

Exhibit No. 102

Staff – Exhibit 102
Brad J. Fortson
Corrected Direct Testimony
File No. EO-2020-0262
October 29, 2020 (Corrected: December 17, 2020)

Exhibit No.:
Issue(s): *Staff's Prudence Review of
Evergy's Fuel Adjustment
Clause*
Witness: *Brad J. Fortson*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Corrected Direct Testimony*
Case No.: *EO-2020-0262 (Consolidated
with EO-2020-0263)*
Date Testimony Prepared: *October 29, 2020*
Date Testimony Corrected: *December 17, 2020*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

CORRECTED DIRECT TESTIMONY

OF

BRAD J. FORTSON

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

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

*Jefferson City, Missouri
December 2020*

**** Denotes Confidential Information ****

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CORRECTED DIRECT TESTIMONY**

OF

BRAD J. FORTSON

**EVERGY METRO, INC. and EVERGY MISSOURI WEST, INC.,
d/b/a EVERGY MISSOURI METRO and EVERGY MISSOURI WEST
CASE NO. EO-2020-0262 (Consolidated with Case No. EO-2020-0263)**

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1 **CORRECTED DIRECT TESTIMONY**

2 **OF**

3 **BRAD J. FORTSON**

4 **EVERGY MISSOURI METRO**

5 **And**

6 **EVERGY MISSOURI WEST**

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

8 Q. Please state your name and business address.

9 A. Brad J. Fortson, 200 Madison Street, Jefferson City, MO 65102.

10 Q. By whom are you employed and in what capacity?

11 A. I am employed by the Missouri Public Service Commission (“Commission”
12 or “PSC”) as a Regulatory Compliance Manager.

13 Q. Please describe your educational background and work experience.

14 A. Please refer to Schedule BJJF-d1 attached hereto.

15 Q. Have you previously filed testimony before this Commission?

16 A. Yes, I have. Please refer to Schedule BJJF-d2 attached hereto for a list of
17 cases in which I have previously filed testimony as well as the issues that I have addressed in
18 testimony.

19 Q. Have you participated in the Commission Staff’s audit of Evergy Metro, Inc.
20 d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”) and Evergy Missouri West, Inc.
21 d/b/a Evergy Missouri West (“Evergy Missouri West”) (collectively, “Evergy” or “the
22 Companies”) concerning the Staff’s Fuel Adjustment Clause (“FAC”) prudence reviews in
23 this proceeding?

24 A. Yes, I have, with the assistance of other members of the Staff.

1 **EXECUTIVE SUMMARY**

2 Q. Please summarize your direct testimony in this proceeding.

3 A. I am sponsoring the *Staff's Ninth Prudence Review Report* ("Evergy
4 Missouri West Staff Report") which was originally filed on August 28, 2020 in Case No.
5 EO-2020-0262 and the *Staff's Third Prudence Review Report* ("Evergy Missouri Metro Staff
6 Report" collectively "Staff Reports") which was originally filed on August 28, 2020 in
7 Case No. EO-2020-0263,¹ copies of which (both Public and Confidential) are attached hereto
8 as Schedule BJJF-d3 and Confidential Schedule BJJF-d4 for Evergy Missouri West, and as
9 Schedule BJJF-d5 and Confidential Schedule BJJF-d6 for Evergy Missouri Metro. Staff
10 analyzed items affecting Evergy's fuel costs; purchased power costs; net emission costs;
11 transmission costs; off-system sales revenue; and renewable energy credit revenues during
12 the review period² of the FAC for the Companies. My testimony provides an overview of the
13 Staff Reports.

14 **PRUDENCE REVIEW AND STAFF REPORT**

15 Q. Please describe Staff's prudence review.

16 A. Staff analyzed items affecting Evergy's fuel costs; purchased power costs; net
17 emission costs; transmission costs; off-system sales revenue; and renewable energy credit
18 revenues during the review period of the FAC for the Companies. As noted in the attached
19 public and confidential Staff Reports, Staff provided a description of the components it
20 reviewed, a discussion of its review, a summary of any cost implications and Staff's

¹ These cases were consolidated into Case No. EO-2020-0262 on September 22, 2020, in the Commission's *Order Consolidating Cases and Directing Filing of Proposed Procedural Schedule*.

² Evergy Missouri Metro Staff Report covered the Review Period of July 1, 2018 through December 31, 2019. Evergy Missouri West Staff Report covered the Review Period of June 1, 2018 through November 30, 2019.

1 conclusions based on its review of the components. During it's review, Staff found no
2 evidence of imprudence by Evergy.

3 Q. Please explain the organizational format of the Staff Reports.

4 A. The Staff Reports have been organized by topic as follows:

5 I. Executive Summary

6 II. Introduction

7 III. Fuel Costs, Purchased Power Costs, Transmission Costs, Net
8 Emission Costs, Off-System Sales Revenue

9 IV. Interest

10 Signed affidavits for all Staff members who are responsible for a portion of the Staff
11 Reports and for whom those portions constitute direct testimony in this proceeding are
12 attached to the Staff Reports. The individual Staff member(s) responsible for each area of
13 Staff's direct case is identified in the Staff Reports following the written discussion he or she
14 authored, and is the expert witness with respect to that section of the Staff Reports.

15 **PROPOSED DISALLOWANCE AND ADDITIONAL INFORMATION**

16 Q. In its review of the FACs for Evergy in Case Nos. EO-2020-0262 and
17 EO-2020-0263, did Staff recommend any disallowances in its Staff Reports?

18 A. Yes. Based on its review, Staff found that Evergy Missouri West included
19 costs associated with the retirement of the Sibley generating station during the Review
20 Period. Evergy Missouri West has agreed to remove these costs and seek recovery through
21 another mechanism. Therefore, in its Evergy Missouri West Staff Report, Staff recommends
22 the Commission order an Ordered Adjustment in the amount of \$1,039,646 as Evergy
23 Missouri West can seek recovery of these costs through another mechanism, such as its next

1 general rate case. Staff did not propose a disallowance in the Staff Report for Evergy
2 Missouri Metro. However, based on information obtained since the filing of the Staff
3 Reports, Staff is now proposing a disallowance for Evergy Missouri Metro as further
4 discussed in the direct testimony of Staff witness Ms. Brooke Mastrogiannis.

5 Q. Is there anything else Staff would like to note at this time?

6 A. Yes. In the current Evergy MEEIA prudence review proceedings, Case Nos.
7 EO-2020-0227 and EO-2020-0228,³ Evergy filed a *Motion to Limit Scope of Proceeding*⁴ on
8 July 29, 2020, taking the position that certain of Staff's proposed disallowances are not
9 related to "costs subject to the DSIM" and therefore are not properly the subject of MEEIA
10 prudence review proceedings and would be more properly addressed in the context of the
11 FAC. On August 7, 2020, Staff filed its *Staff Response to Evergy Motions to Limit Scope of*
12 *Proceeding* reaffirming its position that Staff's proposed disallowances were properly the
13 subject of MEEIA prudence review proceedings. On August 19, 2020, the Commission
14 issued its *Order Denying Motion to Limit Scope*.

15 Q. Why does Staff believe this is important to note in this proceeding?

16 A. Staff has taken the position, and the Commission has agreed, that the disputed
17 proposed disallowances are appropriate to address in the current MEEIA prudence review
18 proceeding as previously mentioned. However, if the Commission were to determine
19 otherwise throughout the MEEIA prudence review proceeding, Staff reserves the right to
20 address the proposed disallowances in this FAC prudence review proceeding as necessary.

³ These cases were consolidated into Case No. EO-2020-0227 on August 5, 2020, in the Commission's *Order Consolidating Cases and Setting Procedural Schedule*.

⁴ On July 30, 2020, Evergy filed a *Notice of Filing and Corrected Motion to Limit Scope of Proceeding* to correct for an incorrect tariff sheet reference.

1 Staff and OPC both agree that the best venue to resolve the disputed proposed disallowances
2 on these issues is in the pending MEEIA prudence review proceeding. However, because
3 Evergy argued that the disputed proposed disallowances should be applied in an FAC
4 prudence review, OPC has raised the issue in this proceeding to ensure the disputed proposed
5 disallowances are not passed through the FAC.⁵

6 Q. Does this conclude your prepared direct testimony in this proceeding?

7 A. Yes, it does.

⁵ *Response to Staff's Ninth Prudence Review Report for Evergy Missouri West and Third Prudence Review Report for Evergy Missouri Metro and Request for an Evidentiary Hearing*, pgs. 5 – 6.

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)
Clause of Evergy Missouri West, Inc. d/b/a)
Evergy Missouri West

Case No. EO-2020-0262

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COME NOW Brad J. Fortson, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Corrected Direct Testimony*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ Brad J. Fortson
Brad J. Fortson

Brad J. Fortson

Education and Employment Background

I am the Regulatory Compliance Manager of the Energy Resources Department, Industry Analysis Division of the Missouri Public Service Commission. Prior to my current position, I was employed at the Missouri Public Service Commission as a Regulatory Economist from December 2012 through March 2015 and August 2015 through February 2019.

I received an Associate of Applied Science degree in Computer Science in May 2003, Bachelor of Science degree in Business Administration in May 2009, and Master of Business Administration degree with an emphasis in Management in May 2012, all from Lincoln University, Jefferson City, Missouri.

Prior to first joining the Commission, I worked in various accounting positions within four state agencies of the State of Missouri. I was employed as an Account Clerk II for the Inmate Finance Section of the Missouri Department of Corrections; as an Account Clerk II for the Accounts Payable Section of the Missouri Department of Health and Senior Services; as a Contributions Specialist for the Employer Accounts Section of the Missouri Department of Labor and Industrial Relations; and as an Accountant I for the Payroll Section of the Missouri Office of Administration. From April 1 through July 31, 2015, I worked for the Missouri Office of Public Counsel before joining the Commission once again.

Brad J. Fortson

Case Participation History

| Case Number | Company | Issue | Exhibit |
|--------------------|---|---|--|
| HR-2014-0066 | Veolia Energy Kansas City | Revenue by Class and Rate Design | Staff Report |
| GR-2014-0086 | Summit Natural Gas of Missouri, Inc. | Large Volume Service Revenue | Staff Report |
| ER-2014-0258 | Union Electric Company d/b/a Ameren Missouri | Revenue by Class and Rate Design | Staff Report |
| ER-2014-0258 | Union Electric Company d/b/a Ameren Missouri | Revenue by Class and Rate Design | Staff Report, Rebuttal & Surrebuttal Testimony |
| ER-2014-0351 | The Empire District Electric Company | Revenue by Class and Rate Design | Staff Report & Rebuttal Testimony |
| ER-2014-0351 | The Empire District Electric Company | Revenue by Class and Rate Design | Rebuttal Testimony |
| EO-2015-0240 | Kansas City Power & Light Company | Custom Program Incentive Level | Direct Testimony |
| EO-2015-0241 | KCP&L Greater Missouri Operations Company | Custom Program Incentive Level | Direct Testimony |
| ER-2016-0023 | The Empire District Electric Company | DSM Programs and MEEIA Filings | Staff Report |
| ER-2016-0023 | The Empire District Electric Company | DSM Programs and MEEIA Filings | Staff Report, Rebuttal & Surrebuttal Testimony |
| EM-2016-0213 | The Empire District Electric Company (merger case) | DSM Programs and MEEIA Filings | Rebuttal & Surrebuttal Testimony |
| ER-2016-0156 | KCP&L Greater Missouri Operations Company | MEEIA summary and LED street lighting | Staff Report |
| EO-2016-0183 | Kansas City Power & Light Company | MEEIA prudence review | Staff Report |
| EO-2016-0223 | The Empire District Electric Company | Triennial compliance filing | Staff Report |
| ER-2016-0285 | Kansas City Power & Light Company | LED street lighting | Staff Report |
| ER-2016-0179 | Union Electric Company d/b/a Ameren Missouri | LED street lighting | Staff Report |
| ER-2016-0285 | Kansas City Power & Light Company | Response to Commissioner questions | Staff Report |
| ER-2016-0179 | Union Electric Company d/b/a Ameren Missouri | Response to Commissioner questions | Staff Report |
| EO-2017-0209 | Kansas City Power & Light Company | MEEIA prudence review | Staff Report |
| EO-2017-0210 | KCP&L Greater Missouri Operations Company | MEEIA prudence review | Staff Report |
| EO-2015-0055 | Union Electric Company d/b/a Ameren Missouri | Flex pay pilot program | Rebuttal Testimony |
| GR-2018-0013 | Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities | Red Tag Program and Energy Efficiency Program Funding | Staff Report, Rebuttal & Surrebuttal Testimony |
| ER-2018-0145 | Kansas City Power & Light Company | LED street lighting, TOU rates | Rebuttal Testimony |
| ER-2018-0146 | KCP&L Greater Missouri Operations Company | LED street lighting, TOU rates | Rebuttal Testimony |
| EO-2018-0211 | Union Electric Company d/b/a Ameren Missouri | Program Design | Rebuttal Report & Surrebuttal Testimony |
| EO-2019-0132 | Kansas City Power & Light Company | Program Design | Rebuttal Report & Surrebuttal Testimony |
| EO-2019-0376 | Union Electric Company d/b/a Ameren Missouri | MEEIA prudence review | Direct Testimony |
| ER-2019-0374 | The Empire District Electric Company | Hedging policy and EE/LI programs | Supplemental Testimony |
| ER-2020-0311 | The Empire District Electric Company | Fuel Adjustment Clause | Rebuttal Testimony |
| EO-2020-0227 | Evergy Metro and Evergy Missouri West | MEEIA prudence review | Direct Testimony |

MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT

**NINTH PRUDENCE REVIEW OF COSTS
RELATED TO THE FUEL ADJUSTMENT CLAUSE
FOR THE ELECTRIC OPERATIONS
OF
EVERGY MISSOURI WEST, INC., d/b/a Evergy
Missouri West (“Evergy Missouri West”), f/k/a KCP&L
Greater Missouri Operations Company (“GMO”)**

CASE NO. EO-2020-0262

June 1, 2018 through November 30, 2019

*Jefferson City, Missouri
August 28, 2020*

**** Denotes Confidential Information ****

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6 **OF**
7 **EVERGY MISSOURI WEST, INC.**

8 **June 1, 2018 through November 30, 2019**

9 **CASE NO. EO-2020-0262**

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**NINTH PRUDENCE REVIEW OF COSTS
RELATED TO THE FUEL ADJUSTMENT CLAUSE
FOR THE ELECTRIC OPERATIONS
OF
EVERGY MISSOURI WEST, INC.**

June 1, 2018 through November 30, 2019

CASE NO. EO-2020-0262

I. EXECUTIVE SUMMARY

The Missouri Public Service Commission (“Commission”) first authorized a Fuel Adjustment Clause (“FAC”) for Aquila, Inc. (“Aquila”) effective July 5, 2007,¹ in Case No. ER-2007-0004. The Commission approved the acquisition of Aquila, by Great Plains Energy, Inc. and subsequently Aquila was renamed KCP&L Greater Missouri Operations Company (“GMO”). The Commission approved the merger of Great Plains Energy, Inc. with Westar Energy, Inc. in Case No. EM-2018-0012 and subsequently, GMO was renamed Evergy Missouri West, Inc., d/b/a Evergy Missouri West (“Evergy Missouri West” or “Company”). Since its initial approval of the FAC in 2007, the Commission has approved continuation of the FAC with modifications in its *Reports and Orders* in the Company’s general rate cases: Case Nos. ER-2009-0090, ER-2010-0356, ER-2012-0175, ER-2016-0156² and ER-2018-0146.

Commission Rule 20 CSR 4240-20.090(11)³ and Missouri Revised Statute Section 386.266.5(4) require that the Commission’s Staff (“Staff”) conduct prudence reviews of an electric utility’s FAC no less frequently than every 18 months. In this prudence review, Staff analyzed items affecting Evergy Missouri West’s fuel costs; purchased power costs; net emission costs; transmission costs; off-system sales revenues; and renewable energy credit revenues for the twenty-third, twenty-fourth and twenty-fifth six-month accumulation periods. The twenty-third accumulation period started June 1, 2018 and ended November 30, 2018. The twenty-fourth accumulation period started December 1, 2018 and ended May 31, 2019. The twenty-fifth accumulation period started June 1, 2019 and ended November 30, 2019. Thus, the Review Period that is documented in this Prudence Review Report is from June 1, 2018 through November 30, 2019

¹ Item No. 411 in Case No. ER-2007-0004.

² GMO’s rate districts MPS and L&P were combined on February 22, 2017 as a result of Case No. ER-2016-0156 into a single combined rate district renamed GMO.

³ Effective January 30, 2019.

1 (“Review Period”). This is Staff’s ninth Prudence Review Report for Evergy Missouri West’s FAC.
2 Table 1 identifies Staff’s previous FAC prudence reviews.

Table 1: Completed Evergy Missouri West FAC Prudence Reviews

| Review | File Number | Review Period |
|---------|--------------|--|
| First | EO-2009-0115 | June 1, 2007 through May 31, 2008 |
| Second | EO-2010-0167 | June 1, 2008 through May 31, 2009 |
| Third | EO-2011-0390 | June 1, 2009 through November 30, 2010 |
| Fourth | EO-2013-0325 | December 1, 2010 through May 31, 2012 |
| Fifth | EO-2014-0242 | June 1, 2012 through November 30, 2013 |
| Sixth | EO-2016-0053 | December 1, 2013 through May 31, 2015 |
| Seventh | EO-2017-0232 | June 1, 2015 through November 30, 2016 |
| Eighth | EO-2019-0067 | December 1, 2016 through May 31, 2018 |

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

12 Staff analyzed a variety of items in examining whether Evergy Missouri West was imprudent
13 when managing its fuel and purchased power costs associated with its FAC. Based on its review, Staff
14 found that Evergy Missouri West included costs associated with the retirement of the Sibley generating
15 station during the Review Period. The Company has agreed to remove these costs and seek recovery
16 through another mechanism. Staff recommends the Commission order an Ordered Adjustment (“OA”)
17 in the amount of \$1,039,646 as Evergy Missouri West can seek recovery of these costs through another
18 mechanism, such as its next general rate case. Therefore, based on its review, Staff found no evidence
19 of imprudence by Evergy Missouri West.⁴

20 *Staff Expert/Witness: Brooke Mastrogianis*

⁴ Staff would like to note that, in Case No. EO-2020-0228, Staff recommended several disallowances to Evergy Missouri West’s Demand Response programs. Evergy Missouri West filed a Motion to Limit Scope of Proceeding in that case on July 29, 2020, arguing that those disallowances recommended by Staff were best addressed in this docket. The Commission rejected Evergy Missouri West’s motion on August 19, 2020.

