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| **Exhibit No.:** | ______________ |
| **Issue(s)** | FAC Imprudence |
| **Witness/Type of Exhibit**: | Mantle/Surrebuttal |
| **Sponsoring Party**: | Public Counsel |
| **Case No**.: | EO-2020-0262 |

# SURREBUTTAL TESTIMONY

# OF

# LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

# EVERGY METRO, INC. D/B/A EVERGY MISSOURI METRO AND EVERGY WEST, INC D/B/A EVERGY MISSOURI WEST

CASE NO. EO-2020-0262
(CONSOLIDATED WITH CASE NO EO-2020-0263)

January 13, 2021

**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 | ) | |

**VERIFICATION OF LENA M. MANTLE**

Lena M. Mantle, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony in the above-captioned case.

2. My answer to each question in the attached surrebuttal testimony is true and correct to the best of my knowledge, information, and belief.

*/s/Lena M. Mantle*_______
Lena M. Mantle
Senior Analyst
Office of the Public Counsel

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**SURREBUTTAL TESTIMONY**

**OF**

**LENA M. MANTLE, P.E.**

**EVERGY METRO, INC. d/b/a EVERGY MISSOURI METRO**
**and**
**EVERGY WEST, INC. d/b/a EVERGY MISSOURI WEST**

**CASE NO. EO-2020-0262 (Consolidated with Case No. EO-2020-0263)**

## Introduction

**Q. What is your name and business address?**

A. My name is Lena M. Mantle and my business address is P.O. Box 2230, Jefferson City, Missouri 65102.

**Q. Are you the same Lena M. Mantle that filed direct testimony in this case?**

A. Yes, I am.

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

A. In this testimony I:

1. Explain why the implementation of demand-side resources - including demand response ("DR") programs - should be reviewed in the fuel adjustment clause ("FAC") prudence process;
2. Provide a response to Evergy's[1] attempts to excuse its imprudence for failing to fully implement its demand-side resources (including the claim that any forgone energy savings is insignificant); and
3. Explain why it is appropriate to tie resource planning to an FAC prudence review and respond to Evergy's reply to this issue.

**Q. What are your recommendations in your surrebuttal testimony?**

A. My recommendations remain the same as they were in my direct testimony. The Commission should find Evergy imprudent for not optimizing its demand response

[1] In this testimony, "Evergy" refers to Evergy Metro, Inc. and Evergy West, Inc. collectively.

programs and for presenting a present value revenue requirement ("PVRR") in its preferred resource plan to the Commission and its customers that it knew was impossible to achieve.

**Q. What are the imprudence amounts you are recommending for these issues?**

A. The imprudence amounts OPC is recommending are in the following table.

Imprudence Amounts

| | Evergy Metro | Evergy West |
|---|---|---|
| Capacity Sales | $ 5,220,000 | |
| Energy Sales | $ 160,174 | $ 169,360 |
| Schedule 11 Fees | $ 161,123 | $ 270,175 |
| Total | $ 5,541,297 | $ 439,535 |

The recommended imprudence amounts for capacity sales have not changed from my direct testimony. The energy sales imprudence amounts have changed. For this testimony, I looked at the data available to me and updated the energy imprudence amounts. In my direct testimony, I used an amount for energy sales calculated by Staff in the Missouri Energy Efficiency Investment Act ("MEEIA") case EO-2020-0227 adjusted for the difference between the FAC and MEEIA prudence review time periods.

The SPP Schedule 11 fees are the amounts provided in the rebuttal testimony of Evergy witness John R. Carlson.[2]

As an alternate resolution to the capacity sales issue, I recommend the Commission order Evergy to, in its triennial resource plan filing that Evergy will be making in April 2021, include for each of its modeled scenarios, a run with no capacity sales other than its current contracts.

The other issues in my direct testimony were resolved when Evergy agreed to return the costs associated with the retirements of the Montrose and Sibley plants

[2] Page 22.

that it had included as FAC costs during the prudence review period in a non-unanimous partial stipulation and agreement filed on December 18, 2020, in this case. These costs will be returned to the customers if the Commission approves the stipulation and agreement and issues an order approving it.

**Evergy Did Not Utilize Its Demand Response Programs to Minimize FAC Costs**

**Q. Staff witness Brad Fortson recommends in his rebuttal testimony that Demand Response program imprudence issues only be dealt with in Evergy's current MEEIA prudence review filing and not in this proceeding because of the Commission's *Order Denying Motion to Limit Scope* in that case.[3] Do you agree with Mr. Fortson?**

A. No. Mr. Fortson provides the following quote from that Commission order[4] to support his position.

> The Commission finds that Staff has raised allegations of imprudence by Evergy that are relevant to the Commission's determination of whether Evergy has operated its MEEIA programs in a prudent manner. Whether the alleged imprudent acts are costs subject to the DSIM is a question of fact in addition to a question of law. Ultimately, after hearing the evidence, the Commission will find that Evergy has, or has not been prudent. But it must first hear that evidence. Evergy's request to limit the scope of the review is not well founded and will be denied

While I believe this is a legal issue and neither Mr. Fortson nor I are attorneys, my opinion of this order is that it does not exclude the review of DR programs from other cases. It merely states that the Commission would not exclude a review of the DR programs from the MEEIA prudence case.

