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Date Testimony Prepared: January 13, 2021

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

**FILE NO. EO-2020-0262
FILE NO. EO-2020-0263**

**SURREBUTTAL TESTIMONY
OF
TYLER COMINGS**

ON BEHALF OF SIERRA CLUB

January 13, 2021

REDACTED VERSION

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

| | | |
|---|---|------------------------------|
| In the Matter of the Ninth Prudence |) | |
| Review of Costs Subject to the |) | |
| Commission-Approved Fuel Adjustment |) | Case No. EO-2020-0262 |
| Clause of Evergy Missouri West, Inc. d/b/a |) | |
| Evergy Missouri West |) | |
| |) | |
| In the Matter of the Third Prudence |) | |
| Review of Costs Subject to the |) | |
| Commission-Approved Fuel Adjustment |) | Case No. EO-2020-0263 |
| Clause of Evergy Metro, Inc. d/b/a Evergy |) | |
| Missouri Metro |) | |

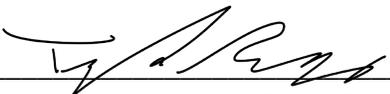
AFFIDAVIT

Pursuant to Missouri Public Service Commission Guidance released on March 24, 2020,

I, Tyler Comings, hereby state:

1. My name is Tyler Comings, and I am a Senior Researcher at Applied Economics Clinic. My business address is 1012 Massachusetts Avenue, Arlington, Massachusetts.
2. Attached hereto and made part hereof for all purposes is my Surrebuttal Testimony on behalf of Sierra Club which have been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that based upon my personal knowledge, the facts stated in the direct testimony are true. In addition, my judgment is based upon my professional experience, and the opinions and conclusions stated in the testimony are true, valid, and accurate.

Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.



Tyler Comings

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name, business address, and position.**

3 A. My name is Tyler Comings. I am a Senior Researcher at Applied Economics Clinic,
4 located at 1012 Massachusetts Avenue, Arlington, Massachusetts.

5 **Q. Are you the same Tyler Comings who filed direct testimony in these dockets?**

6 A. Yes.

7 **Q. What is the purpose of your surrebuttal testimony?**

8 A. My surrebuttal testimony responds to arguments made in the rebuttal testimony of
9 Evergy witness John R. Carlson and Staff witness Jordan T. Hull. Mr. Carlson
10 mischaracterized my analysis and did not adequately address concerns with self-
11 commitment practices. Mr. Carlson also had an error in his rebuttal testimony that I
12 have corrected here. Mr. Hull rejected my recommendations and instead offered
13 defenses of Evergy’s self-commitment practice that continue to lack rigor, while
14 simultaneously denying my recommendation that Evergy justify its self-
15 commitment decisions through detailed analyses and contemporaneous
16 documentation.

17 **Q. Have your general recommendations from your direct testimony changed?**

18 A. No. I continue to offer the same recommendations with the exception that I offer an
19 updated range of disallowance values.

1 **II. SELF-COMMITMENT DECISIONS MUST BE JUSTIFIED.**

2 **Q. Please summarize your responses to Evergy and Staff on self-commitment**
3 **decision-making.**

4 A. In my direct testimony, I discussed self-commitment of the Company's coal units at
5 length. For the review periods at issue in these dockets, Evergy has not provided
6 justifications for all of the self-commitment decisions it made. I therefore
7 recommended that, going forward, Evergy should be required to justify these self-
8 scheduling decisions through an economic analysis and commit the units on a
9 market-basis where possible. In their rebuttal testimony, Evergy indicated a general
10 receptiveness to these recommendations, but the Company conflates a self-
11 commitment *decision* with the action itself. Staff states that there is insufficient data
12 to fully analyze Evergy's self-commitment practices but also rejects my
13 recommendation to require additional documentation in the future. Finally, both
14 Evergy and Staff allude to the Company's movement towards more market
15 commitment that, while generally welcome, does not negate past self-commitment
16 that led to losses in the review periods at issue here.

17 **Q. Is there an important distinction between the self-commitment decision and the**
18 **action itself?**

19 A. Yes. In my direct testimony, I recommended that the Company market commit its
20 units "as often as possible" but if a unit is self-committed that Evergy should justify
21 and document those decisions ahead of time.¹ Evergy's rebuttal says that it agrees
22 that it "should provide clear justification for those decisions," but then only

¹ Comings Direct, p. 5, line 20.

1 discusses the tracking of self-commitment actions—not the support for the *decision*
2 to self-commit that was the crux of my recommendation.² The support for such an
3 economic *decision* should be a net energy margin analysis that compares the
4 variable costs of the unit at issue with Evergy’s expectation of energy market
5 revenues. In general, and except where there are valid operational constraints (e.g.,
6 the need to do unit testing), if a utility commits a unit as “must run,” it should only
7 do so if it expects to incur a positive energy margin.