1 **II. INTRODUCTION**

2 **A. General Description of Evergy Missouri West’s FAC**

3 Table 2 identifies Evergy Missouri West’s Commission-approved FAC tariff sheets which were
4 applicable for service provided by Evergy Missouri West to its customers during the period
5 June 1, 2018, through November 30, 2019:
6

Table 2
Evergy Missouri West’s Commission-approved FAC Tariff Sheets
June 1, 2018 through November 30, 2019

| June 1, 2018 through December 5, 2018 | December 6, 2018 through November 30, 2019 |
|---------------------------------------|--|
| 3rd Revised Sheet No. 127.1 | Original Sheet No. 127.13 |
| 3rd Revised Sheet No. 127.2 | Original Sheet No. 127.14 |
| 3rd Revised Sheet No. 127.3 | Original Sheet No. 127.15 |
| 3rd Revised Sheet No. 127.4 | Original Sheet No. 127.16 |
| 7th Revised Sheet No. 127.5 | Original Sheet No. 127.17 |
| 3rd Revised Sheet No. 127.6 | Original Sheet No. 127.18 |
| 3rd Revised Sheet No. 127.7 | Original Sheet No. 127.19 |
| 3rd Revised Sheet No. 127.8 | Original Sheet No. 127.20 |
| 3rd Revised Sheet No. 127.9 | Original Sheet No. 127.21 |
| 5th Revised Sheet No. 127.10 | Original Sheet No. 127.22 |
| 1st Revised Sheet No. 127.11 | |

7 For each accumulation period (“AP”),⁵ Evergy Missouri West’s Commission-approved FAC allows
8 Evergy Missouri West to recover from (if the actual net energy costs exceed) or refund to (if the actual
9 net energy costs are less than) its ratepayers ninety-five percent (95%) of its Missouri jurisdictional⁶
10 actual net energy costs (“ANEC”)⁷ less net base energy costs (“B”)⁸ which is identified as (ANEC-B)*J

⁵ Accumulation periods are June through November and December through May.

⁶ J is defined on Original Sheet No. 127.21 as Missouri Retail Energy Ratio = Retail kWh sales/total system kWh, where total system kWh equals retail and full and partial requirement sales associated with Evergy Missouri West.

⁷ Actual Net Energy Costs are equal to fuel costs (FC) plus net emission costs (E) plus purchased power costs (PP) plus transmission costs (TC) minus off-system sales revenue (OSSR) and renewable energy credit revenue (R) as defined on Evergy Missouri West’s Original Sheet No. 127.14.

⁸ Net base energy costs (B) are defined on Evergy Missouri West’s Original Sheet No. 127.21 as net base energy costs ordered by the Commission in the last general rate case consistent with the costs and revenues included in the calculation of the FPA. Net base energy costs will be calculated as shown below $SAP \times \text{Base Factor}$ (“BF”).

1 in Evergy Missouri West's FAC.⁹ Actual net energy costs are defined as the prudently incurred
2 variable fuel costs, purchased power costs, transmission costs and net emissions costs minus off-system
3 sales revenues and renewable energy credit revenues. Evergy Missouri West accumulates variable fuel
4 costs, purchased power costs, transmission costs and net emissions costs minus off-system sales
5 revenues and renewable energy credit revenues during six-month accumulation periods. Each six-
6 month accumulation period is followed by a twelve-month recovery period when 95% of the
7 (ANEC-B)*J amount (including the monthly application of interest)¹⁰ is recovered from or returned to
8 ratepayers through an increase or decrease in the FAC Fuel Adjustment Rates ("FAR") during a twelve-
9 month recovery period ("RP").¹¹ Because the FAR rarely, if ever, will exactly match the required offset,
10 Evergy Missouri West's FAC is designed to true-up the difference between the revenues billed and the
11 revenues authorized (including the monthly application of interest) for collection during recovery
12 periods. Any disallowance the Commission orders as a result of a prudence review shall include
13 interest at the Company's short-term interest rate and will be accounted for as an item of cost¹² in a
14 future filing to adjust the FAR.

15 **B. Prudence Standard**

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

18 [A] utility's costs are presumed to be prudently incurred... However,
19 the presumption does not survive "a showing of inefficiency or improvidence...
20 [W]here some other participant in the proceeding creates a serious doubt as to
21 the prudence of expenditure, then the applicant has the burden of dispelling
22 these doubts and proving the questioned expenditure to have been prudent.

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

30 954 S.W.2d 520, 528-29 (Mo. App. W.D., 1997) (citations omitted).

⁹ For the twenty-third, twenty-fourth and twenty-fifth accumulation periods, the (ANEC-B)*J amounts are included on line 5 of Evergy Missouri West's 4th Revised Sheet No. 127.12, 1st Revised Sheet No. 127.23, and 2nd Revised Sheet No. 127.23, respectively.

¹⁰ See Section IV. Interest, of this Prudence Review Report.

¹¹ Recovery periods are: March through February and September through August.

¹² See definition of variable I on Evergy Missouri West's Original Sheet No. 127.21.

1 In reversing the Commission decision in that case, the Court did not criticize the Commission's
2 definition of prudence, but held, in part, that to disallow a utility's recovery of costs from its customers
3 based on imprudence, the Commission must determine the detrimental impact of that imprudence on
4 the utility's ratepayers. *Id.* at 529-30. This is the prudence standard Staff has followed in this review.
5 Staff reviewed for prudence the areas identified and discussed below for Evergy Missouri West's
6 twenty-third, twenty-fourth, and twenty-fifth six-month accumulation periods.

7 *Staff Expert/Witness: Brooke Mastrogiannis*

8 **III. FUEL COSTS, PURCHASED POWER COSTS, TRANSMISSION**
9 **COSTS, NET EMISSION COSTS**

10 Evergy Missouri West's FAC includes four major components of costs: fuel costs, purchased
11 power costs, transmission costs, and net emission costs. It also includes two components of revenues:
12 off-system sales revenues and renewable energy credit revenues. Table 3 is a breakdown of Evergy
13 Missouri West's fuel costs, purchased power costs, transmission costs, net emission costs, off-system
14 sales revenues, and renewable energy credit revenues for the period of June 1, 2018 through
15 November 30, 2019:

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31 *continued on next page*

1 offer requirements both for the Day Ahead Market (“DA”) and the Real Time Balancing Market
2 (“RT”). With respect to the DA, there is a Day Ahead Must Offer requirement which essentially states
3 that Market Participants (“MPs”) must offer enough generation to cover that MP’s next day projected
4 peak load, ancillary service obligations and any firm sales it has agreed to make. In addition, the SPP
5 Market Monitoring Unit monitors for Physical Withholding of generation, which further incentivizes
6 MPs to offer much of their available generation in the DA, even if they have already met their Must
7 Offer requirement. With respect to the RT, SPP requires that all physically available generation be
8 offered to the market. In accordance with SPP rules and requirements, Evergy Missouri West submits
9 generation offers in the DA and RT. Once these offers have been submitted, they are utilized by SPP
10 in its market co-optimization processes. SPP market applications consider inputs such as system-wide
11 requirements, generator operating parameters, offers from all MPs, and transmission system topology
12 to arrive at the most cost effective and reliable generation solution possible. Some of these applications
13 include the Security Constrained Unit Commitment (“SCUC”) and Security Constrained Economic
14 Dispatch (“SCED”) tools. Once the least cost, viable solution is arrived at, SPP issues operating
15 instructions to MPs. Under the SPP market construct, MPs are given the flexibility to let the SPP
16 market independently decide when to commit a given unit or to self-commit the generator. A common
17 example of the latter is if a unit needs to be online for required testing on a given day. Even if a
18 generator is self-committed, this simply establishes that the unit will be online. SPP will still dispatch
19 the unit via the SCED tool within its dispatchable range as established through the market submissions
20 process.

21 **3. Conclusion**

22 Staff did not observe any evidence of imprudent utilization of generation resources during the
23 time period examined in this prudence review.

24 **4. Documents Reviewed**

- 25 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0002, 0003, 0010, 0011,
26 0012, 0013, 0015, 0017, 0018, 0021, 0022, 0041, 0043, and 0053.

27 *Staff Expert/Witness: Jordan Hull*

28 **B. Heat Rates**

29 **1. Description**

30 Heat rates of generating units are an indicator of unit performance. A heat rate is a calculation
31 of total volume of fuel burned for electric generation multiplied by the average heat content of that

1 volume of fuel divided by the total net generation of electricity in kilowatt hours (“kWh”) for a given
2 time period.

3 **2. Summary of Cost Implications**

4 Heat rates are inversely related to the operating efficiency of the generating unit. Increasing
5 heat rates of specific units over time may be an indication that a specific unit’s efficiency is declining.
6 Heat rates can vary greatly depending on operating conditions including but not limited to load, hours
7 of operation, shutdowns and startups, unit outages, derates, and weather conditions. Therefore, a good
8 indication of unit performance for those units that are utilized frequently is an analysis of the trend of
9 heat rates over time. A permanent increase in monthly heat rates is commonly the result of a decrease
10 in a generating unit’s operating efficiency whenever additional emissions reduction equipment is added
11 to the backend of the generating unit. Continued utilization of units with sustained elevated heat rates
12 could result in Evergy Missouri West incurring higher fuel costs per unit of electricity generated than
13 it would otherwise have incurred. If Evergy Missouri West was imprudent in response to the ongoing
14 trend of a unit’s heat rate, ratepayer harm could result from an increase in the fuel costs that are
15 collected through Evergy Missouri West’s FAC charges.

16 **

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20 **3. Conclusion**

21 In reviewing the monthly heat rates of the Evergy Missouri West’s generating units and
22 examining the reasons behind the unfavorable trends and sporadic heat rates, Staff found no indication
23 that Evergy Missouri West acted imprudently during the Review Period.

24 **4. Documents Reviewed**

- 25 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0018, and 0065; and
- 26 b. Monthly Outage data in the Monthly Reports submitted by Evergy West in compliance with
27 Rule 20 CSR 4240-3.190.

28 *Staff Expert/Witness: Jordan Hull*

¹⁴ Response to Data Request No. 0065.

¹⁵ Capacity factor is defined as the ratio between what a generation unit is capable of generating at maximum output versus the unit’s actual generation output over a period of time.

1 **C. Plant Outages**

2 **1. Description**

3 Generating stations' outages generally can be classified as scheduled outages, forced outages,
4 or partial outages ("derating"). Scheduled outages consist of either a planned outage or a maintenance
5 outage. A planned outage is one that is scheduled well in advance, with a predetermined duration and
6 occurring only once or twice a year. Due to significant resources required such as contractors and
7 scheduling, planned outages are scheduled more than a year in advance. Turbine and boiler overhauls,
8 inspections, testing, and nuclear refueling are typical planned outages. A maintenance outage is one
9 that can be deferred beyond the end of the next weekend but must be taken before the next planned
10 outage. A forced outage is an outage that cannot be deferred beyond the next weekend and a partial
11 outage or derating is a condition that exists that requires the unit to be limited to an energy output below
12 maximum capacity.

13 Outages taken at any of the generating units have an impact on how much Evergy Missouri
14 West will pay for fuel and purchased power and, if planned during peak load demand times, has the
15 potential result of Evergy Missouri West paying more for fuel and purchased power cost than it would
16 have paid if the outage was planned during forecasted low load times. Periodic planned outages are
17 required to maintain each generating unit in peak operating condition to minimize forced or
18 maintenance outages that could occur during peak load demand or periods of high replacement energy
19 costs, typically June through August and January through February.

20 Staff examined the planned outages and their timing for imprudence. An example of an
21 imprudent outage would be scheduling a planned outage of a large base load unit during a time of peak
22 load. Evergy Missouri West has little or no control over the timing of unscheduled maintenance or
23 forced outages of the generating stations it owns and operates when such outages are the result of
24 unforeseen events causing fuel and/or purchase power costs that are collected from customers through
25 Evergy Missouri West's FAC to increase. The Company has no control over the timing of planned
26 outages for generating stations it does not operate.

27 ** _____
28 _____
29 _____
30 _____

2. Summary of Cost Implications

An imprudent outage could result in an increase in purchased power costs as well as a decrease in off-system sales revenues through the SPP IM and ratepayer harm could result from an increase in FAC charges.

3. Conclusion

Staff did not find any evidence of imprudent planned outages by Evergy Missouri West during the time period examined in this review.

4. Documents Reviewed

- a. Evergy Missouri West’s responses to Staff Data Request Nos. 0004, 0005, 0005.1, 0006 and 0047.

Staff Expert/Witness: Jordan Hull

D. Self-Commitment of Baseload Generation Facilities into SPP

1. Description

During this FAC prudence review, Staff conducted a review of commitment status of Evergy Missouri West’s generation facilities into SPP in an effort to determine any negative impacts that might be occurring because of such actions. Evergy Missouri West has large and varied electric generation facilities that are designed to provide varying types of services to its customers. These generation facilities include nuclear, coal, natural gas, PV solar, and wind turbines. Each one of Evergy Missouri West’s generation facilities has its own distinct operating characteristics and requires specific operational guidelines to be followed so as to maintain the reliability of the units as determined by Evergy Missouri West’s plant operations team to determine optimal plant reliability and manufacturer operational guidelines. **

_____ ^{17**} With these tools, the Company can develop a day-ahead load bidding strategy based on current projections and historical trends.

“The SPP Integrated Marketplace attempts to minimize the cost to serve load subject to transmission and generator constraints. The day-ahead market does this by using two main tools:

¹⁶ Response to Data Request No. 0005.1.

¹⁷ Response to Staff Data Request No. 0055.

1 centralized unit commitment and economic dispatch. Centralized unit commitment sorts the available
2 generators from least expensive to most expensive and then selects the least expensive units that can
3 achieve the objective without violating the constraints of the optimization. Economic dispatch then
4 uses the results of the unit commitment process as inputs to its own separate optimization. The results
5 of which produce two key, time-based outputs: the megawatts each generator should produce at the
6 corresponding locational prices. Centralized unit commitment and economic dispatch processes are
7 designed to work together to make the market more efficient.”¹⁸ The SPP market allows participants
8 to commit resources different ways rather than have the market choose which units to run. SPP utilizes
9 five resource offer commitment status designations¹⁹ for its market participants (“MP”):

10 **1. Market** – the resource is available for centralized unit commitment through its price sensitive
11 (merit-based) price quantity offers.

12 **2. Self** – the market participant is committing the resource through price insensitive offers
13 outside of centralized unit commitment.

14 **3. Reliability** – the resource is off-line and is only available for centralized unit commitment if
15 there is an anticipated reliability issue.

16 **4. Outage** – the resource is unavailable due to a planned, forced, maintenance, or another
17 approved outage.

18 **5. Not participating** – the resource is otherwise available but has elected not to participate in
19 the day-ahead market.

20 **

21 _____
22 _____
23 _____
24 _____
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26 _____
27 _____
28 _____
29 _____

²⁰**

¹⁸ SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.

¹⁹ SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 5.

²⁰ Response to Staff Data Request No. 0055.

1 SPP Market participants have stated the following reasons for self-commitment:²¹

- 2 • Testing – NERC requirement
- 3 • Public Utilities Regulatory Policy Act (PURPA)
- 4 • Federal service exemptions
- 5 • Started by a different market
- 6 • Weather
- 7 • Long lead times
- 8 • Fuel contracts
- 9 • Other contracts
- 10 • Long minimum run times
- 11 • Commitment bridging
- 12 • Desire to reduce thermal damage to the unit due to starts and stops
- 13 • High startup costs

14 Some of these reasons are unavoidable and can require the resource to be offered in
15 self-commitment status. Testing the output of a plant, as periodically required by regulatory agencies,
16 is a frequent justification. “Some of the reasons, such as high start-up costs, fuel contracts, or
17 commitment bridging are economic in nature and can be handled within the market offer through
18 dollar-based offer parameters. Thermal damage due to start-ups and shutdowns and resulting major
19 maintenance could be included in mitigated offers starting in April 2019. SPP has seen a decline in
20 self-committed generation over time and it is possible that perceptions of economic justifications have
21 changed over time.”²²

22 Staff analyzed data received from Evergy Missouri West to determine the financial impacts of the
23 self-commit units as offered and cleared into the SPP DA and RT markets. Table 7 provides the
24 summary of Staff’s review by generating unit for the Review Period of June 1, 2018 through November
25 30, 2019. Staff reviewed the hourly transactions that were deemed self-commitment by taking the
26 hourly real time energy cost and adding it to the hourly total revenue for that same hour for the
27 individual generating unit that was self-committed, then compared the number of positive “In the
28 Money” hourly transactions to the negative “Out the Money” hourly transactions. Results are shown

²¹ SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Pages 7&8.

²² SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 8.

1 market trends.”²³ Staff does not have the data to perform a detailed analysis as to what would have
2 been the additional costs to the units due to high cost of restart, increases in O&M cost and increased
3 plant outages if Evergy Missouri West would have designated these units as “Market” instead of
4 “Self-Commit”. This is the first review of the commitment statuses for Evergy Missouri West in a FAC
5 prudence review, but Staff plans to compare this review to future reviews to see what trend
6 self-commitment is following for Evergy Missouri West. SPP acknowledged in its Market Report for
7 Winter of 2020 that self-commitment is on a “downward trend²⁴” market wide. Based on the
8 information provided by Evergy Missouri West and Staff’s knowledge of general trends in market
9 commitment behavior, at this time, Staff is not aware of any prudence issues related to Evergy Missouri
10 West’s practice of self-commitment.

11 **2. Summary of Cost Implications**

12 Imprudent Unit Generation commitment could result in increased cost of purchased power
13 by Evergy Missouri West from the SPP IM as well as a decrease in off-system sales revenues through
14 the SPP IM.

