency Council's Building Operator Certification Level 1 and Level 2 for training customers on energy efficient operation of facilities. Attendees would pay the cost of the courses up front, but, upon successful completion of the course requirements, attendees would receive a rebate.[39] The Commission found the program to be in the public interest and approved it in a May 15, 2007 Order.[40]

Because Kansas now provides a small number of participants, the program is now operated by the Missouri Department of Economic Development on behalf of the Midwest Energy Efficiency Alliance.[41]

***Evaluation of the Educational Programs***

For the Step One analysis, the educational programs (HEA, BEA, and BOC) are all evaluated together since their combined budgets are required to be below a 5% cap of the total DSM budget. But for the Step Two evaluation process, the programs are analyzed individually.

*Step One—Whether the Programs are in the Public Interest and Should be Continued*

In the 16-446 and the 18-124 Dockets, the proposed budgets for the HEA, BEA, and BOC programs exceeded the 5% cap for educational programs set forth in the 08-442 general

[36] Order, Docket No. 06-KCPE-548-TAR, Mar. 7, 2006, p. 3.
[37] Ibid., p. 2.
[38] Order, Docket No. 06-KCPE-1190-ACT, Dec. 22, 2006, p. 5.
[39] KCPL's, KCC Staff's, Spring's, and Kansas Hospital Assn.'s Joint Motion to Approve Stipulation and Agreement, Docket No. 04-KCPE-1025-GIE, Apr. 27, 2005, Appendix B, p. 8.
[40] Order, Docket No. 07-KCPE-683-MIS, May 15, 2007, p. 2.
[41] Application of Evergy Metro, Inc. for Approval to Extend Demand-Side Management Programs, Docket No. 20-KCPE-154-TAR, Oct. 1, 2019, Attachment 4, p. 7.

investigation Docket.[42] Staff argued the programs should, nonetheless, be continued because the programs had not grown in size, although their relative size within the DSM portfolio had increased to 29% by the time of the 18-124 Docket.[43] The educational programs exceeded 5% only because other DSM programs had been removed from the DSM portfolio. The Commission agreed with Staff's argument and granted a waiver of the 5% cap under those specific circumstances.[44]

Conversely, in the current Application, Evergy Metro's proposed budgeted expenditures for the HEA, BEA, and BOC programs have grown to 59% of the DSM budget because of the proposed expansion of all three programs. Since Evergy Metro has proposed expanding the educational program budgets, Staff's prior argument justifying a waiver of the 5% cap no longer applies. And granting a waiver for a 54% violation of a 5% cap exceeds Staff's range of acceptability. Because the proposed HEA, BEA, and BOC program budgets violate the budget cap set forth by the Commission, the proposed education program expansions are not in the public interest and the programs should not be expanded to Evergy Metro's proposed levels.

The Commission has previously found the existing HEA, BEA, and BOC programs were in the public interest and should be continued even though their proposed budgets were over the 5% cap established for educational programs in a DSM portfolio. Prior waivers of the cap have been granted because the programs did not expand; Evergy Metro proposes to expand the programs, thus negating the previous argument. Because the Commission has found the current budgetary level to be in the public interest, Staff recommends continuation of the educational programs at the current levels, without expansion.

*Step Two—Whether each of the Proposed Budgets is Prudent and should be approved*

Staff's evaluation of the prudence of the proposed budgets entails evaluating whether the proposed expenditures are within the scope of the program and whether the budget forecasts are reasonable given past performance and future expectations. Staff evaluates both criteria for each of the educational programs separately under the assumption that the programs expand as proposed by Evergy Metro if the Commission disagrees with Staff's primary argument.