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[3] Page 4.
[4] Case EO-2020-0227, *Order Denying Motion to Limit Scope*, pages 3 – 4.

**Q. Contrary to Mr. Fortson's interpretation of the Commission order, are there issues with Evergy's utilization of its demand response programs that need to be addressed in the context of the FAC specifically?**

A. Yes. As I explained in my direct testimony, the utilization of Evergy's demand response programs can have a direct impact on the FAC. It is therefore reasonable and necessary that an FAC prudence review should include a review of the utilization of the available demand response programs.

**Q. Would you please elaborate on why FAC prudence reviews should include a review of the utilization of available demand response programs?**

A. Certainly. The resource planning process results in the identification of resources, both demand-side and supply-side resources, that minimize present value revenue requirements. Both types of resources affect the costs included in the FAC. Therefore, just as Staff reviews whether or not a generation plant was utilized in a manner that minimized fuel and purchased power costs included in the FAC, so also should it review whether or not DR programs were utilized in a manner that minimized fuel and purchased power costs included in the FAC. Knowingly not managing a resource in a manner that would reduce FAC costs is imprudent.

**Q. Would you briefly explain what a demand-response program is?**

A. The Southwest Power Pool ("SPP"), like most regional transmission organizations, requires its load-serving members to have enough resources to meet expected peak demand of their load plus a margin. The first resources that comes to mind are generation resources – coal, natural gas, nuclear, and renewables. Generating resources are supply-side resources because they supply the electricity to meet the customers' needs.

Demand-side resources are on the other side of the meter - the customer's side of the meter. Typically, demand-side resources provide incentives to the customers to change how they use electricity, *i.e.* their demands on the utility system. Demand response programs target customers' usage at specific times. These types of programs not only have value because they enable the utility to reduce the load at system peak (thus reducing the need for supply-side resources), but can also be used to reduce the energy purchased at times of high market prices thereby reducing the need for and total cost of energy. It is this second use, the reduction of energy purchased at times of high market prices, that influences the costs that are recovered through Evergy's FACs.

**Q. In his rebuttal testimony, Mr. Fortson asserts that the MEEIA prudence review is the proper proceeding for the issues surrounding the DR programs to be addressed.[5] Why is this assertion incorrect?**

A. The DR programs should be used to reduce the cost of energy Evergy purchases at times of high market prices and thereby reduce the costs recovered through its FAC.

**Q. Would you explain the relationship between the DR programs and the FAC?**

A. Evergy pays the SPP for the energy consumed by its customers in each hour of the year regardless of the amount of energy its generation is producing. The SPP load cost for each hour is the number of megawatts ("MW") demanded by its customers in a given hour multiplied by the market price for the Evergy load node in that hour. When Evergy calls a DR event, the result is that its customers require a lower amount of energy in that hour. Since the load is lower, the SPP cost to Evergy for that hour is also lower.

This hourly payment to SPP for the customers' load is included in the FAC as a cost. A utility with a DR program that does not utilize the program to reduce energy costs is acting imprudently. This remains true regardless of the prudency surrounding the original rationale for the introduction of the program.

In addition to the customers having to pay higher energy costs because Evergy did not effectively manage its DR programs, customers also end up paying

[5] Page 5.

more in certain SPP costs since some of these costs are based on the demands of the utility in the previous year. One cost in particular, the SPP Schedule 11[6] costs, are partially included in the FAC. Minimizing load through calling DR program events reduces the utility's SPP Schedule 11 costs. Calling additional events would therefore have also reduced these SPP costs that are passed through Evergy's FACs.

**Q. Would you briefly summarize Evergy's DR programs?**

A. Evergy has two different DR programs. For the residential and small commercial customers, Evergy offers free thermostats as an incentive for Evergy to have the ability to reduce the customer's air conditioning load each day from June 1 through September 30 for up to 4 consecutive hours. Although the tariff sheets do not provide a limit for the number of days curtailment events can be called, Evergy witness Brian A. File states in his rebuttal testimony this thermostat program was designed for a maximum of 15 events per curtailment season (every June 1 through September 30).