15 **3. Conclusion**

16 Staff did not find any evidence of imprudent generation unit self-commitment by Evergy
17 Missouri West during the Review Period.

18 **4. Documents Reviewed**

- 19 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0055.
- 20 b. File No. EW-2019-0370, Supplemental Reports.
- 21 c. SPP Documents: Market Report for Winter 2020 and Self-committing in SPP markets:
22 Overview.

23 *Staff Expert/Witness: Jordan Hull*

24 **E. Natural Gas Costs**

25 **1. Description**

26 For the Review Period, \$** _____ **²⁵ or ** ___**% of Evergy Missouri West’s total
27 fuel costs, purchased power costs, transmission costs, and net emission costs was associated with the
28 natural gas used in generating electricity. The cost of natural gas includes various miscellaneous
29 charges such as firm transportation service charges and other fuel handling expenses. During the

²³ EW-2019-0370, Staff’s Second Supplemental Report, Pages 1&2.

²⁴ SPP Market Report for Winter 2020, Generation Scheduling, Published May 18, 2020, Page 21.

²⁵**

**

1 The following table identifies Evergy Missouri West's peaking generating units that burn natural gas:

2 **Table 10 - Confidential**

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5 **2. Summary of Cost Implications**

6 If Evergy Missouri West was imprudent in its purchasing decisions relating to natural gas,
7 ratepayer harm could result from increased FAC charges.

8 **3. Conclusion**

9 Staff found no indication Evergy Missouri West's purchases of natural gas were imprudent
10 during the Review Period.

11 **4. Documents Reviewed**

- 12 a. Evergy Missouri West's responses to Staff Data Request Nos. 0023, 0024, 0024.1, 0035,
- 13 0035.1, 0045, 0066; and
- 14 b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 23,
- 15 24, and 25.

16 *Staff Expert/Witness: Lisa Wildhaber*

17 **F. Coal and Rail Transportation Costs**

18 **1. Description**

19 For the Review Period, \$** _____ ** or ** ___**% of Evergy Missouri West's total fuel
 20 costs, cost of purchased power, transmission costs, and net emission costs was associated with the coal
 21 used in generating electricity. The cost of coal includes various miscellaneous charges such as rail and
 22 other ground transportation service charges, and other fuel handling expenses. Staff reviewed the
 23 contract terms of 6 coal purchase contracts, as well as a sampling of invoices for coal purchased and
 24 delivered. The counterparties for the contracts are:

25

Table 11 - Confidential

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The contracts provide coal delivery to Evergy Missouri West’s Jeffrey Energy Center 1, 2, and 3; Sibley 1, 2, and 3; and Iatan 1 and 2 generating units. The price of coal can either be a fixed price for the entire contract, a fixed price for each year of the contract, a base price plus an escalation as calculated per the contract, a price determined by the Master Purchase & Sales Agreement, or a price which is indexed based.

2. Summary of Cost Implications

If Evergy Missouri West was imprudent in its decisions relating to purchasing and transporting coal, ratepayer harm could result from an increase in FAC charges.

3. Conclusion

Staff found no indication Evergy Missouri West’s purchases and transportation of coal or its coal-related contracts were imprudent during the Review Period.

4. Documents Reviewed

- a. Evergy Missouri West’s responses to Staff Data Request Nos. 0021, 0023, 0031, 0035, 0035.1, 0045, and 0066; and
- b. Evergy Missouri West’s monthly reports; FAR Filings and related work papers for AP 23, 24, and 25.

Staff Expert/Witness: Lisa Wildhaber

G. Fuel Oil Costs

1. Description

For the Review Period, \$** _____ ** or ** $\frac{\quad}{\quad}$ **% of Evergy Missouri West’s total fuel costs, cost of purchased power, transmission costs, and net emission costs was associated with the fuel oil used in generating electricity. The cost of fuel oil includes various miscellaneous charges, such as rail and/or ground transportation service charges and other miscellaneous fuel handling expenses. Staff reviewed the contract terms of Evergy Missouri West’s 2 oil contracts that were in place during the Review Period, as well as a sampling of invoices for fuel oil purchased. The contracts provide a primary delivery location and agreement on the price. The price is based on the market price at the time Evergy

1 Missouri West purchases the fuel oil. The counterparties for the fuel oil contracts are listed in the table
2 below:

3 **Table 12 - Confidential**

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6 The fuel oil contracts provide delivery of fuel oil to various generating units.

7 **2. Summary of Cost Implications**

8 If Evergy Missouri West imprudently purchased fuel oil, ratepayer harm could result from
9 increased FAC charges.

10 **3. Conclusion**

11 Staff found no indication Evergy Missouri West's costs associated with its fuel oil contracts
12 in place were imprudent during the Review Period.

13 **4. Documents Reviewed**

- 14 a. Evergy Missouri West's responses to Staff Data Request Nos. 0023, 0025, 0035, 0035.1,
15 0045, 0066; and
16 b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 23,
17 24, and 25.

18 *Staff Expert/Witness: Lisa Wildhaber*

19 **H. Transmission Costs**

20 **1. Description**

21 For the Review Period, \$** _____ ** or ** $\frac{\text{---}}{\text{---}}$ **% of Evergy Missouri West's total fuel
22 cost, cost of purchased power, transmission costs and net emission costs, was associated with
23 transmission costs.

24 There were two tariff sheets that were in effect during this Review Period. The 3rd Revised
25 Sheet No. 127.4, applicable to service provided from February 22, 2017 through December 6, 2018
26 defines transmission costs as:

27 TC = Transmission Costs:

28 The following costs reflected in FERC²⁶ Account Number 565:

29 Subaccount 565000: non-SPP transmission used to serve off-system
30 sales or to make purchases for load, excluding any transmission costs
31 associated with the Crossroads Power Plant and 39.62% of the SPP

²⁶ Federal Energy Regulatory Commission, Uniform System of Accounts ("FERC Account").

1 transmission service costs which includes the schedules listed below as
2 well as any adjustments to the charges in the schedules below:

3 Schedule 7- Long-term Firm and Short-term Point to Point
4 Transmission Service

5 Schedule 8- Non Firm Point to Point Transmission Service

6 Schedule 9- Network Integration Transmission Service

7 Schedule 10- Wholesale Distribution Service

8 Schedule 11- Base Plan Zonal Charge and Region Wide Charge

9 Subaccount 565020: the allocation of the allowed costs in the 565000
10 account attributed to native load;

11 Subaccount 565027: the allocation of the allowed costs in the 565000
12 account attributed to transmission demand charges;

13 Subaccount 565030: the allocation of the allowed costs in account
14 565000 attributed to off-system sales.

15 The Original Sheet No. 127.16, applicable to service provided from December 6, 2018 and
16 thereafter, defines transmission costs as:

17 TC = Transmission Costs:

18 The following costs reflected in FERC²⁷ Account Number 565:

19 Subaccount 565000: non-SPP transmission used to serve off-system
20 sales or to make purchases for load, excluding any transmission costs
21 associated with the Crossroads Power Plant and 47.20% of the SPP
22 transmission service costs which includes the schedules listed below as
23 well as any adjustments to the charges in the schedules below:

24 Schedule 7- Long-term Firm and Short-term Point to Point
25 Transmission Service

26 Schedule 8- Non Firm Point to Point Transmission Service

27 Schedule 9- Network Integration Transmission Service

28 Schedule 10- Wholesale Distribution Service

29 Schedule 11- Base Plan Zonal Charge and Region Wide Charge

30 Excluding amounts associated with portions of purchased power
31 agreements dedicated to specific customers under the Renewable Energy
32 Rider tariff.

33 Subaccount 565020: the allocation of the allowed costs in the 565000
34 account attributed to native load;

35 Subaccount 565027: the allocation of the allowed costs in the 565000
36 account attributed to transmission demand charges;

37 Subaccount 565030: the allocation of the allowed costs in account
38 565000 attributed to off-system sales.

²⁷ Federal Energy Regulatory Commission, Uniform System of Accounts (“FERC Account”).

1 For calculating TC, Evergy Missouri West implemented a process whereby total transmission expenses
2 were tabulated and then costs not allowed in the FAC were removed. Staff reviewed the transmission
3 costs over the Review Period to verify only 39.62% of the SPP transmission service costs were included
4 (starting from June 1, 2018 through December 5, 2018) and only 47.20% of the SPP transmission
5 service costs were included (starting December 6, 2018 through November 30, 2019) as well as
6 verifying all Crossroads transmission costs were excluded.²⁸ Evergy Missouri West’s transmission
7 costs during the Review Period are \$** _____ **.

8 **2. Summary of Cost Implications**

9 If Evergy Missouri West imprudently included transmission costs or included more than
10 39.62% of the SPP transmission service costs through December 5, 2018 or no more than 47.20% of
11 the SPP transmission service costs through November 30, 2019, ratepayer harm could result from
12 increased FAC charges.

13 **3. Conclusion**

14 Staff found no indication Evergy Missouri West’s transmission costs were imprudent during
15 the Review Period.

16 **4. Documents Reviewed**

- 17 a. Evergy Missouri West’s General Ledger;
- 18 b. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0023, 0040,
19 0045, 0046; and
- 20 c. FAR and other supporting work papers in this case;

21 *Staff Expert/Witness: Brooke Mastrogiannis*

22 **I. Emission Allowances**

23 **1. Description**

24 The Cross-State Air Pollution Rule (“CSAPR”) is a ruling by the United States Environmental
25 Protection Agency (“EPA”) that requires a number of states, including Missouri, to reduce power plant
26 emissions that contribute to ozone and/or fine particle pollution in other states. The CSAPR replaced
27 EPA’s 2005 Clean Air Interstate Rule (CAIR), following the direction of a 2008 court decision that
28 required EPA to issue a replacement regulation. CSAPR implementation began on January 1, 2015.

²⁸ During the last general rate case, Case No. ER-2018-0146, the Commission, in its *Order Approving Stipulations and Agreements* issued on October 31, 2018, approved the change of the FAC transmission percentage from 39.62% to 47.20%.

1 The CSAPR requires Missouri to reduce its annual emissions of sulfur dioxide (SO₂) and nitrous
2 oxides (NO_x) to help downwind states attain the 24-hour National Ambient Air Quality Standards
3 (“NAAQS”). The CSAPR also requires Missouri to reduce ozone season emissions of NO_x to help
4 downwind states attain the 8-hour NAAQS.

5 On September 7, 2016, the EPA revised the CSAPR ozone season NO_x program by finalizing
6 an update to CSAPR for the 2008 ozone NAAQS, known as the CSAPR Update. The CSAPR Update
7 ozone season NO_x program largely replaced the original CSAPR ozone season NO_x program starting
8 on May 1, 2017. The CSAPR Update further reduced summertime NO_x emissions from power plants
9 in the eastern U.S. According to Evergy Missouri West, there were no operational adjustments needed
10 to comply with the CSAPR requirements.

11 The primary mechanism of CSAPR is a cap-and-trade program that allows a major source of
12 NO_x and/or SO₂ to trade excess allowances when its emissions of a specific pollutant fall below its cap
13 for that pollutant. Originally, the EPA issued a model cap-and-trade program for power plants, which
14 could have been used by states as the primary control mechanism under CAIR. This model, with
15 modifications, continued under CSAPR.

16 To comply with CSAPR, Evergy Missouri West established an inventory for SO₂ and NO_x.
17 Evergy Missouri West currently plans to maintain this SO₂ and NO_x allowance inventory sufficient to
18 offset expected emissions. This inventory is tracked in Company account 158.100 for Emissions
19 Allowance Inventory and accounts 158200 and 158201 for Emission Allowance REC Inventories. The
20 Evergy Missouri West SO₂ and NO_x allowance inventories are valued at average cost, and the cost for
21 SO₂ and NO_x allowances is tracked in FERC Account Number 509000. For the Review Period, the
22 SO₂ total balance in the emission inventory accounts as of November 30, 2019 was ** ____ **. The
23 Company annually balances account 509000 when the EPA yearly awards the additional allowances.

24 For the Review Period, Evergy Missouri West’s total net emission allowance cost
25 was\$ ** ____ _**.

26 2. Summary of Cost Implications

27 If Evergy Missouri West imprudently used, purchased or banked its SO₂ and NO_x allowances,
28 ratepayer harm could result from an increase in Evergy Missouri West’s FAC charges.

29 3. Conclusion

30 Staff found no indication Evergy Missouri West was imprudent in its purchases, banking, or
31 usage of CSAPR SO₂ and NO_x allowances.

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri West’s responses to Staff’s Data Request Nos. 0032, 0034, 0039, 0045,
3 0059, 0060, 0061 and 0062;
- 4 b. Evergy Missouri West’s monthly reports for the time period June 1, 2018 through
5 November 30, 2019 required by 20 CSR 4240-20.090(5); and,
- 6 c. Section 7 & 8 Filings – 23rd, 24th and 25th Accumulation Periods (ending
7 November 2018, May 2019, November 2019 respectively).

8 *Staff Expert/Witness: Cynthia M Tandy*

9 **J. Off-System Sales Revenue**

10 **1. Description**

11 Off-system sales revenues (“OSSR”) is a component in the calculation of Evergy Missouri
12 West’s FAR used to charge or refund fuel and purchased power costs to its customers. There were two
13 tariff sheets that were in effective during this Review Period. The following languages in effect during
14 the Review Period includes:

15 Evergy Missouri West’s 7th Revised Sheet No. 127.5, applicable to service provided from February
16 22, 2017 through December 6, 2018 defines the “OSSR” component as:

- 17 • OSSR = Revenues from Off-System Sales:
18 ○ The following revenues or costs reflected in FERC Account Number 447:

19
20 Subaccount 447020: all revenues from off-system sales. This
21 includes charges and credits related to the SPP IM, Off-system
22 sales revenues from full and partial requirements sales to
23 municipalities that are served through bilateral contracts in
24 excess of one year shall be excluded from OSSR component;

25
26 Subaccount 447012: capacity charges for capacity sales one year
27 or less in duration;

28
29 Subaccount 447030: the allocation of the includable sales in
30 account 447020 not attributed to retail sales.

31 Evergy Missouri West’s Original Sheet No. 127.16, applicable to service provided from
32 December 6, 2018 and thereafter defines the “OSSR” component as:

- 33 • OSSR = Revenues from Off-System Sales:
34 ○ The following revenues or costs reflected in FERC Account Number 447:

35
36 Subaccount 447020: all revenues from off-system sales.
37 This includes charges and credits related to the SPP IM,
38 excluding (1) the amounts associated with purchased power
39 agreements associated with the Renewable Energy Rider tariff,
40 and (2) off-system sales revenues from full and partial

1 requirements sales to municipalities that are served through
2 bilateral contracts in excess of one year. Additional revenue will
3 be added at an imputed 75% of the unsubscribed portion
4 associated with the Solar Subscription Rider valued at market
5 price;

6
7 Subaccount 447012: capacity charges for capacity sales;

8
9 Subaccount 447030: the allocation of the includable sales in
10 account 447020 not attributed to retail sales;

11
12 Subaccount 447035: the off-systems sales revenues associated
13 with the WAPA agreement.
14

15 Staff reviewed the off-system sales quantities and revenues over the Review Period, and
16 Evergy Missouri West's off-system sales revenue recoverable under the FAC was in the amount
17 \$** _____ **.

18 **2. Summary of Cost Implications**

19 Evergy Missouri West's revenues from off-system sales are an offset against total fuel and
20 purchased power costs, transmission costs and net emission costs. This is because Evergy Missouri
21 West's ratepayers pay for the resources used to produce any energy that Evergy Missouri West sells.
22 Since implementing the IM, SPP has controlled the economic dispatch of Evergy Missouri West's
23 generation. During times that Evergy Missouri West's generation exceeds Evergy Missouri West's
24 retail customers' needs, Evergy Missouri West becomes a net seller in the SPP IM market. If Evergy
25 Missouri West did not make its generating units available in the SPP IM market for off-system sales to
26 be made, ratepayers could be harmed by an increase in Evergy Missouri West's FAC charge

27 **3. Conclusion**

28 Staff found no indication that Evergy Missouri West imprudently withheld availability of its
29 generating units in the SPP for off-system sales to be made.

30 **4. Documents Reviewed**

- 31 a. Evergy Missouri West's responses to Staff Data Request Nos. 0023, 0045, and 0056;
- 32 b. Evergy Missouri West's FAC tariff sheets during the Review Period; and
- 33 c. Evergy Missouri West's monthly reports and FAR filing worksheets.

34 *Staff Expert/Witness: Cynthia M. Tandy*

1 **K. Renewable Energy Credit Revenues**

2 **1. Description**

3 The Missouri Renewable Energy Standard ("RES")²⁹ requires all investor-owned electric
4 utilities in Missouri to provide at least two percent (2%) of their retail electricity sales using renewable
5 energy resources in each calendar year 2011 through 2013, and to increase that percentage over time
6 to at least fifteen percent (15%) by 2021. Commission rule 20 CSR 4240-20.100 Electric Utility
7 Renewable Energy Standard Requirements, which first became effective September 30, 2010, contains
8 the definitions, structure, operations, and procedures for implementing the RES.

9 The RES rule creates two categories of energy-generating resources: non-renewable energy
10 resources (including purchased power from non-renewable energy sources) and renewable energy
11 resources (including purchased power from renewable energy sources).³⁰ Renewable energy resources
12 produce electrical energy and are wind, solar sources, thermal sources, hydroelectric sources,
13 photovoltaic cells and panels, fuel cells using hydrogen produced by one (1) of the above named
14 electrical energy sources, and other sources of energy that become available after August 28, 2007, and
15 are certified as renewable by the Missouri Department of Natural Resources -- Division of Energy
16 ("Division of Energy").³¹ Once an energy resource is certified, it begins producing RECs, with one
17 (1) REC representing one (1) megawatt-hour of electricity that has been generated from the renewable
18 energy resource. These RECs can be sold and/or traded in the market place bundled with or without
19 the energy that generated the REC.³² The cost of a REC (as a RES compliance cost) cannot be
20 recovered through the FAC.³³ Revenues from the sale of RECs are recovered through the FAC as an
21 off-set to fuel costs. During the Review Period, the RES rule required Evergy Missouri West to serve
22 at least 10% of its retail load using renewable energy resources.