<u>Home Energy Analyzer</u>

The major expenditure categories in the proposed HEA program budget are presented in Table 4 below. The administrative costs for the HEA program represent the allocation of the software licensing fees for Oracle Utilities Opower programs: Energy Management Cloud Service; Energy Management Advanced Metering Infrastructure; and Data Exploration Cloud Service. Marketing expenditures are set at 10% of the administrative costs and will go toward direct mailing, radio advertising, and other communication and recruitment efforts in order to draw customers toward the analyzer web portal.[45] Since these measures should help educate consumers about their electrical billing and usage and give them access to tools that aid in reducing consumption of

[42] Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification, Docket No. 08-GIMX-442-GIV, Apr. 13, 2009, p. 12.
[43] Staff Report and Recommendation, Docket No. 18-KCPE-124-TAR, April 16, 2018, p. 3, Table 1.
[44] Order Approving Joint Settlement Agreement, Docket No. 18-KCPE-124-TAR, August 7, 2018, p. 5.
[45] Application of Evergy Metro, Inc. for Approval to Extend Demand-Side Management Programs, Docket No. 20-KCPE-154-MIS, October 1, 2019, Attachment 2, p. 2, Evergy Metro response to Staff Data Request 2, and Evergy Metro response to Staff Data Request 5, Q005 Evergy KS Metro budget 2020-2022.xlsx.

electricity, Staff concludes that the proposed budget expenditures for the HEA are within the scope of the program.

**Table 4**

| Home Energy Analyzer | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|
| **Budgeted Expenditures** | | | | |
| Start-up Costs | | | | |
| Admin/Delivery Costs | | | | |
| Customer Incentives | | | | |
| Marketing | | | | |
| Evaluation | | | | |
| Total | $ 137,500 | $ 137,500 | $ 137,500 | $ 412,500 |

Table 5 below has the previous expenditures for the HEA program for the period 2014 to 2019. The proposed HEA budgets are at least twice the previous expenditures for the program except for the 2019 actual expenditures, which are about 30% larger than the 2019 budgeted expenditures.

**Table 5**

| Home Energy Analyzer | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|
| **Budgeted Expenditures** | | | | | | | |
| Program Delivery | $ 52,500 | $ 55,125 | $ 57,881 | $ 57,881 | $ 57,881 | $ 57,881 | $ 339,149 |
| Administration | | | | | | | |
| Customer Incentives | | | | | | | |
| Marketing | | | | | | | |
| Evaluation | | | | | | | |
| Total | $ 52,500 | $ 55,125 | $ 57,881 | $ 57,881 | $ 57,881 | $ 57,881 | $ 339,149 |
| **Actual Expenditures** | $ 35,500 | $ 55,125 | $ 61,184 | $ 59,200 | $ 57,881 | $ 74,969 | $ 343,859 |
| **Budget minus Actual** | $ 17,000 | $ - | $ (3,303) | $ (1,319) | $ - | $ (17,088) | $ (4,710) |
| **Percent Difference** | 68% | 100% | 106% | 102% | 100% | 130% | 101% |

The planned expansion of the HEA program and the large, discrete jump in the budgets because of the expansion raise the following two issues: (1) Whether there is evidence of customer demand for expanding the program and (2) Which parts of the program are expanding or are new.

When asked for evidence of customer demand for expanding the HEA program, Evergy Metro answered that its customers have indicated a desire for more information about their energy usage. As evidence of the increased demand, Evergy Metro reports traffic on the HEA website has increased recently. The number of unique customers using the HEA website was about 1,300 per month, but in 2020, the number of unique customers has trended toward 2,000 per month.[46]

The administration and delivery expenditures and marketing expenditures are increased in the proposed budgets. The increase in administration and delivery expenditures is because of new and enhanced features for the HEA website. These features include visualization of interval data, more in-depth energy usage information, and tools that allow customers to better manage their energy use. These features require new and upgraded webpage presentation, which increases the third-party vendor costs. The proposed increase in marketing expenditures would improve the ability

[46] Evergy response to Staff Data Request 8.

of Evergy to use targeted marketing and cross-promotional tactics to inform customers of the new features.[47]

The new and enhanced information and customer tools that the proposed budget increases provide all fall within the scope of the HEA program as an educational program. If the Commission finds the expansion of the HEA program acceptable, then the increase in the proposed budgets is a reasonable consequence of the planned expansion of the program.