Evergy's other DR program is offered to large customers who have the ability to curtail at least 25 kilowatt ("kW"). The curtailment season is June 1 through September 1. Evergy can only curtail ten times during that season but the length of the curtailment can be up to eight hours. Evergy provides all of the participants a financial incentive for participating and, based on certain criteria, some of the participants also receive payment for successful performance. This program also includes a penalty to participating customers when the curtailment amount contracted by the customer is not achieved when an event is called.

[6] SPP Schedule 11 charges recover costs associated with the new transmission system investment in the SPP footprint.

**Q. Could you please summarize, again, why you are recommending the Commission find Evergy imprudent for failing to fully utilize its DR programs in the FAC and not just in the MEEIA?**

A. A reasonable person, in addition to assuring the MEEIA program design had been achieved, would have utilized these DR programs as much as reasonably possible to minimize the energy costs and SPP Schedule 11 fees recovered through the FAC. Evergy had the ability, according to Mr. File, to call 30 events for the residential and commercial participants and 20 for the large customer participants, yet it only called five events in the two summers at issue in this FAC prudence review period.[7] By not calling additional events to reduce energy and SPP Schedule 11 costs, Evergy acted imprudently.

**Q. Mr. File reiterates over and over again that Evergy met the design purpose for the DR programs. Does that show that the DR programs are prudent?**

A. Not with respect to the minimization of FAC costs. The FAC prudence cases look at the actions (or inactions) of a utility to minimize FAC costs by efficiently utilizing all of its resources. While the design purpose of the DR programs from a MEEIA perspective might be considered simply as a means to reduce peak, another purpose of the programs should be to reduce energy costs. In fact, Evergy's tariff sheets describing these programs specifically cites both of these reasons as a basis for when a curtailment event could called:

> Curtailments may be requested for operational or economic reasons. Operational curtailments may occur when any physical operating parameter(s) approaches a constraint on the generation, transmission or distribution systems or to maintain KCP&L's capacity margin requirement. **Economic reasons may include any occasion when the marginal cost to produce or procure energy or the price to sell the energy in the wholesale market is greater than a customer's retail price.** (emphasis added)

[7] Sur-surrebuttal testimony of Brian A. File, Case EO-2020-0227, pg. 14.

Evergy seemed to forget the second reason to curtail once it achieved the first.

The first objective of reducing the system peak was necessary to show the programs were cost effective as modeled in its MEEIA requests so that the costs of the programs, plus a throughput disincentive and performance incentive, could be recovered from Evergy's customers. However, that does not excuse or otherwise explain why Evergy chose not to call any events for the second reason outlined in the tariff sheets, which is what the OPC now argues was imprudent.

Evergy is only able to keep 5% of the benefits achieved when the programs are curtailed for economic reasons as defined in the tariff sheets. The other 95% of any reductions in FAC costs are flowed through to the customers. This is why DR programs should also be reviewed in the FAC prudence cases. What OPC is asking is that the Commission hold Evergy to its second reason provided in the tariff sheets and find Evergy imprudent in this FAC case for not calling as many DR program events as was economically reasonable.

**Q. Do you have any other evidence Evergy was aware of this potential benefit of reducing energy costs through these programs during the FAC prudence review period?**

A. Yes. Evergy offers to its large customers that participate in its DR program the opportunity to receive market settlement fees from SPP through its Market Based Demand Response Program.[8] This is not a MEEIA program and the customers cannot receive benefits through this program for events called to meet the MEEIA design of the DR program. This program allows the participating customers to reduce their bills through targeted event calls when market prices are high.

This program, implemented during the FAC prudence period of this case, shows that Evergy knew that it could use events called through its DR programs to

[8] The tariff sheets implementing this program became effective during this FAC prudence period on December 6, 2018.

reduce energy costs. The difference is that the savings for this program are available only to a small group of large customers.

**Q. Mr. File testifies that it is his opinion that Evergy acted reasonably given the allegations of imprudence in this case because 'the Commission explicitly found that the "Amended MEEIA Plan meets the requirements of MEEIA and the Commission's rules and is just and reasonable." The "reasonableness" conclusion of the Commission was specifically based on a finding that the design of the MEEIA Cycle 2 programs were cost-effective and "expected to provide benefits to all customers."'.[9] Does this finding of the Commission signify Evergy acted prudently?**

A. No.

**Q. Would you explain?**

A. While Mr. File provides the case-number that this Commission quote was from in a footnote, he did not provide the name of the order or when the order was issued. In my review of the orders in the case referenced by Mr. File, EO-2015-0240, I found this quote in the Commission's *Report and Order* that was effective on March 12, 2016 – more than two years before the beginning of the FAC prudence period that is the subject of this case.