8 **Q. Is there less risk of negative net revenues if the units are market-committed,**
9 **whenever possible?**

10 A. Yes. If the units are market-committed they will never have negative net revenues
11 on a monthly basis because they are “made whole” by the Southwest Power Pool
12 (“SPP”) after being called upon. But SPP does not provide these “make whole”
13 payments if the units are self-committed; thus doing so adds additional risk of
14 negative net revenues.

15 **Q. Are you claiming that Evergy should never self-commit the units under any**
16 **circumstance?**

17 A. No. There appears to be confusion on this point so I will clarify here. Staff rebuts an
18 argument that the units should only be market-committed;³ but I recommended
19 market commitment be used “as often as possible” and stated that Evergy should
20 have to justify self-commitment.⁴ Evergy acknowledges that it is moving away

² Carlson Rebuttal, p. 4, line 19 through p. 5, line 2.

³ Hull Rebuttal, p. 3, lines 12-15.

⁴ Comings Direct, p. 5, lines 10-13.

1 from self-commitment but that it still could be needed in “limited situations.”⁵ If
2 Evergy decides to self-commit out of necessity to test equipment, then Evergy
3 should document that instance. If Evergy is self-committing the units for an
4 economic reason, then it should produce an economic analysis, i.e., a net energy
5 margin analysis, to justify that decision. My recommendation to require justification
6 applies no matter the Company’s stated reason for self-commitment, but it would
7 not preclude Evergy from the practice.

8 **Q. Does Staff appear more resistant to self-commitment decision documentation**
9 **than Evergy?**

10 A. Yes. Evergy appears to at least agree in theory with my recommendation but Staff
11 dismisses the idea.⁶ Staff’s support for this dismissal is that such “documentation is
12 not required by the SPP market monitor,”⁷ but it is not clear why that would be the
13 benchmark because SPP and the Missouri Public Service Commission have
14 different roles and different authority. SPP has repeatedly cautioned against self-
15 commitment, but is not tasked with reviewing each of its member utilities’ self-
16 commitment decisions. The Commission, on the other hand, must review such self-
17 commitment decisions in assessing the prudence and reasonableness of Evergy’s
18 fuel costs. The Commission would be aided with more information about the
19 reasonableness of Evergy’s fuel costs, especially contemporaneous documentation,
20 rather than less. Indeed, Staff states that it “does not have the data to perform a

⁵ Carlson Rebuttal, p. 3, lines 13-15.

⁶ Hull Rebuttal, p. 6, lines 21-22.

⁷ *Id.*

1 detailed analysis” to measure the impact of self- versus market-commitment.⁸ It is
2 unclear, then, why Staff would not want to require Evergy to provide such
3 information. Moreover, Staff admits that “there are instances where it could be
4 helpful in the analysis process to know the exact reason” that a unit was self-
5 committed.⁹ I agree.

6 I think it would benefit the Commission, including Staff, and all
7 stakeholders to require Evergy to justify self-commitment decisions upfront with a
8 net energy margin analysis (for economic decisions) or other documentation (for
9 non-economic decisions), and to require Evergy to retain such analyses and/or
10 documentation for each self-commitment decision. Indeed, more insight into the
11 Company’s decision-making surrounding its units would be positive.

12

13 **III. THERE SHOULD BE A COST DISALLOWANCE FOR UNDERESTIMATING UNIT’S**
14 **VARIABLE COSTS.**

15 **Q. Please summarize your responses to Evergy and Staff on the units’ variable**
16 **costs.**

17 A. In my direct testimony, I made the distinction between the *actual* fuel and variable
18 operations and maintenance (“O&M”) costs incurred at the coal units compared to
19 the fuel and variable O&M that Evergy bids into the SPP market. I estimated the
20 losses associated with Evergy underestimating its units’ costs in its market bids,
21 leading to a recommended disallowance after a conservative set of steps that were

⁸ *Id.*, p. 4, lines 22-23

⁹ *Id.*, p. 6, lines 19-20.

1 favorable to Evergy. Both Evergy and Staff do not agree that there should be a
2 disallowance associated with Evergy’s self-commitment decisions. However, the
3 Company claims that the actual data for variable O&M it provided to me is now
4 outdated, commits an error when attempting to substitute an updated variable O&M
5 estimate, and mischaracterizes the data I used for fuel costs. Staff does its own
6 analysis of variable revenues and costs but focuses on the bids submitted by
7 Evergy, which it does not question, rather than the actual fuel and variable O&M
8 costs. Staff’s analysis is also focused only on self-committed hours summed over
9 the review period. My analysis looked at monthly losses, regardless of commitment
10 decisions, and used actual fuel and variable O&M costs available to Evergy at the
11 time. Therefore, Staff’s review is not a relevant comparison to my analysis.

12 **Q. Has Evergy provided consistent variable O&M cost data?**

13 A. No. Initially, Sierra Club requested actual, historical variable O&M costs at the coal
14 units, and I used the Company’s provided data in my analysis.¹⁰ In rebuttal, the
15 Company claimed that this data was outdated because the process for calculating
16 variable O&M differed between the “Evergy MO West” method and the “Evergy
17 Kansas Central” method.¹¹ In order to attempt to correct this, the Company
18 substituted the variable O&M using this updated method into my analysis.