Business Energy Analyzer

The major expenditure categories for the BEA proposed program budget are presented in Table 6 below. The start-up cost of $150,000 in 2020 is a result of the expansion of the program beyond small business and will be spent on data collection and integration with Evergy Metro's customer software. The administrative costs for the BEA program represent allocation of the software licensing fees for Oracle Utilities Opower programs: Energy Management Cloud Service; Energy Management Advanced Metering Infrastructure; and Data Exploration Cloud Service. Like the HEA Program, marketing expenditures are set at 10% of the administrative costs and would go toward direct mailing, radio advertising, and other communication and recruitment efforts in order to draw customers toward the analyzer web portal.[48] Because these measures should help educate consumers about their electrical billing and usage and give them access to tools that aid in reducing consumption of electricity, Staff concludes that the proposed budget expenditures for the BEA are within the scopes of the program's planned expansion.

**Table 6**

| Business Energy Analzyer | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|
| **Budgeted Expenditures** | | | | |
| Start-up Costs | | | | |
| Admin/Delivery Costs | | | | |
| Customer Incentives | | | | |
| Marketing | | | | |
| Evaluation | | | | |
| Total | $ 282,000 | $ 132,000 | $ 132,000 | $ 546,000 |

Staff examined the reasonableness of the BEA budget forecasts by comparing previous expenditures to the proposed budgets and by comparing the proposed budgets to Evergy Metro's proposed expansion of the BEA Program. The extent of the BEA proposed expansion is illustrated by comparing Table 6 above with Table 7 below, which has the previous expenditures for the BEA program for the period 2014 to 2019. In particular, the 2020 proposed budget has a $150,000 start-up cost included for the program expansion. The proposed BEA budgets are an order of magnitude larger than the budgets for the previous 6 years. The increase in proposed budgeted expenditures are the result of Evergy Metro's plan to expand the BEA program beyond Small Business. If the plan to expand the program is acceptable to the Commission, the proposed budgets are reasonable.

47 Ibid.

48 Ibid., Attachment 3, p. 2, Evergy Metro response to Staff Data Request 2, and Evergy Metro response to Staff Data Request 5, Q005 Evergy KS Metro budget 2020-2022.xlsx.

**Table 7**

| Business Energy Analzyer | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|
| **Budgeted Expenditures** | | | | | | | |
| Program Delivery | $ 9,000 | $ 9,450 | $ 9,923 | $ 9,923 | $ 9,923 | $ 39,519 | $ 87,738 |
| Administration | | | | | | | |
| Customer Incentives | | | | | | | |
| Marketing | | | | | | | |
| Evaluation | | | $ 5,250 | | | | $ 5,250 |
| Total | $ 9,000 | $ 9,450 | $ 15,173 | $ 9,923 | $ 9,923 | $ 39,519 | $ 92,988 |
| **Actual Expenditures** | $ 4,700 | $ 9,450 | $ 8,136 | $ 9,923 | $ 9,923 | | $ 42,132 |
| **Budget minus Actual** | $ 4,300 | | $ 7,037 | | | $ 39,519 | $ 50,856 |
| **Percent Difference** | 52% | 100% | 54% | 100% | 100% | 0% | 45% |

Building Operator Certification

The major expenditure categories for the BOC proposed program budget are presented in Table 8 below. Evergy Metro is ramping up the BOC Program and plans on having up to 15 students in two rounds of courses—"The Company anticipates the first BOC course will start in September 2020 and run through March 2021, with the second BOC course running from January 2022 to June 2022."[49] The costs for the first round of classes are all allocated to the 2020 proposed budget which explains why the 2021 proposed budget is zero.