Commission findings approving the *design* of the DR programs in March 2016 is not an indication that Evergy prudently *implemented* the programs in 2018 and 2019 in a manner that minimized costs.

[9] Page 14.

**Q. According to Mr. File, there will be a negative impact to peak load reduction efforts by calling an increased number of events.[10] Do you agree with Mr. File?**

A. No. The three data points provided by Mr. File do not conclusively demonstrate that calling more events results in more customers opting out. A definitive trend cannot be simply determined with three data points. There could be many things that impact the number of customers opting out. In Evergy's MEEIA Cycle 2 2016-2018 filing in EO-2015-0250, Evergy[11] stated in its description of the residential and commercial DR programs "For each participant, the Company will combine pre-cooling, temperature setbacks, and cycling to achieve the maximum load reduction possible while still maintaining an outstanding customer experience." The negative impacts could have arisen because the participants did not like how cold their homes got prior to the event. It could have been the number of free riders, people that just wanted the thermostat, was a greater percentage of total participants in 2016. It is unlikely that it was as simple as the number of events that Evergy called.

**Q. Mr. File testifies that calling more events would erode the trust between Evergy and its customers because of the inconvenience to customers of having their air conditioning adjusted regularly.[12] Would you respond to Mr. File's testimony on this impact to customers?**

A. The participants in these programs have been given a free-to-them thermostat.[13] If the program requirements have been communicated correctly to them, then they should expect a bit of inconvenience in exchange for receiving that thermostat. Moreover, if the inconvenience really were too great, then the participants

[10] Page 9.
[11] Then known as Kansas City Power & Light Company.
[12] Pages 8-9.
[13] The participants and non-participants are paying for these thermostats, along with a throughput disincentive adder, through the MEEIA charge on their bill.

(assuming Evergy has effectively communicated all aspects of the program) know that the inconvenience can be overcome during the event by walking over to their thermostat and changing it. As such, any inconvenience will be of the customer's own choosing.

Contrary to what Mr. File argues, it is actually Evergy that is eroding the trust of the participants when it tells them there could be ten or more events in a summer and yet only calls two. After several years with only a limited number of events called, customers begin to believe that this is normal. If Evergy in subsequent years decides to call even just four or five events in one year, customers will get frustrated because they had come to trust that they would only be inconvenienced two times a year despite what they were told when they accepted a thermostat from Evergy.

Finally, Evergy is eroding the trust that non-participants place in it to act as a prudent utility by charging them for a resource that it chooses to not efficiently utilize.

**Q. Mr. File testifies that you asserted that calling more events would be at zero or very minimal incremental cost. Is there an incremental cost when DR events are called?**

A. First of all, I did not make this assertion in my direct testimony. That being said, Mr. File makes a good point. There can be a small cost impact on the MEEIA budget when an event is called regardless of the reason the event was called.

**Q. When is there a small impact?**

A. For some of the participants in the large customer DR program, there is a small incremental cost to calling an event. However, when an event is called, whether for operational or economic reasons, there are no variable costs for the other participants in the large customer DR program or for the residential and commercial participants. Evergy pays most participants the same whether no events are called or fifteen events are called. This is part of the program design to ensure that the MW of response from the customers is available for capacity credit with SPP. This is similar to the fixed costs of supply-side generation.

Despite there not being any cost for Evergy to call an event for the residential and commercial participants, a cost to Evergy's customers occurs when Evergy does not maximize the benefits that it can achieve with its DR programs. Using my recommended imprudence amounts, Evergy's customers unnecessarily paid $313,056 during the prudence period for energy because Evergy chose not to utilize its DR programs more.

**Q. What was the impact on Evergy for not calling any events when using your estimate of the cost of energy that should have been saved?**

A. Given that Evergy would have recovered 5% of any reduction of FAC costs and using my recommended imprudence amounts for this prudence period, Evergy lost only $16,477 during the prudence period by choosing not to utilize its DR programs more.

**Q. Mr. File testifies that any benefits derived from reduction in SPP fees and market pricing opportunities is minimal compared to the value of the long-term reduction of system annual peaks.[14] Later in his testimony, he testifies to the benefits as being insignificant.[15] How do you respond to this?**

A. Evergy's definition of minimal varies greatly by witness. Evergy witness Lisa A. Starkebaum provided testimony in this case to show how the Montrose retirement costs that Evergy agreed to return to the customer should be reduced from $44,832 to $28,269.[16] This correction resulted in Evergy retaining approximately $9,000. To Evergy witness Ms. Starkebaum, $9,000 is not minimal.

[14] Page 6.
[15] Page 10.
[16] Pages 10-11.