23 In Staff Data Request No. 0058, Staff asked, "Did Evergy Missouri West sell any RECs
24 (wind, solar, etc.) during the review period of June 1, 2018 through November 30, 2019 and if no,
25 please provide the reason why no RECS were sold." Evergy Missouri West responded, "Evergy
26 Missouri West did not sell any RECs during the review period of June 1, 2018 through
27 November 30, 2019."³⁴ An additional response in DR 0058 for the reason for the non-sale of RECs was,

²⁹ Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.

³⁰ 20 CSR 4240-20.100(5)(B).

³¹ Prior Department of Economic Development – Division of Energy.

³² 20 CSR 4240-20.100(6)(B)(5)(J).

³³ 20 CSR 4240-20.100(6)(A)(16).

1 **2. Summary of Cost Implications**

2 If Staff found that Evergy Missouri West was imprudent in its management of RECs, by
3 including the cost of RECs in calculating its FAC charges, ratepayer harm could result from increased
4 costs or decreased revenues in its FAC charges. Potential ratepayer harm could result if excess RECs
5 are continued to be allowed to expire rather than sold.

6 **3. Conclusion**

7 With regards to FAC prudence, Staff did not find evidence that Evergy Missouri West’s
8 management of its RECs during the Review Period was imprudent. However, this is an issue that needs
9 to be closely monitored and Staff will continue to address this issue in future prudence reviews.

10 **4. Documents Reviewed**

- 11 a. Staff Data Request Nos. 0042, 0042.1 0057 and 0058;
- 12 b. The 2020 Integrated Resource Plan Annual Update for Evergy Missouri West;
- 13 c. The 2019 Renewable Energy Standard Compliance Report for Evergy Missouri West; and,
- 14 d. Case No. EO-2019-0067.

15 *Staff Expert/Witness: Cynthia M Tandy*

16 **L. Sibley Generating Unit**

17 **1. Description**

18 In Case No. ER-2019-0413, FAR filing for accumulation period (“AP”) 24, which covers the
19 AP months of December 2018 through May 2019, Evergy Missouri West agreed to remove all the costs
20 associated with the retirement of Sibley. These costs were described in detail as the transfer of coal
21 costs from the retired Sibley generating station. Evergy Missouri West stated, “GMO will not seek to
22 recover the \$185,857 (the amount removed by GMO from the FAR associated with fuel transfers) in
23 accumulation period 24 or any other accumulation period in its Fuel Adjustment Clause.” This resulted
24 in a total reduction of \$185,857.

25 In Case No. ER-2020-0189, FAR filing for AP25, which covers the AP months of June 2019
26 through November 2019, Evergy Missouri West properly removed a credit related to the same type of
27 costs/revenues for the retired Sibley generation facility that it agreed to remove in Case No.
28 ER-2019-0413. This resulted in a total credit reduction of \$429,299 during these AP months.

29 This Review Period also encompasses the FAR filing for AP23, Case No. ER-2019-0198, for
30 the AP months of June 2018 through November 2018. Even though the Sibley generation facility did

1 not retire until December 2018, it remains Staff’s due diligence to review the costs associated with
2 Sibley to ensure there was no inclusion of costs/revenues related to the retirement of the Sibley
3 generation facility similar to those that the Company previously agreed to remove during those
4 accumulation period months.

5 During Staff’s investigation, Staff found that the Company included costs totaling \$1,039,646
6 for recovery in November 2018 associated with Sibley. This \$1,039,646 is comprised of \$531,693 for
7 the cost of coal inventory adjustment (write-down), \$29,992 for the coal physical inventory adjustment
8 (basemat write-off), \$162,016 for the urea write-off, \$315,642 for the SO2 write-off, and \$303 for fuel
9 residuals.³⁷ The Company states that even though these costs are costs of retirement or
10 decommissioning expenses, they should not be booked against the depreciation reserve account 108.
11 The Company also states “Evergy Missouri West believes that these Sibley costs should be recovered,
12 whether through the FAC or another mechanism. Missouri West would agree to defer as an offset to
13 this regulatory liability the November 2018 Sibley amounts totaling \$1,039,646 for review in the
14 Company’s next general rate case.³⁸” In Staff’s opinion, the costs in AP23³⁹ are consistent with those
15 costs Evergy Missouri West agreed to remove in AP24 and AP25; therefore, similar to AP 24 and
16 AP 25, they should not be recovered through the Fuel Adjustment Clause for AP23. In addition, there
17 is nothing stated in the Evergy Missouri West tariff sheets that would allow the costs associated with
18 the retirement or decommissioning of Sibley to be recoverable through the FAC. Staff recommends the
19 Commission order Evergy Missouri West to remove \$1,039,646 worth of costs related to the retirement
20 and decommissioning of the Sibley Generating Unit from the FAC, and allow Evergy Missouri West
21 to seek recovery of these costs in another mechanism, such as the AAO that was approved in Case No.
22 EC-2019-0200, which will be considered in the next general rate case.

23 2. Summary of Cost Implications

24 If Evergy Missouri West’s use of the FAC to recover Sibley generation plant costs was
25 imprudent, ratepayer harm could result from an increase in FAC charges.

26 3. Conclusion

27 Staff found no indication that Evergy Missouri West imprudently included costs associated with
28 the retirement of Sibley during the Review Period, as the Company has agreed, either through Case

³⁷ Response to Staff Data Request 0064.1.

³⁸ Response to Staff Data Request 0064.2.

³⁹ As previously noted, the Company stated in Case No. ER-2019-0413, “GMO will not seek to recover the \$185,857 in AP24 or any other accumulation period in its Fuel Adjustment Clause”.

1 No. EC-2019-0200 or through its response to Staff Data Request 0064.2, to defer the costs associated
2 with the retirement of Sibley during the Review Period, and seek recovery of those costs in
3 another mechanism. Staff recommends the Commission issue an Ordered Adjustment (“OA”) in the
4 amount of \$1,039,343.

5 **4. Documents Reviewed**

- 6 a. Evergy Missouri West’s responses to Staff Data Request No. 0064, 0064.1, 0064.2, 0064.3,
7 0064.4, 0064.5, and 0064.6;
- 8 b. Evergy Missouri West’s General Ledger; and
- 9 c. FAR supporting workpapers in Case Nos. ER-2019-0198, ER-2019-0413, and
10 ER-2020-0189.

11 *Staff Expert/Witness: Brooke Mastrogiannis*

12 **M. Lake Road Auxiliary Power Steam Allocation**

13 **1. Description**

14 In Case No. ER-2018-0400, Evergy Missouri West’s FAC FAR filing for the twenty-second
15 accumulation period, which started December 1, 2017 through May 31, 2018, Evergy Missouri West
16 made an adjustment entry for auxiliary power to reduce fuel expense for electric customers and allocate
17 a portion to industrial steam customers. However, as a result of the Commission’s *Order Approving*
18 *Stipulation and Agreement* (“Commission’s Order”) in Evergy Missouri West’s most recent general
19 rate case, Case No. ER-2018-0146, the Company believed that no adjustment entry was needed for this
20 allocation of auxiliary power in its FAC’s twenty-second accumulation period FAR filing. The
21 Stipulation and Agreement filed in Case No. ER-2018-0146 on September 19, 2018 and approved by
22 the Commission on October 31, 2018, provided the following in its paragraph 10:

23 **10. GMO STEAM ALLOCATIONS**

24 GMO will use the allocation numbers used in Staff’s model filed in Case No.
25 ER-2016-0156. These allocation numbers shall be used by GMO in its FAC,
26 QCA, and surveillance reporting. GMO agrees to work with Staff, OPC, and
27 MECG to develop new steam allocation procedures prior to GMO’s next electric
28 general rate case.

29 As a result of the Commission’s Order, Evergy Missouri West reversed, in Case No. ER-2019-0198,
30 the original adjustment entry from the prior FAR filing in its FAR filing for its FAC’s twenty-third
31 accumulation period which started June 1, 2018 and ended November 30, 2018 OPC disputed \$482,557
32 of costs related to auxiliary power and the allocation of charges for the auxiliary electric power used

1 by Evergy Missouri West for its steam operations. On February 27, 2019, the Commission suspended
2 the true up timeline to allow the Commission to address OPC's challenge. . Case No. ER-2019-0198
3 was combined with the concurrent FAC prudence review, Case No. EO-2019-0067, to allow the
4 Commission to address OPC's challenge in the FAC prudence review instead of the FAR filing.

5 As a result of the Commission's Report and Order in Case No. EO-2019-0067, OPC's request
6 for a prudence adjustment of \$469,409⁴⁰ was denied. The Commission's Conclusions of Law state:

7 T. Neither GMO's tariff nor any relevant statute or regulation required GMO to
8 directly allocate the fuel costs associated with auxiliary power between the
9 electric operations and the steam operations at GMO's Lake Road Plant.

10 U. Section 386.550, RSMo, states: "In all collateral actions or proceedings the
11 orders and decisions of the commission which have become final shall be
12 conclusive."

13 V. In ER-2018-0146, the Commission issued its *Order Approving Stipulations*
14 *and Agreements* on October 31, 2018. The Commission takes official notice that
15 Order and that Order approved a stipulation with the following language:
16 "GMO will use the allocation numbers used in Staff's model filed in Case No.
17 ER-2016-0156. These allocation numbers shall be used by GMO in its FAC,
18 QCA, and surveillance reporting. GMO agrees to work with Staff, OPC, and
19 MCEG to develop new steam allocation procedures prior to GMO's next electric
20 general rate case." KCPL was a signatory party of the stipulation referenced in
21 the Order. The stipulation was incorporated into the Order. The order required
22 KCPL to comply with the aforesaid provision. The aforesaid October 31, 2018
23 Order entered in ER-2018-0146 became final and is conclusive in this case.

24 Subsequently, in Case No. ER-2019-0413, Evergy Missouri West did not seek to recover the
25 disputed amount by OPC, which was \$311,381 related to auxiliary power Evergy Missouri West used
26 for its steam operations at its Lake Road station, since the order in Case No. EO-2019-0067 was not
27 final and was still appealable.^{41, 42}

28 Staff's understanding of this issue is that Evergy Missouri West will be working with Staff,
29 OPC, and MCEG, to develop new steam allocation procedures prior to Evergy Missouri West's next
30 electric general rate case.

⁴⁰ OPC's request for the prudence adjustment in Case No. EO-2019-0067 is different than what it disputed in the FAR filing, Case No. ER-2019-0198, because it removed the amount for the Jurisdictional factor, the 95% sharing, and interest.

⁴¹ KCP&L Greater Missouri Operations Company's Response to Order Directing Filing, filed on 9-12-2019, in Case No. ER-2019-0413.

⁴² On January 8, 2020, the Commission denied OPC's Motion for Rehearing and Reconsideration in Case No. EO-2019-0067. Since then, Evergy Missouri West has included for recovery all the disputed amounts by OPC, totaling \$803,113, including interest in its most recent FAR filing in Case No. ER-2020-0421.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri West imprudently included steam auxiliary power costs in its FAC,
3 ratepayer harm could result from an increase in FAC charges.

4 **3. Conclusions**

5 Staff found no indication that Evergy Missouri West imprudently included steam auxiliary
6 power costs in its FAC during the Review Period.

7 **4. Documents Reviewed**

- 8 a. Staff Data Request No. 0062 in EO-2019-0067;
- 9 b. FAR filing workpapers in Case Nos. ER-2018-0400, ER-2019-0198, ER-2019-0413,
10 and ER-2020-0189;
- 11 c. Staff Recommendation in Case Nos. ER-2018-0400, ER-2019-0198, ER-2019-0413,
12 and ER-2020-0189;
- 13 d. September 19, 2018 Non-Unanimous Stipulation and Agreement in Case No.
14 ER-2018-0146; and
- 15 e. November 6, 2019 Report and Order in Case No. EO-2019-0067.

16 *Staff Expert/Witness: Brooke Mastrogiannis*

17 **N. Gray County Wind Purchased Power Agreement**

18 **1. Description**

19 Evergy Missouri West has a long-term (15-year) PPA with NextEra Energy Resources for
20 energy and RECs generated by the Gray County Wind Farm located in Kansas. The contract is based
21 on **__ ** MW of capacity that Evergy Missouri West (then known as Aquila, Inc.) began receiving
22 in 2001. The contract is a “take-or pay” contract (i.e., Evergy Missouri West has to receive and pay for
23 the energy whether it needs the energy or not), which is a standard feature of many wind PPAs. The
24 contract is for the energy and RECs generated by the wind farm. In its response to Staff Data Request
25 No. 0058 Evergy Missouri West stated, “Evergy Missouri West did not sell any RECs during the
26 Review Period of June 1, 2018 through November 30, 2019”. Total cost of electricity under the Gray
27 County PPA was \$** _____ ** with revenue associated with sales of \$** _____ ** which
28 resulted in a net loss of \$** _____ ** for the Review Period.

29 **2. Summary of Cost Implications Summary of Cost Implications**

30 If Evergy Missouri West was imprudent by purchasing energy to meet its demand at a cost
31 that exceeded Evergy Missouri West’s cost to generate that energy itself, ratepayer harm could
32 result from that imprudence through an increase in FAC charges. Commission Rule 20 CSR

1 4240-20.090(1)(B) and (C) and Evergy Missouri West’s FAC allow purchased power costs and
2 revenues in FERC Account Number 555 to be recovered through the FAC. Staff found no indication
3 that Evergy Missouri West imprudently included the Gray County Wind Farm PPA costs in the FAC.

4 **3. Conclusions**

5 Staff has identified that the Gray County Wind Farm PPA is creating a significant amount of
6 additional costs compared to the revenue received; Staff notes this is a long-term PPA and the
7 performance of this contract should be viewed on a long-term basis and not just from the results during
8 this Review Period. Staff is not recommending a disallowance related to this issue at this time.

9 **4. Documents Reviewed**

- 10 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,
11 0043, 0045, 0046, 0053, and 0058;
- 12 b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 13 c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 14 d. Staff Report in Case No. EO-2018-0291; and
- 15 e. Staff Report in Case No. EO-2019-0316.

16 *Staff Expert/Witness: Brooke Mastrogianis*

17 **O. Ensign Wind Purchased Power Agreement**

18 **1. Description**

19 Evergy Missouri West has a long-term (20-year) PPA with NextEra Energy Resources for
20 energy and RECs generated by the Ensign Wind Center located in Gray County, Kansas. The contract
21 is also a “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy Missouri West has
22 to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy
23 price of \$** ____ ** per MWh and a capacity of ** ____ ** MW that Evergy Missouri West
24 began receiving in November 2012. In its response to Staff Data Request No. 0058 Evergy
25 Missouri West stated, “Evergy Missouri West did not sell any RECs during the Review Period of
26 June 1, 2018 through November 30, 2019”. Total cost of electricity under the Ensign Wind PPA was
27 \$** _____ ** with revenue associated with sales of \$** _____ ** which resulted in a net loss
28 of \$** _____ ** for the Review Period.

29 **2. Summary of Cost Implications**

30 If Evergy Missouri West was imprudent by purchasing energy to meet its demand at a cost that
31 exceeded Evergy Missouri West’s cost to generate that energy itself, ratepayer harm could result from
32 that imprudence through an increase in FAC charges. Commission Rule 20 CSR 4240-20.090(1)(B)

1 and (C), and Evergy Missouri West’s FAC allow purchased power costs and revenues in FERC
2 Account Number 555 to be recovered through the FAC. Staff found no indication that Evergy Missouri
3 West imprudently included the Ensign Wind Center PPA costs in the FAC.

4 **3. Conclusions**

5 Staff has identified that the Ensign Wind Center PPA is creating a significant amount of
6 additional costs compared to the revenue received; Staff notes this is a long-term PPA and the
7 performance of this contract should be viewed on a long-term basis and not just from the results during
8 this Review Period. Staff is not recommending a disallowance related to this loss issue at this time.

9 **4. Documents Reviewed**

- 10 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,
11 0043, 0045, 0046, 0053, and 0058;
- 12 b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 13 c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 14 d. Staff Report in Case No. EO-2018-0291; and
- 15 e. Staff Report in Case No. EO-2019-0316.

16 *Staff Expert/Witness: Brooke Mastrogiannis*

17 **P. Osborn Wind Energy Purchased Power Agreement**

18 **1. Description**

19 Evergy Missouri West has a long-term (20-year) PPA with NextEra Energy Resources for
20 energy and RECs generated by the Osborn Wind Energy Center located in Missouri. The contract is
21 based on a fixed energy price of ** ____ ** per MWh and a capacity of ** __ ** MW that Evergy
22 Missouri West began receiving in December 2016. The contract is a “take-or pay” contract
23 (i.e., Evergy Missouri West has to receive and pay for the energy whether it needs the energy or not),
24 which is a standard feature of many wind PPAs. The contract is for the energy and RECs
25 generated by the wind farm. In its response to Staff Data Request No. 0058 Evergy Missouri West
26 stated, “Evergy Missouri West did not sell any RECs during the Review Period of June 1, 2018
27 through November 30, 2019”. Total cost of electricity under the Osborn Wind PPA was
28 \$** _____ ** with revenue associated with sales of \$** _____ ** which resulted in a net loss
29 of \$** _____ ** for the Review Period.

1 **2. Summary of Cost Implications Summary of Cost Implications**

2 If Evergy Missouri West was imprudent by purchasing energy to meet its demand at a cost that
3 exceeded Evergy Missouri West’s cost to generate that energy itself, ratepayer harm could result from
4 that imprudence through an increase in FAC charges. Commission Rule 20 CSR 4240-20.090(1)(B)
5 and (C), and Evergy Missouri West’s FAC allow purchased power costs and revenues in FERC
6 Account Number 555 to be recovered through the FAC. Staff found no indication that Evergy Missouri
7 West imprudently included the Osborn Wind Energy PPA costs in the FAC.

8 **3. Conclusions**

9 Staff has identified that the Osborn Wind Energy PPA is creating a significant amount of
10 additional costs compared to the revenue received; Staff notes this is long-term PPA and the
11 performance of this contract should be viewed on a long-term basis and not just from the results during
12 this Review Period. Staff is not recommending a disallowance related to this loss issue at this time.