**Table 8**

| Building Operator Certification | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|
| **Budgeted Expenditures** | | | | |
| Program Delivery | | | | |
| Administration | | | | |
| Customer Incentives | | | | |
| Marketing | | | | |
| Evaluation | | | | |
| Total | $ 26,737 | | $ 26,737 | $ 53,474 |

Program delivery is comprised of licensing fees for content and organization and administration costs, which also cover the instructor fees for the courses. The proposed marketing budget for the BOC program would be spent on advertising in industry publications and newsletters, contact with industry associations, and direct promotion to specific customers. The customer incentives portion goes toward partial tuition reimbursement; upon successful completion of the certification program, students receive $575. The fees to the instructors and the marketing are new items in the BOC proposed budgets compared to past budgets. Although these items are new, they are expenditures that are reasonable for an instruction program and, therefore, within the scope of the program.[50]

[49] Staff Data Request 7. In addition, the courses will be open to Evergy Central students. However, "Evergy Central students can attend these courses (once at least 10 Evergy Metro participants have enrolled) but will be required to pay for the full tuition." Ibid.

[50] Ibid., Attachment 4, pp. 6-9, and Evergy Metro response to Staff Data Request 5, Q005 Evergy KS Metro budget 2020-2022.xlsx.

Staff compared the proposed budgets for the BOC program to the previous budgets and actual expenditures shown in Table 9. The proposed budgets for 2020 to 2022 are almost three times that of the budgets for 2014 to 2018, except for the evaluation costs in 2016. And actual expenditures for the 2014 to 2019 period were only about 1% of the proposed BOC budgets. Because the BOC Program was primarily inactive for the period 2016 to 2019, the actual expenditures for the BOC Program provide little guidance in evaluating the reasonableness of the proposed budgets.

The inactivity of the BOC program for the past four years raises a question of why restart the program now. Evergy has a three-part answer—1) the program has been successful in Missouri, 2) now is a good time to restart the program in Kansas, and 3) if there is not sufficient interest, there will not be any costs associated with the classes. Their full reply is below:

> Evergy runs a successful installation of the Building Operation Certification program in Missouri and it has been over 4 years since our last installment in Kansas. This is an opportune time to re-engage with KS business customers to see how to help support them in managing efficient buildings and operations. The BOC program also has a checkpoint function in such that if not enough participants sign up, then the class is not held and no class costs are incurred.[51]

Although Evergy Metro's response seems to be based almost solely on Evergy Metro's hopeful expectations for the expansion of the BOC Program, Staff believes the proposed budgets are reasonable if the Commission finds expansion of the program is in the public interest.

**Table 9**

| Building Operator Certification | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|
| **Budgeted Expenditures** | | | | | | | |
| Program Delivery | $ 4,900 | $ 4,900 | $ 4,900 | $ 4,900 | $ 4,900 | $ 4,900 | $ 29,400 |
| Administration | | | | | | | |
| Customer Incentives | $ 4,025 | $ 4,025 | $ 4,025 | $ 4,025 | $ 4,025 | $ 15,533 | $ 35,658 |
| Marketing | | | | | | | |
| Evaluation | | | $ 10,500 | | | | $ 10,500 |
| Total | $ 8,925 | $ 8,925 | $ 19,425 | $ 8,925 | $ 8,925 | $ 20,433 | $ 75,558 |
| **Actual Expenditures** | | $ 1,150 | | | $ (575) | | $ 575 |
| **Budget Minus Actual** | $ 8,925 | $ 7,775 | $ 19,425 | $ 8,925 | $ 9,500 | $ 20,433 | $ 74,983 |
| **Percent Difference** | 0% | 13% | 0% | 0% | -6% | 0% | 1% |

The dominating factor in the proposed budget growth of the HEA, BEA, and BOC Programs is Evergy Metro's plan to expand each program. The HEA's proposed budget growth is a result of both its joint costs with BEA and because both programs would be expanding. Although all the programs are planned to expand, the plan to expand the BEA program from just small business to all types of business is the most aggressive planned expansion. The expansion of the BOC Program is the reestablishment and expansion of a program that was primarily inactive between 2016 and 2019, which makes evaluation of the proposed program expenditures solely dependent up Evergy Metro's plan for expansion.