¹⁰ See “Q1.3_CONF_VOM 2015-2016-2017-2019 thru 09-30-19” and “QSierra Club-2.5_CONF_VOM 2015-2016-2017-2019 thru 12-31-19.”

¹¹ Carlson Rebuttal, p. 7, line 17 through p. 9, line 6; Evergy response to Sierra Club 3.6(d).

1 However, this updated method for calculating variable O&M costs produced
2 **[REDACTED]** of the costs of the other method—for the same historical period.¹²

3 **Q. Did Evergy commit an error in its attempted correction?**

4 A. Yes. Mr. Carlson’s calculation of the losses from **[REDACTED]
5 [REDACTED]** referred to the wrong data. I have corrected this error in Table 1 (shown in
6 red), which leads Carlson’s “corrected” monthly loss estimate to increase by over
7 **[REDACTED]**.

¹² See “Comings CONFIDENTIAL_MO West monthly - Carlson rework” and “Comings CONFIDENTIAL_MO West monthly” VOM tabs.

1
2

Table 1: Correction to Carlson Monthly Net Revenue Losses (\$)
CONFIDENTIAL¹³

| Unit | Year | Month | Losses | Losses from fuel only | Self-commit % (non-outage) |
|------------------|------------------|------------------|------------------|-----------------------|----------------------------|
| ** [REDACTED] ** | ** [REDACTED] ** |
| | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| ** [REDACTED] ** | ** [REDACTED] ** |
| | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** | ** [REDACTED] ** |
| TOTAL | | | ** [REDACTED] ** | ** [REDACTED] ** | |

**

**

3 **Q. Did Evergy mischaracterize the fuel cost data that was used in your analysis?**

4 A. Yes, in two ways. In discussing fuel costs, Evergy makes two mistaken claims
5 about my use of fuel costs as a means of dismissing any fuel cost disallowance.
6 First, Evergy claimed that I used the “total fuel-related costs” (“TFRC”) which
7 include “basic fuel cost, other fuel related cost, emission allowance cost, and VOM
8 cost.”¹⁴ However, this incorrect claim would have led to double-counting variable
9 O&M in my summary. I actually used the ** [REDACTED] **, which does
10 not include all of the costs in the TFRC.¹⁵ Second, the Company discussed penalties
11 associated with the Jeffrey units’ contracts as a reason for ** [REDACTED] ** the
12 units.¹⁶ The Company stated that it addresses this issue by ** [REDACTED] **

¹³ “Comings CONFIDENTIAL_MO West monthly - Carlson rework” with correction to
** [REDACTED] ** losses shown in red.

¹⁴ Carlson Rebuttal, p. 11, lines 3-7, 9-10.

¹⁵ Evergy response to Sierra Club 3.7(b) CONFIDENTIAL.

¹⁶ Carlson Rebuttal, p. 15, lines 1-8.

1 [REDACTED]**, but my analysis already accounted for this ** [REDACTED]
2 [REDACTED]** as part of my attempt to be conservative in the Company's favor.¹⁷
3 Therefore, my analysis continues to justify a fuel cost disallowance.

4 **Q. Is Staff's "in the money" analysis comparable to your analysis?**

5 A. No. Staff's analysis differs in two important ways. First, Staff's analysis sums
6 positive net revenue hours and negative net revenue hours over the entire review
7 period for self-committed hours only, whereas my analysis looks at monthly gains
8 and losses across all hours. Units should make positive net revenues over a period
9 of time, preferably each day, but it is reasonable to expect them to make positive
10 net revenues on a monthly basis. Second, Staff appears to use the Evergy bids
11 without question, as it "has never seen any reason to not take the hourly variable
12 costs provided by Evergy at face value."¹⁸ I used actual costs available to Evergy at
13 the time the units were bid—finding a discrepancy between the two. Staff's
14 statement is surprising given the inconsistency of Evergy's variable O&M
15 estimates, for instance. In addition to failing to question the nature of Evergy's bids,
16 Staff also claimed that it "does not presume that it knows better than Evergy"
17 whether the units should be self-committed.¹⁹ I am concerned by both statements by
18 Staff as they appear to decline oversight of key costs and decisions made by
19 Evergy.

¹⁷ See Comings Direct, p. 17.

¹⁸ Hull Rebuttal, p. 6, lines 11-12.

¹⁹ *Id.*, lines 12-13.

1 **Q. Should there be a disallowance related to the coal unit operations?**

2 A. Yes. My initial estimate of disallowance of fuel cost disallowance was

3 ****[REDACTED]**** using the variable fuel and O&M costs reported by the Company.

4 The Company's substitution of different variable O&M costs, after my correction

5 above, shows fuel losses of ****[REDACTED]****. It remains unclear to me which variable

6 O&M estimate is "correct" as both come from the Company and are quite different.

7 Therefore, the Commission could use these two figures as a possible range of fuel

8 disallowance.

9 **Q. Does this conclude your surrebuttal testimony?**

10 A. Yes.