13 **4. Documents Reviewed**

- 14 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,
15 0043, 0045, 0046, 0053, and 0058;
- 16 b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 17 c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 18 d. Staff Report in Case No. EO-2018-0291; and
- 19 e. Staff Report in Case No. EO-2019-0316.

20 *Staff Expert/Witness: Brooke Mastrogiannis*

21 **Q. Rock Creek Wind Project Purchased Power Agreement**

22 **1. Description**

23 Evergy Missouri West has a long-term (20-year) PPA with Rock Creek Wind Project, LLC for
24 energy and RECs generated by the Rock Creek Wind Farm located in Missouri. The contract is also a
25 “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy Missouri West has to
26 receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price
27 of \$** ____ ** per MWh and a capacity of ** ____ ** MW that Evergy Missouri West
28 began receiving in August 2017. In its response to Staff Data Request No. 0058 Evergy Missouri
29 West stated, “Evergy Missouri West did not sell any RECs during the Review Period of
30 June 1, 2018 through November 30, 2019”. Cost of electricity under the Rock Creek Wind Project
31 was \$** _____ ** with revenue associated with sales of \$** _____ ** which resulted in a
32 net loss of \$** _____ ** for the Review Period.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri West was imprudent by purchasing energy to meet its demand at a cost that
3 exceeded Evergy Missouri West’s cost to generate that energy itself, ratepayer harm could result from
4 that imprudence through an increase in FAC charges. Commission Rule 20 CSR 4240-20.090(1)(B)
5 and (C), and Evergy Missouri West’s FAC allow purchased power costs and revenues in FERC
6 Account Number 555 to be recovered through the FAC. Staff found no indication that Evergy Missouri
7 West imprudently included the Rock Creek Wind Project PPA costs in the FAC.

8 **3. Conclusions**

9 Staff has identified that the Rock Creek Wind Project PPA is creating a significant amount of
10 additional costs compared to the revenue received; Staff notes this is a long-term PPA and the
11 performance of this contract should be viewed on a long-term basis and not just from the results during
12 this Review Period. Staff is not recommending a disallowance related to this loss issue at this time.

13 **4. Documents Reviewed**

- 14 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,
15 0043, 0045, 0046, 0053, 0058, and 0071;
- 16 b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 17 c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 18 d. Staff Report in Case No. EO-2018-0291; and
- 19 e. Staff Report in Case No. EO-2019-0316.

20 *Staff Expert/Witness: Brooke Mastrogiannis*

21 **R. Prairie Queen Wind Purchased Power Agreement**

22 **1. Description**

23 Evergy Missouri West has a long-term (20-year) PPA with Prairie Queen Wind Farm, LLC
24 for energy and RECs generated by the Prairie Queen Wind Farm located in Kansas. The contract is
25 also a “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy Missouri West has to
26 receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price
27 of \$** ____ ** per MWh and a capacity of ** ____ ** MW that Evergy Missouri West began
28 receiving in May 2019. In its response to Staff Data Request No. 0058 Evergy Missouri West
29 stated, “Evergy Missouri West did not sell any RECs during the Review Period of June 1, 2018
30 through November 30, 2019”. Cost of electricity under the Prairie Queen Wind Project was
31 \$** _____ ** with revenue associated with sales of \$** _____ ** which resulted in a net gain
32 of \$** ____ ** for the Review Period.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri West was imprudent by purchasing energy to meet its demand at a cost that
3 exceeded Evergy Missouri West’s cost to generate that energy itself, ratepayer harm could result from
4 that imprudence through an increase in FAC charges. Commission Rule 20 CSR 4240-20.090(1)(B)
5 and (C), and Evergy Missouri West’s FAC allow purchased power costs and revenues in FERC
6 Account Number 555 to be recovered through the FAC. Staff found no indication that Evergy Missouri
7 West imprudently included the Prairie Queen Wind Project PPA costs in the FAC.

8 **3. Conclusion**

9 Staff has identified that the Prairie Queen Wind Project PPA is creating more revenue received
10 than additional costs; Staff notes this is a long-term PPA and the performance of this contract should
11 be viewed on a long-term basis and not just from the results during this Review Period.

12 **4. Documents Reviewed**

- 13 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,
14 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070, and 0071;
- 15 b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 16 c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 17 d. Staff Report in Case No. EO-2018-0291;
- 18 e. Staff Report in Case No. EO-2019-0316; and
- 19 f. Evergy Missouri West’s 2018 Triennial Integrated Resource Planning filing in Case No.
20 EO-2018-0269.

21 *Staff Expert/Witness: Brooke Mastrogiannis*

22 **S. Pratt Wind Purchased Power Agreement**

23 **1. Description**

24 Evergy Missouri West has a long-term (30-year) PPA with Pratt Wind, LLC for energy and
25 RECs generated by the Pratt Wind Farm located in Kansas. The contract is also a “take-or pay” contract
26 for renewable wind energy and RECs (i.e., Evergy Missouri West has to receive and pay for the energy
27 whether it needs the energy or not), and is based on a fixed energy price of \$** ____ ** per MWh and
28 a capacity of ** ____ ** MW that Evergy Missouri West began receiving in November 2018. In its
29 response to Staff Data Request No. 0058 Evergy Missouri West stated, “Evergy Missouri West did not
30 sell any RECs during the Review Period of June 1, 2018 through November 30, 2019”. Cost of
31 electricity under the Pratt Wind Project was \$** _____ ** with revenue associated with sales of
32 \$** _____ ** which resulted in a net loss of \$** _____ ** for the Review Period.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri West was imprudent by purchasing energy to meet its demand at a cost that
3 exceeded Evergy Missouri West’s cost to generate that energy itself, ratepayer harm could result from
4 that imprudence through an increase in FAC charges. Commission Rule 20 CSR 4240-20.090(1)(B)
5 and (C), and Evergy Missouri West’s FAC allow purchased power costs and revenues in FERC
6 Account Number 555 to be recovered through the FAC. Staff found no indication that Evergy Missouri
7 West imprudently included the Pratt Wind Project PPA costs in the FAC.

8 **3. Conclusions**

9 Staff has identified that the Pratt Wind Project PPA is creating more additional costs compared
10 to the revenue received; Staff notes this is a long-term PPA and the performance of this contract should
11 be viewed on a long-term basis and not just from the results during this Review Period. Staff is not
12 recommending a disallowance related to this loss issue at this time.

13 **4. Documents Reviewed**

- 14 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,
15 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;
- 16 b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 17 c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 18 d. Staff Report in Case No. EO-2018-0291;
- 19 e. Staff Report in Case No. EO-2019-0316; and
- 20 f. Evergy Missouri West’s 2018 Triennial Integrated Resource Planning filing in Case No.
21 EO-2018-0269.

22 *Staff Expert/Witness: Brooke Mastrogiannis*

23 **T. Purchased Power Costs**

24 **1. Description**

25 Evergy Missouri West’s FAC 3rd Revised Sheet No. 127.3 applicable to service provided from
26 February 22, 2017 through December 6, 2018, and Original Sheet No. 127.15, applicable to service
27 provided from December 6, 2018 through the effective date of this tariff sheet, define the Purchased
28 Power Costs (“PP”) components, which are purchases of power through the SPP Integrated Market
29 (“SPP IM”) and not energy generated by the Company.

30 Staff has determined that Evergy Missouri West’s total purchased power expense for the
31 Review Period is \$** _____ ** as shown previously in Table 3. More detail for the cost of
32 Purchased Power is shown in Table 14 below.

1 2020 IRP Annual Update,⁴³ concerns with these additional purchased power wind contracts. Given
2 that a majority of Evergy Missouri West’s current wind PPAs are creating more costs for ratepayers
3 than revenues and additional purchased power wind contracts could put ratepayers at greater risk, in its
4 Staff Report in Case No. EO-2020-0281, Staff noted “that this risk could be addressed fairly through
5 risk mitigation or risk sharing in the Commission-approved fuel adjustment clauses of the Companies.”

6 Non-firm Short-term Energy

7 Since SPP implemented the IM on March 1, 2014, SPP has controlled the economic dispatch
8 of Evergy Missouri West’s generation. During times that Evergy Missouri West’s load exceeds Evergy
9 Missouri West’s generation, Evergy Missouri West becomes a net purchaser in the SPP market. These
10 SPP market purchases are from other electric suppliers to help meet Evergy Missouri West’s retail load
11 during times of forced or planned plant outages and during times when the market price is below the
12 marginal cost of providing that energy from Evergy Missouri West’s generating units. Under the SPP
13 IM, Evergy Missouri West’s generation is offered to the SPP IM and energy needed for native load
14 requirements is purchased from the SPP market. “Spot purchases and sales are made based upon SPP
15 market and operating conditions for the SPP footprint.” Costs for the IM purchases are included as
16 “Non-Firm Short-term Energy” in Tables 3 and 13 of this Report. Further discussion of Evergy
17 Missouri West’s participation in these markets can be found in Section III.A. of this report.

18 Short-term Demand

19 Capacity charges for capacity purchases less than 12 months in duration are listed as Short-term
20 Demand on Tables 3 and 14.

21 **2. Summary of Cost Implication**

22 If Evergy Missouri West did not manage its purchase power contracts properly or Evergy
23 Missouri West imprudently participated in the SPP IM, ratepayer harm could result from an increase
24 in costs collected through the FAC.

25 **3. Conclusion**

26 Staff found no indication of imprudence by Evergy Missouri West for purchasing short-term
27 capacity or impacts from long-term purchased power contracts or purchasing energy in the SPP IM
28 market.

⁴³ Case No. EO-2020-0281.

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0019, 0020,
3 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;
4 b. Staff Report in Case No. EO-2020-0281; and
5 b. Section III.A. of this report.

6 *Staff Expert/Witness: Brooke Mastrogiannis*

7 **IV. INTEREST**

8 **1. Description**

9 During each accumulation period, Evergy Missouri West is required to calculate a monthly
10 interest amount based on Evergy Missouri West’s short-term debt borrowing rate that is applied to the
11 under-recovered or over-recovered fuel and purchased power costs. Evergy Missouri West’s
12 short-term debt rate is calculated using the daily one-month United States Dollar London Interbank
13 Offered Rate (“LIBOR”), using the last previous actual rate for weekends and holidays or dates
14 without an available LIBOR, and the Applicable Margin for Eurodollar Advances. A simple
15 mathematical average of all the daily rates for the month is then computed. For the Review Period,
16 Evergy Missouri West’s average monthly interest rate from June 1, 2018 through November 30, 2019
17 was ** _____ ** with the total amount of interest accumulated for the period of ** _____ **.

18 The interest amount is component “I” of Evergy Missouri West’s FAC.

19 **2. Summary of Interest Implications**

20 If Evergy Missouri West imprudently calculated the monthly interest amounts or used
21 short-term debt borrowing rates that did not fairly represent the actual cost of Evergy Missouri West’s
22 short-term debt, ratepayers could be harmed by FAC charges that are too high.

23 **3. Conclusion**

24 Staff found no evidence Evergy Missouri West imprudently determined the monthly interest
25 amount that was applied to the under-recovered or over-recovered fuel and purchased power costs.

26 **4. Documents Reviewed**

- 27 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001 and 0044;
28 b. Evergy Missouri West’s monthly interest calculation work papers in support of the interest
29 calculation amount on the under-recovered or over-recovered balance; and
30 c. Company Files: q0001 conf west section 7 filing – 23rd accum – nov 2018; q0001 conf west
31 section 8 filing – 24th accum – may 2019; and, q0001 conf west section 8 filing – 25th accum
32 – nov 2019.

33 *Staff Expert/Witness: Cynthia M. Tandy*

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 Clause of Evergy Missouri)
West, Inc. d/b/a Evergy Missouri West) **File No. EO-2020-0262**

**AFFIDAVIT OF LISA WILDHABER,
CYNTHIA M. TANDY, AND JORDAN HULL**

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COME NOW Lisa Wildhaber, Cynthia M. Tandy, and Jordan Hull and on their oath declare that they are of sound mind and lawful age; that they contributed to the foregoing *Staff Report*; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further your Affiants sayeth not.

/s/ Lisa Wildhaber
Lisa Wildhaber

/s/ Cynthia M. Tandy
Cynthia M. Tandy

/s/ Jordan Hull
Jordan Hull

SCHEDULE BJJ-d4

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT

**THIRD PRUDENCE REVIEW OF COSTS
RELATED TO THE FUEL ADJUSTMENT CLAUSE
FOR THE ELECTRIC OPERATIONS
OF
EVERGY METRO, INC.,
d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”),
f/k/a Kansas City Power & Light Company (“KCPL”)**

CASE NO. EO-2020-0263

July 1, 2018 through December 31, 2019

*Jefferson City, Missouri
August 28, 2020*

**** Denotes Confidential Information ****

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6 **OF**
7 **EVERGY METRO, INC.**

8 **July 1, 2018 through December 31, 2019**

9 **CASE NO. EO-2020-0263**

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1 **THIRD PRUDENCE REVIEW OF COSTS**
2 **RELATED TO THE FUEL ADJUSTMENT CLAUSE**
3 **FOR THE ELECTRIC OPERATIONS**
4 **OF**
5 **EVERGY METRO, INC.**

6 **July 1, 2018 through December 31, 2019**

7 **CASE NO. EO-2020-0263**

8 **I. EXECUTIVE SUMMARY**

9 The Missouri Public Service Commission (“Commission”) first authorized a
10 Fuel Adjustment Clause (“FAC”) for Evergy Metro, Inc., d/b/a Evergy Missouri Metro
11 (“Evergy Missouri Metro” or “Company”), f/k/a Kansas City Power & Light Company
12 (“KCPL”) in Case No. ER-2014-0370. Since then, the Commission has approved continuation
13 of Evergy Missouri Metro’s FAC with modifications in its *Report and Order* in the Company’s
14 most recent general rate cases: Case Nos. ER-2016-0285 and ER-2018-0145.

15 Commission Rule 20 CSR 4240-20.090(11)¹ and Missouri Revised Statute
16 Section 386.266.5(4) require that the Commission’s Staff (“Staff”) conduct prudence reviews
17 of an electric utility’s FAC no less frequently than every 18 months. In this prudence review,
18 Staff analyzed items affecting Evergy Missouri Metro’s fuel costs; purchased power costs;
19 net emission allowance costs; transmission costs; off-system sales revenues; and renewable
20 energy credit (REC) revenues for the seventh, eighth and ninth accumulation periods of
21 Evergy Missouri Metro’s FAC (“prudence review period”). The seventh accumulation period
22 started July 1, 2018 and ended December 31, 2018. The eighth accumulation period started
23 January 1, 2019 and ended June 30, 2019. The ninth accumulation period started July 1, 2019
24 and ended December 31, 2019. Thus, the 18-month prudence review period is from July 1, 2018
25 through December 31, 2019 (“Review Period”). This is Staff’s third Prudence Review Report
26 for Evergy Missouri Metro’s FAC. Table 1 identifies Staff’s previous Evergy Missouri Metro
27 FAC prudence reviews.

¹ Effective January 30, 2019.

Table 1: Completed Evergy Missouri Metro FAC Prudence Reviews

| Review | File Number | Review Period |
|--------|--------------|--|
| First | EO-2017-0231 | July 1, 2015 through December 31, 2016 |
| Second | EO-2019-0068 | January 1, 2017 through June 30, 2018 |

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

Staff analyzed a variety of items in examining whether Evergy Missouri Metro was imprudent when it incurred the fuel and purchased power costs associated with its FAC. Based on its review, Staff found no evidence of imprudence by Evergy Missouri Metro during the Review Period.²

Staff Expert/Witness: Brooke Mastrogiannis

II. INTRODUCTION

A. General Description of Evergy Missouri Metro's FAC

Table 2 identifies Evergy Missouri Metro's Commission-approved FAC tariff sheets which were applicable for service provided by Evergy Missouri Metro to its customers during the period July 1, 2018 through December 31, 2019:

² Staff would like to note that, in Case No. EO-2020-0227, Staff recommended several disallowances to Evergy Missouri Metro's Demand Response programs. Evergy Missouri Metro filed a *Motion to Limit Scope of Proceeding* in that case on July 29, 2020, arguing that those disallowances recommended by Staff were best addressed in this docket. The Commission rejected Evergy Missouri Metro's motion on August 19, 2020.

Table 2

Evergy Missouri Metro’s Commission-approved FAC Tariff Sheets

July 1, 2018 through December 31, 2019

| July 1, 2018 through December 5, 2018 | December 6, 2018 through December 31, 2019 |
|---------------------------------------|--|
| Second Revised Sheet No. 50.11 | Original Sheet No. 50.21 |
| Second Revised Sheet No. 50.12 | Original Sheet No. 50.22 |
| Second Revised Sheet No. 50.13 | Original Sheet No. 50.23 |
| Second Revised Sheet No. 50.14 | Original Sheet No. 50.24 |
| Second Revised Sheet No. 50.15 | Original Sheet No. 50.25 |
| Second Revised Sheet No. 50.16 | Original Sheet No. 50.26 |
| Second Revised Sheet No. 50.17 | Original Sheet No. 50.27 |
| Second Revised Sheet No. 50.18 | Original Sheet No. 50.28 |
| Second Revised Sheet No. 50.19 | Original Sheet No. 50.29 |
| | Original Sheet No. 50.30 |

For each accumulation period (“AP”),³ Evergy Missouri Metro’s Commission-approved FAC allows Evergy Missouri Metro to recover from (if the actual net energy costs exceed) or refund to (if the actual net energy costs are less than) its ratepayers ninety-five percent (95%) of its Missouri jurisdictional⁴ actual net energy costs (“ANEC”)⁵ less net base energy cost (“B”)⁶ which is identified as $(ANEC - B) * J$ in Evergy Missouri Metro’s FAC.⁷ Evergy Missouri Metro accumulates variable fuel costs, purchased power costs, transmission costs and

³ Accumulation periods are June through November and December through May.