Staff's Step Two analysis concludes that for all three programs, given their individual expansion plans, the planned expenditures are within the scope of each individual program. And because of

[51] Evergy response to Staff Data Request 8.

the assumptions that all three programs will expand, Staff also concludes that the program budgets are reasonable. Therefore, given Evergy Metro's proposal for expanding the programs, Staff concludes the proposed program budgets are prudent. However, if the Commission should reject the planned expansion as Staff recommends, then Staff's analysis reverts to its Step One conclusion—keep the programs at their current level and continue with approximately the current budget levels.

***Staff's Recommendation for the Educational Programs***

The educational programs fail the public interest test because of the substantial increase in budgets pushing the combined budgets well over the 5% cap. Therefore, Staff recommends that the Commission reject KCP&L's proposed expansion of the educational programs, and instead, Staff recommends the Commission approve an extension of the existing educational programs at their current size, which the Commission has previously found to be in the public interest and should be continued. The Commission has also found the existing budgets prudent.

However, if the Commission disagrees with Staff and finds Evergy Metro's proposed expansions for the education programs are in the public interest, then the education programs should be continued at Evergy Metro's proposed budget levels. Given the Evergy Metro's expansion plans, the proposed budgets are both within the scope of the programs and are reasonable. Therefore, assuming the proposed expansions of the programs, Staff concludes the proposed budgets are prudent.

***Income-Eligible Weatherization Program (IEW)***

The analysis of the IEW Program is organized in three parts. First, a description of the program along with its procedural history is presented. Second, the two-step evaluation of the program is performed. Like the educational programs, the first step of the evaluation differs from regular DSM programs in that benefit-cost tests are not used to determine whether the program is in the public interest. Instead, the public interest test is whether a low-income program budget exceeds the 5% cap. The second step still evaluates the prudency of the proposed budgets using the same criteria as the other program types— whether the proposed expenditures are within the scope of the program and whether the budget forecasts are reasonable given past performance and future expectations. Third, based on the results of Staff's analysis, Staff recommends continuation of the IEW program and approval of its proposed budgets.

***Initial Application, Approval, and Brief Description of the Program***

On October 31, 2005, KCP&L filed an Application for its Low-Income Weatherization Tariff, designed to increase energy efficiency of property occupied by lower income customers by connecting those customers with local agencies. Households with an income of up to 185% of the federal poverty guidelines would be eligible for participation.[52] The Commission ordered approval of the program on December 9, 2005.[53]

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[52] In the Matter of the Kansas City Power and Light Company (KCP&L) Seeking Commission Approval of a Low-Income Weatherization Tariff, Docket No. 06-KCPE-497-TAR, Oct. 31, 2005, p. 3.

[53] Order, Docket No. 06-KCPE-497-TAR, December 9, 2005, p. 1.

After having difficulty implementing the program and having two years with no expenditures, KCP&L partnered with the Kansas Housing Resources Corporation (KHRC). KHRC administers the program and works with community action program (CAP) agencies who educate the customers, determine the weatherization work to be completed, and hire the contractors. In addition, the income eligibility cap has been raised to 200% of the federal poverty income guidelines. Also, the program is changing its name in the current Docket to Income-Eligible Weatherization (IEW) Program.[54]

### *Evaluation of Income-Eligible Weatherization*

The determination of whether the IEW Program is in the public interest and should be continued is based on the 5% cap for low income programs. To determine if the proposed budgets are prudent, Staff evaluated whether the proposed expenditures are within the scope of the program and whether the budget forecasts are reasonable given past performance and future expectations.