Evergy witness Mr. File has a different understanding of minimal. I estimate that well over $780,000 of energy and SPP Schedule 11 costs could have been saved if Evergy had called a limited number of events in the summers of 2018 and 2019. Of this amount, I have calculated that almost $500,000 passed through Evergy's FAC. Mr. File considers this amount, which would be returned to Missouri customers, minimal.

It seems that if it is the customers' money, $500,000 is minimal but no amount is too small if it is Evergy's money. In my opinion, $500,000 is not minimal.

**Q. Mr. File, on page 9 of his testimony, states that OPC suggested 20 events be called or even that events be called every day. Did you suggest this?**

A. While the tariff sheets do allow events to be called every day in the summer months, I did not suggest 20 events or daily events be called in this case. If I had, the imprudence amount requested would have been much greater.

**Q. Then Mr. File discusses the impact of calling 20 to 50 events in a summer.[17] Have you suggested that 20 to 50 events should be called in a summer?**

A. Not in this case.

**Q. How many events did you suggest?**

A. As Mr. File provides on page 4 of his rebuttal testimony, I did not suggest a preferred number of events. He states that it is his understanding that my testimony was just that more events should be called.

Even more confusing, after stating that OPC suggested 20 events and then providing testimony regarding the impact of having 20 to 50 events or events every

[17] Page 9.

day in the summer, Mr. File, on page 14 of his testimony, states that OPC never suggested the DR programs were designed to call a high frequency of events.

**Q. What is your position on how many events should be called?**

A. Given the design of the DR programs as described by Mr. File of 15 events for the residential and commercial[18] and 10 for the large customer, I suggest that 14 and 9 events should have been called for residential and commercial customers and large customers respectively for economic reasons during the summers of 2018 through 2019. This is because one event would be for operational reasons – the other reason stated in the tariff sheets for the calling of events.

OPC's position in this case is that every resource, demand- or supply-side, should be used to minimize FAC costs. To do anything less is imprudent; increasing costs for Evergy's customers and increases their bills unnecessarily.

**Q. Mr. File discusses how difficult it would be to maximize the energy savings since the hours of peak prices are not known.[19] You say that Evergy was imprudent for not utilizing the DR programs to minimize costs in the FAC. Would a reasonable person always be able to predict the hours with the highest prices so they could get the absolute minimum costs in the FAC?**

A. No. It would be unreasonable to expect anyone to be able to time events so accurately they achieve the absolute minimization of energy costs. However, given the potential gain, a reasonable person would at least call all the available events and try to maximize savings. If an event is not called, then there is no gain. If an event is called energy is saved and cost is reduced regardless of whether or not it ends up being a peak pricing period. Evergy had the ability to call 30 events for the two years for the residential and commercial DR program. It called five. For

[18] The tariff sheets for the residential and commercial DR program only restricts the number of events to one a day through the curtailment period of June 1 through September 30.
[19] Page 7.

the large customer DR program it could have called 20. It called five. That shows that it was not even attempting to utilize this resource cost effectively.

**Q. What would a reasonable person do to increase their odds of maximizing energy savings and reducing monthly peaks?**

A. A reasonable person would look at the pattern of when the highest market prices occur for each of the utilities and, recognizing the limitations of the programs, would set some parameters. For example, system peaks typically occur late July or early August when the weather is the hottest. Therefore, a reasonable person would not call all events before then. Prior to the summer curtailment season, a reasonable person would evaluate the historical hourly prices to determine a minimum price under which no events would be called. However, this reasonable person would be watching the prices in the summer to see if that minimum needs to be changed. Because a little savings is better than none at all, if there were still a number of events available after mid-September, a reasonable person would maximize the events in the time that remained to obtain some savings.

**Q. In his rebuttal testimony, Evergy witness John R. Carlson provides an example of where calling an event would have resulted in an increase in energy cost.[20] How do you respond to this testimony?**

A. The negative benefits included in Mr. Carlson's example occur for two reasons. First, the real time locational marginal price ("RT LMP") included in his example is much higher than the day ahead locational marginal price ("DA LMP"). Mr. Carlson did not provide information on how often there is this extreme difference in the DA LMP and RT LMP. These types of differences between the day ahead and real time market creates problems in the energy market and, in a mature market like SPP, should be rare.

[20] Page 19.