⁴ Missouri jurisdictional factor J is defined on Evergy Missouri Metro’s Original Sheet No. 50.28 as Missouri Retail Energy Ratio = $(MO \text{ Retail kWh sales} + MO \text{ Losses}) / (MO \text{ Retail kWh Sales} + MO \text{ Losses} + KS \text{ Retail kWh Sales} + KS \text{ Losses} + Sales \text{ for Resale, Municipals kWh Sales [including border customers]} + Sales \text{ for Resale, Municipals Losses})$, where MO Losses = 6.32%; KS Losses = 7.52%; Sales for Resale, Municipals Losses = 6.84%.

⁵ “Actual Net Energy Costs” are equal to fuel costs (FC) plus net emission costs (E) plus purchased power costs (PP) plus transmission costs (TC) minus off-system sales revenue (OSSR) and renewable energy credit revenue (R) as defined on Evergy Missouri Metro’s Original Sheet No. 50.22.

⁶ Net base energy costs (B) is defined on Evergy Missouri Metro’s Original Sheet No. 50.28 as net base energy costs ordered by the Commission in the last general rate case consistent with the costs and revenues included in the calculation of the Fuel and Purchased Power Adjustment (“FPA”). Net base energy costs will be calculated as shown below $S_{AP} \times \text{Base Factor (“BF”)}$.

⁷ For the seventh, eighth and ninth accumulation periods, the $(ANEC - B) * J$ amounts are included on line 5 of Evergy Missouri Metro’s 1st Revised Sheet No. 50.31, 2nd Revised Sheet No. 50.31, and 3rd Revised Sheet No. 50.31, respectively.

1 net emissions costs minus off-system sales revenues and renewable energy credit revenues
2 during six-month accumulation periods. Each six-month accumulation period is followed by a
3 twelve-month recovery period (“RP”)⁸ when 95% of the (ANEC – B)*J amount (including the
4 monthly application of interest)⁹ is recovered from or returned to ratepayers through an increase
5 or decrease in the FAC Fuel Adjustment Rates (“FAR”) during the twelve-month RP. Because
6 the FAR rarely, if ever, will exactly match the required offset, Evergy Missouri Metro’s FAC
7 is designed to true-up the difference between the revenues billed and the revenues authorized
8 (including the monthly application of interest) for collection during recovery periods. Any
9 disallowance the Commission orders as a result of a prudence review shall include interest at
10 the Company’s short-term interest rate and will be accounted for as an item of cost¹⁰ in a future
11 filing to adjust the FAR.

12 **B. Prudence Standard**

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

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

22 In the same case, the PSC noted that this test of prudence should not be
23 based upon hindsight, but upon a reasonableness standard: [T]he
24 company's conduct should be judged by asking whether the conduct was
25 reasonable at the time, under all the circumstances, considering that the
26 company had to solve its problem prospectively rather than in reliance
27 on hindsight. In effect, our responsibility is to determine how reasonable
28 people would have performed the tasks that confronted the company.¹¹

⁸ Recovery periods are: October through September and April through March.

⁹ See SECTION IV. INTEREST, of this Prudence Review Report.

¹⁰ See PRUDENCE REVIEWS on Evergy Missouri Metro’s Original Sheet No. 50.30.

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

1 In reversing the Commission in that case, the Court did not criticize the Commission's
2 definition of prudence, but held, in part, that to disallow a utility's recovery of costs from its
3 customers based on imprudence the Commission must determine the detrimental impact of that
4 imprudence on the utility's ratepayers.¹² This is the prudence standard Staff has followed in
5 this review. Staff reviewed for imprudence the areas identified and discussed below for Evergy
6 Missouri Metro's seventh, eighth, and ninth six-month accumulation periods.

7 *Staff Expert/Witness: Brooke Mastrogiannis*

8 **III. FUEL COSTS, PURCHASED POWER COSTS,**
9 **TRANSMISSION COSTS, NET EMISSION COSTS**

10 Evergy Missouri Metro's FAC includes four major components of costs: fuel costs,
11 purchased power costs, net emission costs and transmission costs. It also includes two
12 components of revenues: off-system sales revenues and renewable energy credit revenues.
13 Table 3 is a breakdown of Evergy Missouri Metro's fuel costs, purchased power costs, net
14 emission costs, transmission costs, off-system sales revenues, and renewable energy credit
15 revenues for the period of July 1, 2018, through December 31, 2019:

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22
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27
28
29 *Continued on next page*

¹² *Id.* at 529-30.

1 Commitment (“SCUC”) and Security Constrained Economic Dispatch (“SCED”) tools.
2 Once the least cost viable solution is arrived at, SPP issues operating instructions to MPs. Under
3 the SPP market construct, MPs are given the flexibility to let the SPP market decide entirely on
4 its own when to commit a given unit or to self-commit the generator. A common example of
5 the latter is if a unit needs to be online for required testing on a given day. Even if a generator
6 is self-committed, this simply establishes that the unit will be online. SPP will still dispatch the
7 unit via the SCED tool within its dispatchable range as established through the market
8 submissions process.

9 **3. Conclusion**

10 Staff did not observe any evidence of imprudent utilization of generation resources
11 during the time period examined in this prudence review.

12 **4. Documents Reviewed**

- 13 a. Everygy Missouri Metro’s responses to Staff Data Request Nos. 0002, 0003, 0010,
14 0011, 0012, 0013, 0015, 0017, 0018, 0021, 0022, 0041, 0043, and 0053.

15 *Staff Expert/Witness: Jordan Hull*

16 **B. Heat Rates**

17 **1. Description**

18 Heat rates of generating units are an indicator of each unit’s performance. A heat rate is
19 a calculation of total volume of fuel burned for electric generation multiplied by the average
20 heat content of that volume of fuel for a given time period divided by the total net generation
21 of electricity in kilowatt hours (kWh) for that same time period.

22 **2. Summary of Cost Implications**

23 Heat rates are inversely related to the operating efficiency of the generating unit.
24 Increasing heat rates of specific units over time may indicate that a specific unit’s efficiency is
25 declining. Heat rates can vary greatly depending on operating conditions including but not
26 limited to load, hours of operation, shutdowns and startups, unit outages, derates, and weather
27 conditions. Therefore, a good indication of unit performance for frequently used units is an
28 analysis of the trend of heat rates over time. A permanent increase in monthly heat rates is
29 commonly the result of a decrease in a generating unit’s operating efficiency. This typically
30 occurs when additional emissions reduction equipment is added to the exhaust of the
31 generating unit. Continued utilization of units with sustained elevated heat rates could result in

1 Evergy Missouri Metro incurring higher fuel costs per unit of electricity generated than it would
2 otherwise have incurred. If Evergy Missouri Metro was imprudent in response to the ongoing
3 trend of a unit's heat rate, ratepayer harm could result from an increase in the fuel costs that are
4 collected through Evergy Missouri Metro's FAC charges.

5 **

6 **14

7 **

8
9 **15

10 **3. Conclusion**

11 In reviewing the monthly heat rates of Evergy Missouri Metro's generating units and
12 examining the reasons behind the unfavorable trends and sporadic heat rate months, Staff found
13 no indication that Evergy Missouri Metro acted imprudently during the Review Period.

14 **4. Documents Reviewed**

- 15 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0018, and 0065; and
- 16 b. Monthly Outage data in the Monthly Reports submitted by Evergy Missouri Metro
17 in compliance with Rule 20 CSR 4240-3.190.

18 *Staff Expert/Witness: Jordan Hull*

19 **C. Plant Outages**

20 **1. Description**

21 Generating stations' outages generally can be classified as scheduled outages, forced
22 outages, or partial outages. Scheduled outages consist of either a planned outage or a
23 maintenance outage. A planned outage is one that is scheduled well in advance, with a
24 predetermined duration and occurring only once or twice a year. Outages are planned and
25 scheduled over one year in advance. The exact start date depends on freezing temperatures and
26 natural gas availability. Turbine and boiler overhauls, inspections, testing, and nuclear refueling
27 are typical planned outages. A maintenance outage is one that can be deferred beyond the end
28 of the next weekend but must be taken before the next planned outage. A forced outage is an

¹⁴ Response to Data Request No. 0065.

¹⁵ Capacity factor is defined as the ratio between what a generation unit is capable of generating at maximum output versus the unit's actual generation output over a period of time.

1 outage that cannot be deferred beyond the next weekend, and a partial outage, or derating, is a
2 condition that requires the unit to be limited to an energy output below maximum capacity.

3 Outages taken at any of the generating units have an impact on how much Evergy
4 Missouri Metro will pay for fuel and purchased power. Any planned outage during peak load
5 demand times or a period of high replacement energy prices has the potential result of Evergy
6 Missouri Metro paying more for fuel and purchased power costs than it would have paid if the
7 outage were planned during forecasted low load times. Periodic planned outages are required
8 to maintain each generating unit in peak operating condition to minimize forced or maintenance
9 outages that could occur during peak load demand or periods of high replacement energy prices,
10 typically June through August and January through February.

11 Staff examined the planned outages and their timing for imprudence. An example of an
12 imprudent outage would be scheduling a planned outage of a large base loaded unit during a
13 time of peak load or a period of high replacement energy prices.

14 Evergy Missouri Metro has little or no control over the timing of unscheduled
15 maintenance or forced outages of the generating stations it owns and operates when such
16 outages are the result of unforeseen events. The Company has no control over the timing of
17 planned outages for generating stations it does not operate. These types of outages are not
18 included as a part of this prudence review.

19 **2. Summary of Cost Implications**

20 An imprudent planned outage could result in an increased cost of purchased power
21 by Evergy Missouri Metro from the SPP IM as well as a decrease in off-system sales revenues
22 through the SPP IM.

23 **3. Conclusion**

24 Staff did not find any evidence of imprudent planned outages by Evergy Missouri Metro
25 during the Review Period.

26 **4. Documents Reviewed**

- 27 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0004, 0005, 0005.1,
28 0006 and 0047.

29 *Staff Expert/Witness: Jordan Hull*

1 **D. Self-Commitment of Baseload Generation Facilities into SPP**

2 **1. Description**

3 During this FAC prudence review, Staff conducted a review of commitment status of
4 Evergy Missouri Metro’s generation facilities into SPP in an effort to determine any negative
5 impacts that might be occurring because of such actions. Evergy Missouri Metro has large and
6 varied electric generation facilities that are designed to provide varying types of services to its
7 customers. These generation facilities include nuclear, coal, natural gas, PV solar, and wind
8 turbines. Each one of Evergy Missouri Metro’s generation facilities has its own distinct
9 operating characteristics and requires specific operational guidelines to be followed as to
10 maintain the reliability of the units as determined by Evergy Missouri Metro’s plant operations
11 team to determine optimal plant reliability and manufacturer operational guidelines.

12 ** _____
13 _____
14 _____

15 _____ **¹⁶ With these tools the Company can develop a
16 day-ahead load bidding strategy based on current projections and historical trends.

17 “The SPP Integrated Marketplace attempts to minimize the cost to serve load subject to
18 transmission and generator constraints. The day-ahead market does this by using two main
19 tools: centralized unit commitment and economic dispatch. Centralized unit commitment sorts
20 the available generators from least expensive to most expensive and then selects the least
21 expensive units that can achieve the objective without violating the constraints of the
22 optimization. Economic dispatch then uses the results of the unit commitment process as inputs
23 to its own separate optimization. The results of which produce two key, time-based outputs:
24 the megawatts each generator should produce at the corresponding locational prices.
25 Centralized unit commitment and economic dispatch processes are designed to work together
26 to make the market more efficient.”¹⁷ The SPP market allows participants to commit resources
27 in different ways rather than have the market choose which units to run. SPP utilizes five
28 resource offer commitment status designations¹⁸ for its market participants (“MP”):

¹⁶ Response to Staff Data Request No. 0055.

¹⁷ SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.

¹⁸ *Id.*, Page 5.

- 1 • Weather
- 2 • Long lead times
- 3 • Fuel contracts
- 4 • Other contracts
- 5 • Long minimum run times
- 6 • Commitment bridging
- 7 • Desire to reduce thermal damage to the unit due to starts and stops
- 8 • High startup costs

9 Some of these reasons are unavoidable and can require the resource to be offered in
10 self-commitment status. Testing the output of a plant, as periodically required by regulatory
11 agencies, is a frequent justification. “Some of the reasons, such as high start-up costs, fuel
12 contracts, or commitment bridging are economic in nature and can be handled within the market
13 offer through dollar-based offer parameters. Thermal damage due to start-ups and shutdowns
14 and resulting major maintenance could be included in mitigated offers starting in April 2019.
15 SPP has seen a decline in self-committed generation over time and it is possible that perceptions
16 of economic justifications have changed over time.”²¹

17 Staff analyzed data received from Evergy Missouri Metro to determine the financial
18 impacts of the self-commit units as offered and cleared into the SPP Day-Ahead and Real-time
19 market. Table 7 provides the summary of Staff’s review by generating unit for the Review
20 Period of July 1, 2018 through December 31, 2019. Staff reviewed the hourly transactions that
21 were deemed self-commitment by taking the hourly real time energy cost and adding it to the
22 hourly total revenue for that same hour for the individual generating unit that was
23 self-committed, then Staff compared the number of positive “In the Money” hourly transactions
24 to the negative “Out the Money” hourly transactions. Results are show below in Table 7. Staff
25 then decided to take it a step further and show the amount of revenue that corresponded to the
26 “In vs Out” of money transactions as well as a net settlement (revenue) or total when adding
27 the “In money” to the “Out money” transactions to show an overall revenue associated with

²¹ *Id.*, Page 8.

1 to fully understand the economic impact of self-scheduling on a
2 given unit's profitability, an analysis at the RTO level would
3 need to be conducted. Due to the highly confidential nature of
4 utilities' market bidding strategies, it is highly unlikely that any
5 party other than SPP or MISO have the raw data, modeling
6 software access, and resources to conduct such an extensive
7 analysis of market trends.²²

8 Staff does not have the data to perform a detailed analysis as to what would have been the
9 additional costs to the units due to high cost of restart, increases in O&M cost and increased
10 plant outages if Evergy Missouri Metro would have designated these units as "Market" instead
11 of "Self-Commit." This is the first review of the commitment statuses for Evergy Missouri
12 Metro in a FAC prudency review, but Staff plans to compare this review to future reviews to
13 see what trend self-commitment is following for Evergy Missouri Metro. SPP acknowledged
14 in its Market Report for Winter of 2020 that self-commitment is on a "downward trend"²³
15 market wide. Based on the information provided by Evergy Missouri Metro and Staff's
16 knowledge of general trends in market commitment behavior, Staff is not aware of any
17 prudency issues related to Evergy Missouri Metro's practice of self-commitment.

18 **2. Summary of Cost Implications**

19 Imprudent Unit Generation commitment could result in increased cost of purchased
20 power by Evergy Missouri Metro from the SPP IM as well as a decrease in off-system sales
21 revenues through the SPP IM.

22 **3. Conclusion**

23 Staff did not find any evidence of imprudent generation unit self-commitment by Evergy
24 Missouri Metro during the Review Period.

25 **4. Documents Reviewed**

- 26 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0055;
- 27 b. File No. EW-2019-0370, Supplemental Reports; and
- 28 c. SPP Documents: Market Report for Winter 2020 and Self-committing in SPP
29 markets: Overview.

30 *Staff Expert/Witness: Jordan Hull*

²² EW-2019-0370, Staff's Second Supplemental Report, Pages 1 and 2.

²³ SPP Market Report for Winter 2020, Generation Scheduling, Published May 18, 2020, Page 21.

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0024, 0035,
- 3 0035.1, 0045, 0066; and
- 4 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
- 5 AP 7, 8, and 9.

6 *Staff Expert/Witness: Lisa Wildhaber*

7 **F. Coal and Rail Transportation Costs**

8 **1. Description**

9 For the Review Period, \$** _____ ** or ** — ** % of Evergy Missouri Metro’s

10 total fuel costs, purchased power costs, transmission costs, and net emission allowance costs

11 was associated with the coal used in generating electricity. The cost of coal includes various

12 miscellaneous charges such as rail and other ground transportation service charges, and other

13 fuel handling expenses. Staff reviewed the contract terms of six (6) short and long-term coal

14 purchase contracts, as well as a sampling of invoices for coal purchased and delivered.

15 The counterparties for the contracts are identified in Table 11:

16 **Table 11 - Confidential**

17 **

| |
|-------|
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |
| _____ |

18 **

19 The contracts provide coal delivery to Evergy Missouri Metro’s Hawthorn 5, Iatan 1 and 2,

20 LaCygne 1 and 2, and Montrose 2 and 3. The price of coal can either be a fixed price for the

21 entire contract, a fixed price for each year of the contract, a base price plus an escalation as

22 calculated per the contract, a price determined by the Master Purchase & Sales Agreement, or

23 a price which is index-based.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri Metro imprudently purchased fuel oil, ratepayer harm could result
3 from increased FAC charges.

4 **3. Conclusion**

5 Staff found no indication Evergy Missouri Metro’s costs associated with its fuel oil
6 contracts in place were imprudent during the Review Period.

7 **4. Documents Reviewed**

- 8 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0025, 0035,
- 9 0035.1, 0045, 0066; and
- 10 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
- 11 AP 7, 8, and 9.

12 *Staff Expert/Witness: Lisa Wildhaber*

13 **H. Transmission Costs**

14 **1. Description**

15 For the Review Period, \$** _____ ** or ** $\frac{\quad}{\quad}$ ** % of Evergy Missouri Metro’s
16 total fuel cost, purchased power costs, transmission costs and net emission costs was associated
17 with transmission costs. There were two tariff sheets that were in effect during this Review
18 Period. Evergy Missouri Metro’s FAC Second Revised Sheet No. 50.14 (Applicable to Service
19 Provided July 1, 2018 through December 6, 2018), defines the “TC” component as:

20 Transmission Costs:

21 The following costs reflected in FERC Account Number 565:

22 Subaccount 565000: non-SPP transmission used to serve off system sales
23 or to make purchases for load and 20.91% of the SPP transmission
24 service costs which includes the schedules listed below as well as any
25 adjustments to the charges in the schedules below:
26

- 27 Schedule 7 – Long-term Firm and Short-term Point to Point
- 28 Transmission Service
- 29 Schedule 8 – Non Firm Point to Point Transmission Service
- 30 Schedule 9 – Network Integration Transmission Service
- 31 Schedule 10 – Wholesale Distribution Service
- 32 Schedule 11 – Base Plan Zonal Charge and Region Wide Charge

33 Subaccount 565020: the allocation of the allowed costs in the 565000
34 account attributed to native load;
35
36
37

1
2 Subaccount 565027: the allocation of the allowed costs in the 565000
3 account attributed to transmission demand charges;

4
5 Subaccount 565030: the allocation of the allowed costs in account
6 565000 attributed to off-system sales.