*Step One—Whether the Program is in the Public Interest and Should be Continued*

KCP&L's proposed program budgets for the IEW program represents 7.4% of KCP&L's overall DSM portfolio. Although the proposed budgets are slightly over the 5% cap for low income programs, exceeding the cap is not due to any expansion of the program. When the IEW program budget was approved in 18-124 Docket, a waiver of the income-eligible program 5% cap was granted by the Commission[55] and, in that case, the IEW program budget was expected to be 11% of the total DSM budget.[56] Because the excess over the 5% cap that required the 18-124 waiver has been reduced in the 2020 to 2022 proposed budgets, Staff again recommends a waiver of the 5% cap for the IEW proposed budgets. With the waiver, the IEW proposed budgets are in the public interest and the program should be continued.

*Step Two—Whether the Proposed Budget is Prudent and Should be Approved*

The proposed budgets for the IEW program are shown in Table 10. The entirety of the costs of the program are projected to be in the program delivery, which is done by the Social Service Agency, KHRC. Marketing for the program will be through the Evergy Metro website and on residential bills, so the effective cost of marketing is zero.[57] Therefore, the program's proposed expenditures fall within the scope of the program.

[54] Application of Evergy Metro, Inc. for Approval to Extend Demand-Side Management Programs, Docket No. 20-KCPE-154-TAR, Oct. 1, 2019, Attachment 1, pp. 1-3, and Evergy Metro response to Staff Data Requests 3,4, and 6.

[55] Order Approving Joint Settlement Agreement, Docket No. 18-KCPE-124-TAR, August. 7, 2018, p. 5.

[56] Staff Report and Recommendation, Docket No. 18-KCPE-124-TAR, April 16, 2018, p. 8.

[57] Evergy Metro response to Staff Data Requests 3 and 4.

**Table 10**

| Income-Eligible Weatherization | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|
| **Budgeted Expenditures** | | | | |
| Start-up Costs | | | | |
| Admin/Delivery Costs | | | | |
| Customer Incentives | | | | |
| Marketing | | | | |
| Evaluation | | | | |
| Total | $ 41,872 | $ 41,872 | $ 41,872 | $ 125,616 |

Staff examined the budgets and actual expenditures for 2014 through 2019 in Table 11 to determine if the proposed budgets are reasonable. The lack of expenditures in 2014 and 2015 was corrected by partnering with the KHRC. Since 2016, the program has functioned well, and the proposed budgets are nearly the same size as the previous budgets. Therefore, given the past budgetary performance and future expectation, Staff believes the proposed budgets are reasonable.

**Table 11**

| Income-Eligible Weatherization | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|
| **Budgeted Expenditures** | | | | | | | |
| Program Delivery | | | | | | | |
| Administration | | | | | | | |
| Customer Incentives | $ 39,000 | $ 39,000 | $ 39,000 | $ 39,000 | $ 39,000 | $ 39,000 | $ 234,000 |
| Marketing | $ 2,593 | $ 2,657 | $ 2,872 | $ 2,944 | $ 3,017 | $ 5,200 | $ 19,283 |
| Evaluation | | | $ 10,500 | | | | $ 10,500 |
| Total | $ 41,593 | $ 41,657 | $ 52,372 | $ 41,944 | $ 42,017 | $ 44,200 | $ 263,783 |
| **Actual Expenditures** | | | $ 15,790 | $ 67,954 | $ 41,872 | | $ 125,616 |
| **Budget Minus Actual** | $ 41,593 | $ 41,657 | $ 36,582 | $ (26,010) | $ 145 | $ 44,200 | $ 138,167 |
| **Percent Difference** | 0% | 0% | 30% | 162% | 100% | 0% | 48% |

Staff determined the proposed budgetary expenditures to be within the scope of the IEW Program. Given past budgetary performance and future expectations, Staff believes the IEW proposed budgets are reasonable. Therefore, Staff concludes the IEW proposed budgets are prudent.