The second reason that there is a negative benefit is because whoever bid the load into the market did not have a realistic understanding of the reductions achievable through the DR programs or how to best achieve benefits. Below is a table where instead of bidding in the 57.41 MW of DR, 45.93 MW were bid into the market. In this case the result is very different.

| Example 1 | | | | | Example 2 | | | |
|---|---|---|---|---|---|---|---|---|
| Requested Reduction | | | 57.41 | | Requested Reduction | | | 45.93 |
| Actual Reduction | | | 45.93 | | Actual Reduction | | | 57.41 |
| | | | | | | | | |
| HE | DA LMP ($/MWh) | RT LMP ($/MWh) | Benefit | | HE | DA LMP ($/MWh) | RT LMP ($/MWh) | Benefit |
| 15 | 58.41 | 1125.22 | $ (9,564.21) | | 15 | 58.41 | 1125.22 | $15,600.30 |
| 16 | 72.99 | 118.07 | $ 2,834.91 | | 16 | 72.99 | 118.07 | $ 4,707.87 |
| 17 | 65.44 | 25.34 | $ 3,466.01 | | 17 | 65.44 | 25.34 | $ 3,296.56 |
| | Total Benefit/(Cost) | | $ (3,263.29) | | | Total Benefit/(Cost) | | $ 23,604.73 |

Example 1 was provided in Mr. Carlson's testimony. In his example, Evergy made a bid in the market expecting a 57.41 MW reduction in load but only achieved 45.93 MW. Using the formulas in Mr. Carlson testimony, Evergy would have achieved savings for the requested reduction in the day ahead market but would have paid a penalty because the actual reduction was less than the requested reduction. Because of the large difference in hour 15 between the day ahead and real time price, there would be a negative benefit, i.e. calling an event for the full estimated amount in this hour would have cost the customer, for this hour, $9,564.

In example 2, the same formulas were applied but the requested and actual reductions were inverted such that the actual reduction was greater than the requested reduction resulting in a benefit in that hour of $15,600. The decision maker in the second example had a better understanding of the market.

**Q. Should Mr. Carlson's example of an hour when the RT LMP was much greater than the DA LMP cause concern?**

A. Only if it happens frequently. Mr. Carlson provides no testimony that indicates this is a common occurrence.

**Q. Mr. Carlson characterizes what OPC has recommended similar to placing bets on the day ahead market saying that customers may not see a benefit and may instead see a cost.[21] Do you see this as a risk for the customers?**

A. Only if the decision to call events was made without information on the market and DR programs. However, Evergy has taken bigger risks – ones that have resulted in hundreds of millions of increased costs in its customers' bills – with much less concern. Mr. Carlson's concern seems insincere knowing that Evergy lost almost *$140 million* in 2018 and 2019 in wind purchase power agreements that it entered into because Evergy was betting these purchased power agreements would provide "economic benefits" to its customers based on market prices. In contrast, Mr. Carlson seems to be reluctant to take a risk that could possibly increase costs by $3,320 while forgoing the potential for benefits of well over $600,000.

**Q. Mr. File discusses how Staff used hindsight to determine the monthly peaks in calculating the imprudence amounts.[22] In this testimony, you have included an even larger imprudence amount than Staff's estimate. Is the amount that OPC is requesting be returned to the customers in this surrebuttal testimony based on perfect information fully maximizing the energy savings?**

A. No, it is significantly below the maximized energy savings.

[21] Page 20.
[22] Page 12.

Q. **How is the amount you are recommending being returned to customers different from what a maximized benefit based on hindsight would be?**

A. To maximize the savings, ten eight-hour large customer DR events would have to be called (80 hours of reduction) that include the highest cost hours of the summer. For the residential and commercial DR program, 15 four-hour events would be called (60 hours).

Hourly market prices for the summers of 2018 through 2019 are necessary to determine the maximum amount Evergy could have reduced energy cost if it had optimally chosen events in the summers of 2018 and 2019. I did not have this information available to calculate the maximum savings. I did have available to me, from Evergy's response to Staff data request 41, five hours in each summer month with the highest market prices for a total of 20 hours of market prices for each summer. The imprudence amount I am requesting is the hourly market prices multiplied by the amount of DR MW available[23] in these 20 hours.

**Q. How do you know that this is not the maximized energy savings cost?**

A. Evergy's large customer DR program allows for 80 hours of called events and the residential and commercial DR program allows for 60 hours of events. This number was calculated using only 20 hours which is 25% of the event hours available for the large customer DR program and 33% of the available residential and commercial event hours. An estimate of the total maximized savings would be much larger.

**Q. How is the imprudence amount you recommend in this case different from what you recommended in your direct testimony?**

A. In my direct testimony, I used the amount estimated by Staff in the MEEIA prudence case EO-2020-0227 adjusted for the difference in the MEEIA prudence

[23] As found in the Evaluation, Measurement, and Valuation (EMV) MEEIA Databooks provided by Evergy.

periods and the FAC prudence periods. Staff's estimates did not include all 20 of the hours provided to it.