7 Everygy Missouri Metro's FAC Original Sheet No. 50.24 (Applicable to Service Provided
8 December 6, 2018 through December 31, 2019), defines the "TC" component as:

9 Transmission Costs:

10
11 The following costs reflected in FERC Account Number 565:

12
13 Subaccount 565000: non-SPP transmission used to serve off system sales
14 or to make purchases for load and 26.40% of the SPP transmission
15 service costs which includes the schedules listed below as well as any
16 adjustments to the charges in the schedules below:

17
18 Schedule 7 – Long-term Firm and Short-term Point to Point
19 Transmission Service

20 Schedule 8 – Non Firm Point to Point Transmission Service

21 Schedule 9 – Network Integration Transmission Service

22 Schedule 10 – Wholesale Distribution Service

23 Schedule 11 – Base Plan Zonal Charge and Region Wide Charge

24
25 Excluding amounts associated with portions of purchased power agreements
26 dedicated to specific customers under the Renewable Energy Rider tariff.

27
28 Subaccount 565020: the allocation of the allowed costs in the 565000
29 account attributed to native load;

30
31 Subaccount 565027: the allocation of the allowed costs in the 565000
32 account attributed to transmission demand charges;

33
34 Subaccount 565030: the allocation of the allowed costs in account
35 565000 attributed to off-system sales.

36 For calculating TC, Everygy Missouri Metro implemented a process whereby total transmission
37 expenses were tabulated and then costs not allowed in the FAC were removed. Staff reviewed
38 the transmission costs over the Review Period to verify only 20.91% of the SPP transmission
39 service costs are included (from the beginning of the Review Period through December 5, 2018)
40 and only 26.40% of the SPP transmission service costs are included (from December 6, 2018

1 through the end of the Review Period).²⁴ Evergy Missouri Metro’s transmission costs during
2 the Review Period are \$** _____ **.

3 **2. Summary of Cost Implications**

4 If Evergy Missouri Metro imprudently included transmission costs in the FAC,
5 ratepayer harm could result from increased FAC charges.

6 **3. Conclusion**

7 Staff found no indication that Evergy Missouri Metro’s transmission costs were
8 imprudent during the Review Period.

9 **4. Documents Reviewed**

- 10 a. Evergy Missouri Metro’s General Ledger;
11 b. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0023,
12 0040, 0045, and 0046; and
13 c. AP 7, 8 and 9 FAR and other supporting work papers.

14 *Staff Expert/Witness: Brooke Mastrogiannis*

15 **I. Nuclear Fuel**

16 **1. Description**

17 For the Review Period \$** _____ ** or ** — ** % of Evergy Missouri Metro’s
18 fuel costs, purchased power costs, transmission costs, and net emission allowance costs is
19 associated with nuclear fuel used in the generation of electricity at the Wolf Creek Nuclear
20 Operating Corporation’s generating unit. Evergy Missouri Metro owns 47% of Wolf Creek
21 Nuclear Operating Corporation.

22 **2. Summary of Cost Implications**

23 If Evergy Missouri Metro was imprudent in its purchasing decisions relating to nuclear
24 fuel, ratepayer harm could result from increased FAC charges.

25 **3. Conclusion**

26 Staff found no indication that Evergy Missouri Metro nuclear fuel costs were imprudent
27 during the Review Period.

²⁴ During the last general rate case, Case No. ER-2018-0145, the Commission, in its *Order Approving Stipulations and Agreements* issued on October 31, 2018, approved the change of the FAC transmission percentage from 20.91% to 26.40%.

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0035, 0045,
3 0066; and
4 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
5 AP 7, 8, and 9.

6 *Staff Expert/Witness: Lisa Wildhaber*

7 **J. Emission Allowances**

8 **1. Description**

9 The Cross-State Air Pollution Rule (“CSAPR”) is a ruling by the United States
10 Environmental Protection Agency (“EPA”) that requires a number of states, including Missouri,
11 to reduce power plant emissions that contribute to ozone and/or fine particle pollution in other
12 states. The CSAPR replaced EPA’s 2005 Clean Air Interstate Rule (“CAIR”), following the
13 direction of a 2008 court decision that required EPA to issue a replacement regulation. CSAPR
14 implementation began on January 1, 2015.

15 The CSAPR requires Missouri to reduce its annual emissions of sulfur dioxide (SO₂)
16 and nitrous oxides (NO_x) to help downwind states attain the 24-hour National Ambient Air
17 Quality Standards (“NAAQS”). The CSAPR also requires Missouri to reduce ozone season
18 emissions of NO_x to help downwind states attain the 8-hour NAAQS.

19 On September 7, 2016, the EPA revised the CSAPR ozone season NO_x program by
20 finalizing an update to CSAPR for the 2008 ozone NAAQS, known as the CSAPR Update. The
21 CSAPR Update ozone season NO_x program largely replaced the original CSAPR ozone season
22 NO_x program starting on May 1, 2017. The CSAPR Update further reduced summertime NO_x
23 emissions from power plants in the eastern U.S. According to Evergy Missouri Metro, there
24 were no operational adjustments needed to comply with the CSAPR requirements.

25 The primary mechanism of CSAPR is a cap-and-trade program that allows a
26 major source of NO_x and/or SO₂ to trade excess allowances when its emissions of a
27 specific pollutant fall below its cap for that pollutant. Originally, the EPA issued a model
28 cap-and-trade program for power plants, which could have been used by states as the
29 primary control mechanism under CAIR. This model, with modifications, had continued
30 under CSAPR.

1 To comply with CSAPR, Evergy Missouri Metro established an inventory for SO₂ and
2 NO_x. Evergy Missouri Metro currently plans to maintain this SO₂ and NO_x allowance inventory
3 sufficient to offset expected emissions. This inventory is tracked in Company account 158100
4 for Emissions Allowance Inventory and accounts 158200, 158201 and 158500 for Emission
5 Allowance REC inventories. The Evergy Missouri Metro SO₂ and NO_x allowance inventories
6 are valued at average cost, and the cost for SO₂ and NO_x allowances is tracked in FERC Account
7 Number 509000. For the Review Period, the SO₂ total balance in the emission inventory
8 accounts as of December 31, 2019 was \$** ____ **. The Company annually balances
9 account 509000 when the EPA yearly awards the additional allowances.

10 For the Review Period, Evergy Missouri Metro's total net emission allowance cost was
11 \$** _____ **. ²⁵

12 **2. Summary of Cost Implications**

13 If Evergy Missouri Metro imprudently used, purchased or banked its SO₂ and NO_x
14 allowances, ratepayer harm could result from an increase in Evergy Missouri Metro's
15 FAC charges.

16 **3. Conclusion**

17 Staff found no indication that Evergy Missouri Metro was imprudent in its purchases,
18 banking, or usage of CSAPR NO_x and SO₂ allowances.

19 **4. Documents Reviewed**

- 20 a. Evergy Missouri Metro's response to Staff's Data Request Nos. 0032, 0034, 0039,
21 0045, 0059, 0060, 0061 and 0062;
- 22 b. Evergy Missouri Metro's monthly reports for the time period July 1, 2018 through
23 December 31, 2019 required by 20 CSR 4240-20.090(5); and
- 24 c. Section 8 Filings – 7th, 8th and 9th Accumulation Periods (ending December 2018,
25 June 2019, December 2019 respectively).

26 *Staff Expert/Witness: Cynthia M. Tandy*

25 **

**

1 **K. Off-System Sales Revenue**

2 **1. Description**

3 Off-system sales revenues (“OSSR”) is a component in the calculation of Evergy
4 Missouri Metro’s FAR used to charge or refund fuel and purchased power costs to its customers.
5 There were two tariff sheets that were in effect during this Review Period. The following
6 language was in effect during the Review Period includes:

7 Evergy Missouri Metro’s FAC P.S.C. MO No. 7, Second Revised Sheet No. 50.14,
8 applicable to service provided from June 8, 2017 through December 6, 2018, defines
9 the “OSSR” component as:

- 10 • OSSR = Revenues from Off-System Sales:
 - 11 ○ The following revenues or costs reflected in FERC Account Number
 - 12 447:

13
14 Subaccount 447020: all revenues from off-system sales.
15 This includes charges and credits related to the SPP IM
16 including, energy, ancillary services, revenue sufficiency
17 (such as make whole payments and out of merit payments
18 and distributions), revenue neutrality payments and
19 distributions, over collected losses payments and
20 distributions, TCR and ARR settlements, demand
21 reductions, virtual energy costs and revenues and related
22 fees where the virtual energy transaction is a hedge in
23 support of physical operations related to a generating
24 resource or load, generation/export charges, ancillary
25 services including non-performance and distribution
26 payments and SPP uplift revenues or credits. Off-system
27 sales revenues from full and partial requirements sales to
28 municipalities that are served through bilateral contracts
29 in excess of one year shall be excluded from OSSR
30 component;

31
32 Subaccount 447012: capacity charges for capacity sales
33 one year or less in duration;

34
35 Subaccount 447030: the allocation of the includable sales
36 in account 447020 not attributed to retail sales.
37

1 Evergy Missouri Metro’s FAC P.S.C. MO No. 7, Original Sheet No. 50.24, applicable to
2 service provided from December 6, 2018 through December 31, 2019 defines the
3 “OSSR” component as:

- 4 • OSSR = Revenues from Off-System Sales:
 - 5 ○ The following revenues or costs reflected in FERC Account Number
 - 6 447:

7
8 Subaccount 447020: all revenues from off-system sales.
9 This includes charges and credits related to the SPP IM,
10 or other IMs, including, energy, ancillary services,
11 revenue sufficiency (such as make whole payments and
12 out of merit payments and distributions), revenue
13 neutrality payments and distributions, over collected
14 losses payments and distributions, TCR and ARR
15 settlements, demand reductions, virtual energy costs and
16 revenues and related fees where the virtual energy
17 transaction is a hedge in support of physical operations
18 related to a generating resource or load, generation/export
19 charges, ancillary services including non-performance
20 and distribution payments and SPP uplift revenues or
21 credits, but excluding (1) off-system sales revenues from
22 full and partial requirements sales to municipalities that
23 are served through bilateral contracts in excess of one
24 year and (2) the amounts associated with purchased
25 power agreements associated with the Renewable Energy
26 Rider tariff. Additional revenue will be added at an
27 inputted 75% of the unsubscribed portion associated with
28 the Solar Subscription Rider valued at market prices;

29
30 Subaccount 447012: capacity charges for capacity sales
31 one year or less in duration;

32
33 Subaccount 447030: the allocation of the includable sales
34 in account 447020 not attributed to retail sales.

35 Staff reviewed the off-system sales quantities and revenues over the Review Period, and
36 Evergy Missouri Metro’s off-system sales revenue recoverable under the FAC was in the
37 amount of \$** _____ **.

38 2. Summary of Cost Implications

39 Evergy Missouri Metro’s revenues from off-system sales are an offset against total
40 fuel and purchased power costs, transmission costs and net emission costs. This is because
41 Evergy Missouri Metro’s ratepayers pay for the resources used to produce any energy that

1 Evergy Missouri Metro sells. Since implementing the IM, SPP has controlled the economic
2 dispatch of Evergy Missouri Metro's generation. During times that Evergy Missouri Metro's
3 generation exceeds Evergy Missouri Metro's retail customers' needs, Evergy Missouri Metro
4 becomes a net seller in the SPP IM. If Evergy Missouri Metro did not make available its
5 generating units in the SPP IM for off-system sales to be made, ratepayers could be harmed by
6 such imprudence by an increase in Evergy Missouri Metro's FAC charges.

7 **3. Conclusion**

8 Staff found no indication that Evergy Missouri Metro imprudently withheld availability
9 of its generating units in the SPP for off-system sales to be made.

10 **4. Documents Reviewed**

- 11 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0023, 0045 and
12 0056;
- 13 b. Evergy Missouri Metro's FAC tariff sheet during the Review Period; and
- 14 c. Evergy Missouri Metro's monthly reports and FAR filing work sheets.

15 *Staff Expert/Witness: Cynthia M. Tandy*

16 **L. Renewable Energy Credit Revenues**

17 **1. Description**

18 The Missouri Renewable Energy Standard ("RES")²⁶ requires all investor-owned
19 electric utilities in Missouri to provide at least two percent (2%) of their retail electricity sales
20 using renewable energy resources in each calendar year 2011 through 2013, and to increase that
21 percentage over time to at least fifteen percent (15%) by 2021. Commission rule 20 CSR 4240-
22 20.100, Electric Utility Renewable Energy Standard Requirements, which first became
23 effective September 30, 2010, contains the definitions, structure, operations, and procedures for
24 implementing the RES.

25 The RES rule creates two categories of energy-generating resources: non-renewable
26 energy resources (including purchased power from non-renewable energy sources) and
27 renewable energy resources (including purchased power from renewable energy sources).²⁷
28 Renewable energy resources produce electrical energy and are wind, solar sources, thermal

²⁶ Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.

²⁷ 20 CSR 4240-20.100(5)(B).

1 sources, hydroelectric sources, photovoltaic cells and panels, fuel cells using hydrogen
2 produced by one (1) of the above named electrical energy sources, and other sources of energy
3 that become available after August 28, 2007, and are certified as renewable by the Missouri
4 Department of Natural Resources – Division of Energy (“Division of Energy”)²⁸. Once an
5 energy resource is certified, it begins producing RECs, with one (1) REC representing one (1)
6 megawatt-hour of electricity that has been generated from the renewable energy resource.
7 These RECs can be sold and/or traded in the market place bundled with or without the energy
8 that generated the REC.²⁹ The cost of a REC (as a RES compliance cost) cannot be recovered
9 through the FAC.³⁰ Revenues from the sale of RECs are recovered through the FAC as an
10 off-set to fuel costs. During the Review Period, the RES rule required Evergy Missouri Metro
11 to serve at least 10% of its retail load using renewable energy resources.

12 In Staff Data Request No. 0058, Staff asked, “Did Evergy Missouri Metro sell any RECs
13 (wind, solar, etc.) during the review period of July 1, 2018 through December 31, 2019? If yes,
14 a list of data was requested. “If no, please provide the reason why no RECS were sold.”
15 Evergy Missouri Metro responded, “Evergy Missouri Metro did not sell any RECs during the
16 review period of July 1, 2018 through December 31, 2019... Evergy RECs are expired rather
17 than sold to ensure our customers receive as much renewable energy as possible since we cannot
18 double count sold RECs as renewable energy delivered to customers.”

19 Review of Data Request No. 0042 in this case along with review of this issue in Case
20 Nos. EO-2020-0280³¹ and EO-2020-0331³², suggests the number of RECs will increase
21 significantly in the coming years with more production of renewable energy. Even when the
22 maximum level of the RES rule requirement of 15% is reached in 2021, the Company’s excess
23 RECs are forecasted to increase significantly in the coming years. The following table is
24 information on this issue from 2018 to 2019:

²⁸ Prior Department of Economic Development – Division of Energy.

²⁹ 20 CSR 4240-20.100(6)(B)(5)(J).

³⁰ 20 CSR 4240-20.100(6)(A)(16).

³¹ The 2020 Integrated Resource Plan Annual Update for Evergy Missouri Metro.

³² The 2020 Renewable Energy Standard Compliance Plan for Evergy Missouri Metro.

1 **3. Conclusion**

2 With regards to FAC prudence, Staff did not find evidence that Evergy Missouri
3 Metro’s management of its RECs during the Review Period was imprudent. However, this is
4 an issue that needs to be closely monitored and Staff will continue to address this issue in future
5 prudence reviews.

6 **4. Documents Reviewed**

- 7 a. Staff Data Request Nos. 0042, 0042.1 0057 and 0058;
8 b. The 2020 Integrated Resource Plan Annual Update for Evergy Missouri Metro;
9 c. The 2020 Renewable Energy Standard Compliance Plan for Evergy Missouri Metro; and
10 d. Case Nos. EO-2019-0068 and EO-2019-0067.

11 *Staff Expert/Witness: Cynthia M. Tandy*

12 **M. Montrose Generating Unit**

13 **1. Description**

14 In Case No. ER-2020-0221, FAR filing for AP9, which covers the AP months of
15 July 2019 through December 2019, Evergy Missouri Metro agreed to remove all fuel residuals
16 costs subsequent to the retirement of the Montrose generating station at the end of December
17 2018 in their substitute tariff filing filed on February 25, 2019. AP9 was the first filing in which
18 the Company agreed to exclude any Montrose costs in future FAC filings. This resulted in a
19 total reduction of \$122,874. These costs were described in detail as ash cleanup and landfill
20 work at the Montrose generating station.³⁴ Evergy Missouri Metro also stated in this substitute
21 tariff filing that “Finally, the Company included fuel residual costs totaling \$122,874 for
22 recovery in this filing. These expenses consist of ash disposal costs, contractor costs, materials
23 and landfill work that continues at the Montrose generating station in order to appropriately
24 dispose of the residuals. Based on internal discussions following MPSC Staff’s review of the
25 filing, the Company will remove the costs for recovery through the FAC.”³⁵ There were two
26 remaining adjustments amounting to \$9,397 that the Company discussed with Staff. These two
27 components were: \$7,723 for an invoice that was coded incorrectly to Montrose, which was

³⁴ Lisa A. Starkebaum’s supplemental testimony filed on 2/25/2020, in Case No. ER-2020-0221 Page 2, Lines 3 and 4.

³⁵ *Ibid.*

1 corrected in February 2020 and will be included in the next FAR filing for AP10; and \$1,674
2 for severance and Ad-Valorem Tax True-up adjustments for 2017 coal shipments received from
3 a supplier in 2019. The discussion satisfied Staff's concerns, and Staff recommended approval
4 of the substitute tariff filing in Staff's Recommendation filed on February 28, 2020.