***Staff's Recommendation for the IEW Program***

The proposed IEW budgets are slightly over the 5% cap for low income programs. Previously, the Commission has granted a waiver to the 5% cap for the IEW proposed budgets, when the budgets were 11% of the total DSM budget. Because the budgets have been reduced to 7.4%, Staff concludes the IEW program, with a waiver of the 5% cap, is in the public interest and the proposed IEW program should be continued.

Staff also verified the projected budget expenditures are within the scope of the program. The proposed budgets are like past budgeted expenditures and reflect future expectations for the IEW Program and are, thus, reasonable. Therefore, Staff concludes the IEW program budgets are prudent. Because the IEW program proposed budgets are in the public interest and because the proposed budgets are prudent, Staff recommends the program be continued and approval of the IEW proposed budgets through 2022.

## CONCLUSION & RECOMMENDATIONS:

### Conclusion

Evergy Metro requests the approval of proposed programs and budgets for its DSM portfolio. Staff uses a two-step procedure to evaluate the DSM programs and budgets. The first step is to determine if the programs are in the public interest and should be continued. The public-interest criterion for regular DSM programs is whether they are cost effective—how well these programs perform using the TRC and RIM benefit-cost tests. The public-interest criterion for education and low-income DSM programs is whether the proposed budgets for the educational and low-income programs are each below a 5% cap of the total DSM portfolio budget. The second step is to determine whether the proposed budgets are prudent—whether the budget expenditures are within the scope of the program and whether the budget expenditures are reasonable given past performance and future expectations.

Staff applied the two-step test to the PT, HEA, BEA, BOC, and IEW programs and concludes:

- An EM&V analysis was done on the PT program as required by the Commission, and the PT program was shown to be cost effective—using Staff's more restrictive value of avoided capacity, the TRC and RIM scores were both above 1.0. Therefore, the PT program is in the public interest and should continue. The proposed expenditures were within the scope of the program, and because they are less than the previous budgets and decline, the budgets are reasonable. Therefore, Staff recommends the Commission find the proposed budgets are prudent and approve the budgets.

- The educational program budgets—HEA, BEA, and BOC programs—far exceeded the 5% cap on proposed educational budgets, and therefore, the programs are not in the public interest and should not be continued at the expanded level proposed by Evergy Metro. Should the Commission disagree with Staff and find the programs are in the public interest and determines the programs should be continued at the proposed expanded level, Staff has also performed a step two analysis of the education programs. Assuming the Commission approves expansion of the programs, the proposed budgets are within the scope of the program and are reasonable given past performance and the proposed expansion of the programs. Therefore, Staff concludes that the proposed budgets for the education programs are prudent and should be approved.

- The low-income program—IEW—slightly exceeded the 5% cap on proposed low-income budgets and exceeded the cap less than in the previous Docket where it was granted a waiver. With the waiver, the program is in the public interest. In addition, the proposed expenditures were shown to be within the scope of the program and the proposed budgets were reasonable given past performance and future expectations. Thus, the proposed budgets are prudent and should be approved.

### Recommendations

Staff recommends the PT and IEW Programs be continued because they are in the public interest. Staff also recommends the proposed budgets for those programs be found prudent and be approved because they are within the scope of the programs and because they are reasonable given past performance and future expectations. On the other hand, Staff recommends extension of the HEA, BEA, and BOC programs be rejected because they are not in the public interest and, instead, Staff recommends the Commission extend the programs and the budgets for those programs at the current levels. However, if the Commission disagrees and finds Evergy Metro's proposed expansions for the education programs are in the public interest, Staff recommends the education programs be expanded and continue at Evergy Metro's proposed budget levels.

## CERTIFICATE OF SERVICE

20-KCPE-154-MIS

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff Report and Recommendation was electronically served this 28th day of May, 2020, to the following:


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**CERTIFICATE OF SERVICE**

20-KCPE-154-MIS

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