**Q. Is there anything else in Mr. File's rebuttal testimony that you would like to respond?**

A. Yes. In addition to asserting that I had provided testimony regarding incremental costs and testimony accusing me of wanting 20 to 50 events to be called, there were at least two mischaracterizations of my testimony that I would like to address. First of all, Mr. File testified that OPC's assertion of imprudence in this FAC prudence case was an attack on the Commission's findings that the design of the MEEIA Cycle 2 programs were reasonable.[24] There is nothing in my direct or surrebuttal testimony regarding the Commission's findings of reasonableness of the programs.

The reasonableness of the design of the MEEIA Cycle 2 programs is irrelevant to this case. This case is about whether or not a reasonable person would have utilized the DR programs as they exist to lower costs. Evergy has been unwilling to maximize the benefits to the customers from these programs the Commission found reasonable. While the benefits that are the subject of this testimony may not be the only design reason for the programs, a reasonable person would not ignore these benefits that come at a very low additional cost.

**Q. What is the other mischaracterization that Mr. File made?**

A. Mr. File testifies that OPC is trying to re-litigate the application or methodology for determining avoided cost in the MEEIA cycle 2.[25]

[24] Page 14.
[25] Page 11.

**Q. Is OPC trying to re-litigate anything in this FAC prudence case?**

A. No. OPC's recommendations of imprudence in this case have nothing to do with the avoided capacity cost. There would be no credit for changes in avoided cost in Evergy's FAC. This is not the proper case to re-litigate the avoided cost.

**Q. Do you have an opinion as to why Mr. File included all of these in his rebuttal testimony in this case?**

A. In preparing this testimony, I reviewed Mr. File's sur-surrebuttal in the MEEIA prudence review case, EO-2020-0227. It is my opinion that Mr. File cut and pasted from his sur-surrebuttal testimony in the MEEIA into his testimony in this case without a careful review of the testimony he was responding to.

**Q. Why is this important?**

A. The purpose of this case is completely different from the purpose of the MEEIA case. The purpose of this case, as I stated earlier, is to review the prudence of decisions made that influence the costs included in the FAC. It is not to determine whether or not the design of a MEEIA program was prudent or whether a MEEIA program met the targets set out in its design.

**Q. Is there anything else in Mr. Carlson's rebuttal testimony that you would like to respond to?**

A. Yes. Mr. Carlson testifies that Evergy should not be expected to use the DR programs to reduce the SPP Schedule 11 fees because SPP Schedule 11 fees are based on an average of the monthly peaks of the previous year and it would be difficult to use the DR programs to reduce all four monthly peaks in the summer. This position is confusing given the testimony provided by Evergy witness Mr. File in the surrebuttal report filed in case EO-2019-0132. In that report, Mr. File provided testimony that Evergy's DR programs could be used to reduce monthly peaks resulting in reduced SPP Schedule 11 fees.[26] Mr. File did not mention that Evergy should not be expected to take advantage of this benefit of DR programs because it would be difficult to do. In fact, in his testimony he stated:

> While forecasting peaks (because it is weather driven) is not an exact science, a focus on timely system reporting for loads for the month can improve the potential for better accuracy of reducing the monthly peak."

The Commission relied on this testimony in its Amended Report and Order in that case.

**Q. Is there only a reduction in fees if all four summer month peaks are reduced?**

A. No. Because the SPP Schedule 11 fee is dependent upon the average of the *twelve* monthly peaks, each monthly peak that is reduced subsequently reduces the SPP Schedule 11 fees. Evergy has managed to reduce one peak while only utilizing a few of the DR events available to it. A reduction in two or more monthly peaks would reduce the SPP Schedule 11 fees even further.

**Q. Finally, what is your experience with reviewing DR programs of electric utilities?**

A. In my time on the Staff, I had extensive experience reviewing the design, implementation, and impact of DR programs. Not long after I came to work at the Commission in 1983, one of my job requirements was to review the demand response programs[27] of the electric utilities in the state of Missouri.[28] I continued my review of DR programs in the preparation and development of the Commission's Chapter 22 Electric Utility Resource Planning rules in the 1990s and

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[26] Page 23.
[27] At that time, DR programs were referred to as load management programs.
[28] One of the first programs I reviewed was a Kansas City Power & Light Company program. In the late 1970's KCPL installed devices on customers' air conditioners so that it could reduce these customers' loads if it needed capacity. While the technology was different in the 1970s, the goal of this early program was the same as Evergy's current DR programs.

the revision of the rules in the early 2000s. I was responsible for Staff's review of many of the utility's filings to meet the Demand-Side Resource Analysis rule in Chapter 22.

**Evergy Acted Imprudently When It Included Capacity Sales in Its Resource Planning Process**

**Q. Staff witness Fortson, in his rebuttal testimony, recommends that Evergy resource plan assumptions be reviewed and addressed in Evergy's resource planning process.[29] Is there a process for "addressing" such an issue in the resource planning process?**

A. No, there is not. Because there is nothing specific in Chapter 22 regarding the inclusion or exclusion of capacity sales, Evergy cannot be found deficient in its resource planning process for including the sale of excess capacity in its resource planning process. Since Chapter 22 is about the resource planning process and not the implementation of a plan, there is no mechanism set by the rule for finding of imprudence regarding the implementation of Evergy's resource plan. This is left for other cases such as this FAC prudence case.

**Q. Evergy witness Carlson provides testimony regarding Evergy's efforts to enter into capacity sales contracts. Why should the Commission find Evergy imprudent in this FAC prudence case for capacity sales that both you and Evergy agree did not exist?**

A. The existence of a FAC allows Evergy to include assumptions in its resource planning process that impact customers' bills but have little to no negative impact on Evergy. One of these assumptions that Evergy has included in its resource planning is the sale of excess capacity. When these sales are included in the

[29] Page 5.

modeling, the resulting amount of "excess capacity" is lower therefore making the addition of more capacity look more reasonable.

**Q. Evergy witness Kayla Messamore provides schedules to her rebuttal testimony showing that removing short-term capacity sales would not have changed the choice of the preferred resource plan.[30] Does this change your position?**

A. No. The inclusion of capacity sales in every plan modeled was a deliberate choice by Evergy. It is not an assumption based on reality and did not change with the resources included in the plan. Ms. Messamore merely shows that taking the exact same capacity sales out of each of the plans modeled does not change the rankings of the plan. The Commissions should know that the models do not optimize the resources to find the best fit. The models merely calculate the expected present value revenue requirement ("PVRR") given the assumptions input by the modeler.

The FAC enables a utility to make assumptions in its resource planning process that places 95% of the risk on the customers. In the absence of its FAC, there would be an incentive for Evergy to enter into short-term capacity contracts between rate cases because the revenues from these contracts would increase Evergy's earnings as the revenue was not included when rates were initially set. Putting short-term sales when there was no expectation of being able to enter into an actual contract in a resource planning model without a FAC would estimate a financial situation for Evergy that could not be achieved. Because this could impact financial ratings of the utility if it was found to consistently earn below what was shown in its resource plans, a reasonable person would not include these sales in its resource planning modeling absent an FAC.

Because Evergy has a FAC, there seems to be no concern from Evergy with assumptions that impact the customers' financials. Commission oversight is the only mechanism to reduce the risk on the customers of imprudent assumptions

[30] Page 3.

being included in Evergy's resource planning modeling. It is the Commission's role to make sure that only costs of prudent decisions that adequately balance the interests of the customers and the utility be recovered from customers.

## Conclusion

**Q. Would you summarize this testimony?**

A. Evergy did not fully utilize the DR program resources available to it. This resulted in a minimal amount of forgone benefit to Evergy and a much larger forgone benefit to its customers. Evergy should be held accountable for the imprudence of its failure to utilize these DR programs by having the benefits that could have been achieved imputed to it. The Company's attempted justification that "it would be difficult" to fully utilize its DR programs should be unacceptable to the Commission. It is difficult to build power plants, it is difficult to participate in SPP, and it is difficult to bill customers, yet Evergy has still managed to accomplish all of these. Evergy could easily have reduced the costs imposed by customers through the FAC by calling more demand response program events, it simply chose not to.

Evergy also knowingly included inputs in its resource planning process that would not occur. These inputs resulted in the models showing a lower PVRR than could be achieved by the customers while not changing the financials of the utility.

Both the inaction and actions of Evergy were influenced by the FAC. It knew that it would only retain 5% of the benefits from fully utilizing the DR programs. It also knew that it would have only retained 5% of any revenue from capacity sales so including them in the resource planning process mostly impacted the forecast of the customer bill, not Evergy's earnings.

I believe the legislature realized that an FAC would change the incentives for the utilities because it requires a prudence review at least every 18 months. It also requires the return of imprudently incurred costs to the customers. Because the customers have no say in these decisions yet assume all of the risks, the customers rely on the Commission for protection from inefficient decisions of the utility.

The Commission should find that Evergy was imprudent in not fully utilizing its DR programs to minimize energy costs within the parameters of the fully implemented programs and return to the customers a measure of what should have been saved.

The Commission should further find that Evergy was imprudent in its resource planning process when it included assumptions that it knew were false resulting in estimates of customer bills that could not be achieved and order Evergy to return to its customers a measure of what would have been earned had Evergy's inputs been true. At a minimum, the Commission should order Evergy to not include capacity sales in future resource planning analysis unless Evergy has a contract in hand. The resource planning process becomes a costly, time-consuming sham if there are no consequences to Evergy for using assumptions in the process that it knows are unrealistic.

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

A. Yes, it does.