5 In Case No. ER-2020-0025, FAR filing for AP8, which covers the AP months of
6 January 2019 through June 2019, Evergy Missouri Metro included Montrose costs netted to a
7 credit of (\$16,185) included for recovery in the FAR filing. Staff conducted its review of the
8 filing and recommended approval in Staff's Recommendation filed on August 29, 2019.

9 This Review Period also encompasses the FAR filing for AP7, Case No. ER-2019-0223,
10 for the AP months of July 2018 through December 2018. Even though the Montrose generation
11 facility did not retire until December 2018, it remains Staff's due diligence to review the costs
12 associated with Montrose to ensure there was no inclusion of costs/revenues related to the
13 retirement of the Montrose generation facility similar to those that the Company previously
14 agreed to remove during those accumulation period months as well.

15 During Staff's investigation, Staff found that the Company included costs totaling
16 \$1,159,839 for recovery in November and December 2018 associated with Montrose. This
17 \$1,159,839 is comprised of \$723,237 for the cost of coal PRB, \$76,303 for the cost of oil PRB,
18 \$332,603 for the cost of coal PRB physical inventory adjustment, \$8,420 for fuel additives, and
19 \$19,276 for fuel residuals.³⁶ The Company states that it does not consider the expenses
20 recorded in November and December 2018 to be retirement or decommissioning costs. It also
21 states these costs were recorded in the appropriate expense accounts that are allowed to flow
22 through the FAC as set forth in the Evergy Missouri Metro FAC tariff with specific language
23 under fuel costs, subaccount 501000:

- 24 • Coal commodity and transportation
- 25 • Unit train maintenance, leases, taxes and depreciation
- 26 • Fuel quality adjustments
- 27 • Oil costs for commodity
- 28 • Coal and oil inventory adjustments

³⁶ Response to Staff Data Request Nos. 0064.1 and 0064.2.

1 The Company also states:

2 Montrose did generate MWh's in December 2018 even though it
3 was retired later that month. The Montrose retirement does not
4 follow the same fact pattern as Sibley, so yes, those costs incurred
5 during November-December 2018 timeframe are indeed different
6 than costs incurred for Sibley in November 2018. Fuel expense
7 was incurred at Montrose during December 2018 because
8 Montrose unit 3 burned both coal and oil and generated electricity
9 in early December until a forced outage on December 10, 2018 and
10 therefore are recoverable through the FAC.³⁷

11 Staff has reviewed the Company's workpapers to verify that Evergy Missouri Metro did
12 have 11,887 tons of coal and 851 barrels of oil burned during December 2018, along with
13 generating \$14,571 net MWhs that created the cost of coal and oil included in fuel expense for
14 December 2018.

15 Staff also reviewed workpapers the Company provided to support the costs associated
16 with coal PRB and oil PRB, as these are costs related to Fuelworx ("FWX"), which is a software
17 package interface to the general ledger. FWX tracks fuel receipts and inventory levels and
18 calculates fuel expenses based on the average inventory cost and the amount of fuel burned as
19 reported by the generating stations. Evergy Missouri Metro has used the FWX software since
20 the FAC has been in place, and FWX is the primary source of Evergy Missouri Metro's fuel
21 expense calculations that are recorded to the general ledger each month. Evergy Missouri Metro
22 also provided additional information supporting the physical inventory adjustment.
23 As described in response to Data Request No. 0064.2, Evergy Missouri Metro states,
24 "there were no remaining tons of usable coal available for use at Montrose. Once all usable coal
25 had been burned, a physical inventory adjustment of 6,611 tons was recorded to reduce the book
26 inventory to zero. The process of measuring the amount of coal burned is not a precise process
27 and therefore physical inventories are performed annually to ensure that the inventory amount
28 recorded on the books and the inventory amount physically on the ground stay in a reasonably
29 close relationship to each other. The physical inventory adjustment of 6,611 tons and \$332,603
30 in expense was the difference in the amount of inventory recorded on the books and the physical
31 inventory at the plant, which was zero."³⁸ Staff agrees with the cost of coal PRB physical

³⁷ Response to Staff Data Request No. 0064.2.

³⁸ Response to Staff Data Request No. 0064.3.

1 inventory adjustment because it was a physical inventory accounting adjustment necessary to
2 get the books to zero once all the coal had been burned. In addition, the Evergy Missouri Metro
3 tariff sheet specifically states that coal and oil inventory adjustments are allowable under
4 account 501000.

5 **2. Summary of Cost Implications**

6 If Evergy Missouri Metro’s use of the FAC to recover Montrose generation plant costs
7 was imprudent, ratepayer harm could result from an increase in FAC charges.

8 **3. Conclusion**

9 Staff found no indication that Evergy Missouri Metro imprudently included costs
10 associated with the retirement of Montrose during the Review Period.

11 **4. Documents Reviewed**

- 12 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0064, 0064.1,
13 0064.2, 0064.3, and 0064.4;
- 14 b. Evergy Missouri Metro’s General Ledger; and
- 15 c. FAR supporting workpapers in Case Nos. ER-2019-0221, ER-2020-0025, and
16 ER-2020-0221.

17 *Staff Expert/Witness: Brooke Mastrogiannis*

18 **N. Cimarron 2 Wind Farm Purchased Power Agreement**

19 **1. Description**

20 Evergy Missouri Metro has a long-term (20-year) PPA with CPV Cimarron II
21 Renewable Energy Company, LLC for energy and RECs generated by the Cimarron 2 Wind
22 Farm located in Kansas. The contract is based on ** ____ ** MW of capacity that Evergy
23 Missouri Metro began receiving on June 1, 2012 at a fixed price of \$** ____ ** per MWh. The
24 contract is a “take-or pay” contract (i.e., Evergy Missouri Metro has to receive and pay for the
25 energy whether it needs the energy or not), which is a standard feature of many wind PPAs.
26 The contract is for the energy and RECs generated by the wind farm. In its response to Staff
27 Data Request No. 0058 Evergy Missouri Metro stated, “Evergy MO Metro did not sell any
28 RECs during the Review Period of July 1, 2018 through December 31, 2019.” Total costs of
29 electricity under the Cimarron 2 PPA was \$** _____ ** with revenue associated with sales
30 of \$** _____ ** which resulted in a net loss of \$** _____ ** for the Review Period.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
3 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm
4 could result from that imprudence through an increase in FAC charges. Commission Rule 20
5 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power
6 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found
7 no indication that Evergy Missouri Metro imprudently included the Cimarron Wind Farm PPA
8 costs in the FAC.

9 **3. Conclusions**

10 Staff has identified that the Cimarron Wind Farm PPA is creating a significant amount
11 of additional costs compared to the revenue received. Staff notes this is a long-term PPA and
12 the performance of this contract should be viewed on a long-term basis and not just from the
13 results during this Review Period. Staff is not recommending a disallowance related to this issue
14 at this time.

15 **4. Documents Reviewed**

- 16 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
17 0023, 0043, 0045, 0046, 0053, and 0058;
- 18 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 19 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 20 d. Staff Report in Case No. EO-2018-0290; and
- 21 e. Staff Report in Case No. EO-2019-0317.

22 *Staff Expert/Witness: Brooke Mastrogiannis*

23 **O. Slate Creek Wind Project Purchased Power Agreement**

24 **1. Description**

25 Evergy Missouri Metro has a long-term (20-year) PPA with Slate Creek Wind
26 Project, LLC for energy and RECs generated by the Slate Creek Wind Project beginning in
27 November 2015. The contract is also a “take-or pay” contract for renewable wind energy and
28 RECs (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs the
29 energy or not), and is based on a fixed energy price of \$** ____ ** per MWh and a capacity
30 of ** ____ ** MW. In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated,
31 “Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through

1 December 31, 2019". Cost of electricity under the Slate Creek Wind Project PPA was
2 \$** _____ ** with revenue associated with sales of \$** _____ ** which resulted in a
3 net loss of \$** _____ ** for the Review Period.

4 **2. Summary of Cost Implications**

5 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
6 cost that exceeded Evergy Missouri Metro's cost to generate that energy itself, ratepayer harm
7 could result from that imprudence through an increase in FAC charges. Commission Rule
8 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro's FAC allow purchased power
9 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found
10 no indication that Evergy Missouri Metro imprudently included the Slate Creek Wind Farm
11 PPA costs in the FAC.

12 **3. Conclusions**

13 Staff has identified that the Slate Creek Wind Farm PPA is creating a significant amount
14 of additional costs compared to the revenue received. Staff notes this is a long-term PPA and
15 the performance of this contract should be viewed on a long-term basis and not just from the
16 results during this Review Period. Staff is not recommending a disallowance related to this issue
17 at this time.

18 **4. Documents Reviewed**

- 19 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0020,
20 0023, 0043, 0045, 0046, 0053, and 0058;
- 21 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 22 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 23 d. Staff Report in Case No. EO-2018-0290; and
- 24 e. Staff Report in Case No. EO-2019-0317.

25 *Staff Expert/Witness: Brooke Mastrogiannis*

26 **P. Osborn Wind Energy Purchased Power Agreement**

27 **1. Description**

28 Evergy Missouri Metro has a long-term (20-year) PPA with NextEra Energy Resources
29 for energy and RECs generated by the Osborn Wind Energy Center located in Missouri.
30 The contract is based on a fixed price of \$** ____ ** per MWh and ** ____ ** MW of capacity
31 that Evergy Missouri Metro began receiving in December 2016. In its response to Staff Data

1 Request No. 0058 Evergy Missouri Metro stated, “Evergy MO Metro did not sell any RECs
2 during the Review Period of July 1, 2018 through December 31, 2019”. The contract is a
3 “take-or pay” contract (i.e., Evergy Missouri Metro has to receive and pay for the energy
4 whether it needs the energy or not), which is a standard feature of many wind PPAs.
5 The contract is for the energy and RECs generated by the wind farm. Cost of electricity under
6 the Osborn Wind Energy PPA was \$** _____ ** with revenue associated with sales of
7 \$** _____ ** which resulted in a net loss of \$** _____ ** for the Review Period.

8 **2. Summary of Cost Implications**

9 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
10 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm
11 could result from that imprudence through an increase in FAC charges. Commission Rule
12 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power
13 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found
14 no indication that Evergy Missouri Metro imprudently included the Osborn Wind Farm PPA
15 costs in the FAC.

16 **3. Conclusions**

17 Staff has identified that the Osborn Wind Farm PPA is creating a significant amount of
18 additional costs compared to the revenue received. Staff notes this is a long-term PPA and
19 the performance of this contract should be viewed on a long-term basis and not just from the
20 results during this Review Period. Staff is not recommending a disallowance related to this issue
21 at this time.

22 **4. Documents Reviewed**

- 23 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
24 0023, 0043, 0045, 0046, 0053, and 0058;
- 25 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 26 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 27 d. Staff Report in Case No. EO-2018-0290; and
- 28 e. Staff Report in Case No. EO-2019-0317.

29 *Staff Expert/Witness: Brooke Mastrogiannis*

1 **Q. Spearville 3 Wind Energy Facility Purchased Power Agreement**

2 **1. Description**

3 Evergy Missouri Metro has a long-term (20-year) PPA with Spearville 3, LLC for
4 energy and RECs generated by the Spearville 3 Wind Energy Facility located in Kansas. The
5 contract is based on a fixed price of \$** ____ ** per MWh and ** ____ ** MW of capacity that
6 Evergy Missouri Metro began receiving in October 2012. The contract is a “take-or pay”
7 contract (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs the
8 energy or not), which is a standard feature of many wind PPAs. The contract is for the energy
9 and RECs generated by the wind farm. In its response to Staff Data Request No. 0058 Evergy
10 Missouri Metro stated, “Evergy MO Metro did not sell any RECs during the Review Period of
11 July 1, 2018 through December 31, 2019”. Cost of electricity under the Spearville 3 PPA was
12 \$** _____ ** with revenue associated with sales of \$** _____ ** which resulted in
13 a net loss of \$** _____ ** for the Review Period.

14 **2. Summary of Cost Implications**

15 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
16 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm
17 could result from that imprudence through an increase in FAC charges. Commission Rule
18 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power
19 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found
20 no indication that Evergy Missouri Metro imprudently included the Spearville 3 Wind Energy
21 PPA costs in the FAC.

22 **3. Conclusions**

23 Staff has identified that the Spearville 3 Wind Energy PPA is creating a significant
24 amount of additional costs compared to the revenue received. Staff notes this is a long-term
25 PPA and the performance of this contract should be viewed on a long-term basis and not just
26 from the results during this Review Period. Staff is not recommending a disallowance related
27 to this issue at this time.

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
3 0023, 0043, 0045, 0046, 0053, and 0058;
4 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
5 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
6 d. Staff Report in Case No. EO-2018-0290; and
7 e. Staff Report in Case No. EO-2019-0317.

8 *Staff Expert/Witness: Brooke Mastrogiannis*

9 **R. Waverly Wind Farm Purchased Power Agreement**

10 **1. Description**

11 Evergy Missouri Metro has a long-term (20-year) PPA with Waverly Wind Farm, LLC
12 for energy and RECs generated by the Waverly Wind Farm beginning in November 2015.
13 The contract is also a “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy
14 Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and
15 is based on a fixed energy price of \$** _____ ** per MWh and a capacity of ** ____ ** MW.
16 In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated, “Evergy MO
17 Metro did not sell any RECs during the Review Period of July 1, 2018 through December 31,
18 2019”. Cost of electricity under the Waverly Wind Farm PPA was \$** _____ **
19 with revenue associated with sales of \$** _____ ** which resulted in a net loss of
20 \$** _____ ** for the Review Period.

21 **2. Summary of Cost Implications**

22 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
23 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm
24 could result from that imprudence through an increase in FAC charges. Commission Rule
25 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power
26 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found
27 no indication that Evergy Missouri Metro imprudently included the Waverly Wind Farm PPA
28 costs in the FAC.

29 **3. Conclusions**

30 Staff has identified that the Waverly Wind Farm PPA is creating a significant amount
31 of additional costs compared to the revenue received. Staff notes this is a long-term PPA and

1 the performance of this contract should be viewed on a long-term basis and not just from the
2 results during this Review Period. Staff is not recommending a disallowance related to this issue
3 at this time.

4 **4. Documents Reviewed**

- 5 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
6 0023, 0043, 0045, 0046, 0053, and 0058;
- 7 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 8 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 9 d. Staff Report in Case No. EO-2018-0290; and
- 10 e. Staff Report in Case No. EO-2019-0317.

11 *Staff Expert/Witness: Brooke Mastrogiannis*

12 **S. Rock Creek Wind Project Purchased Power Agreement**

13 **1. Description**

14 Evergy Missouri Metro has a long-term (20-year) PPA with Rock Creek Wind Project,
15 LLC for energy and RECs generated by the Rock Creek Wind Farm located in Missouri.
16 The contract is also a “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy
17 Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and
18 is based on a fixed energy price of \$** ____ ** per MWh and a capacity of ** ____ ** MW,
19 beginning August 2017. In its response to Staff Data Request No. 0058 Evergy Missouri Metro
20 stated, “Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018
21 through December 31, 2019”. Cost of electricity under the Rock Creek Wind Project was
22 \$** _____ ** with revenue associated with sales of \$** _____ ** which resulted in
23 a net loss of \$** _____ ** for the Review Period.

24 **2. Summary of Cost Implications**

25 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
26 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm
27 could result from that imprudence through an increase in FAC charges. Commission Rule
28 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power
29 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found
30 no indication that Evergy Missouri Metro imprudently included the Rock Creek Wind Project
31 PPA costs in the FAC.

1 **3. Conclusions**

2 Staff has identified that the Rock Creek Wind Project PPA is creating a significant
3 amount of additional costs compared to the revenue received. Staff notes this is a long-term
4 PPA and the performance of this contract should be viewed on a long-term basis and not just
5 from the results during this Review Period. Staff is not recommending a disallowance related
6 to this issue at this time.

7 **4. Documents Reviewed**

- 8 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
9 0023, 0043, 0045, 0046, 0053, and 0058;
- 10 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 11 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 12 d. Staff Report in Case No. EO-2018-0290; and
- 13 e. Staff Report in Case No. EO-2019-0317.

14 *Staff Expert/Witness: Brooke Mastrogiannis*

15 **T. Prairie Queen Wind Purchased Power Agreement**

16 **1. Description**

17 Evergy Missouri Metro has a long-term (20-year) PPA with Prairie Queen Wind Farm,
18 LLC for energy and RECs generated by the Prairie Queen Wind Farm located in Kansas.
19 The contract is also a “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy
20 Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and
21 is based on a fixed energy price of \$** ____ ** per MWh and a capacity of ** ____ ** MW,
22 beginning May 2019. In its response to Staff Data Request No. 0058 Evergy Missouri Metro
23 stated, “Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018
24 through December 31, 2019”. Cost of electricity under the Prairie Queen Wind Project was
25 \$** _____ ** with revenue associated with sales of \$** _____ ** which resulted in a
26 net gain of \$** ____ ** for the Review Period.

27 **2. Summary of Cost Implications**

28 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
29 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm
30 could result from that imprudence through an increase in FAC charges. Commission Rule

1 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power
2 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found
3 no indication that Evergy Missouri Metro imprudently included the Prairie Queen Wind PPA
4 costs in the FAC.

5 **3. Conclusions**

6 Staff has identified that the Prairie Queen Wind PPA is creating more revenue received
7 than additional costs. Staff notes this is a long-term PPA and the performance of this contract
8 should be viewed on a long-term basis and not just from the results during this Review Period.
9 Staff is not recommending a disallowance related to this issue at this time.

10 **4. Documents Reviewed**

- 11 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
12 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, and 0070;
- 13 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 14 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 15 d. Staff Report in Case No. EO-2018-0290; and
- 16 e. Staff Report in Case No. EO-2019-0317.

17 *Staff Expert/Witness: Brooke Mastrogiannis*

18 **U. Pratt Wind Purchased Power Agreement**

19 **1. Description**

20 Evergy Missouri Metro has a long-term (30-year) PPA with Pratt Wind, LLC for energy
21 and RECs generated by the Pratt Wind Farm located in Kansas. The contract is also a
22 “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy Missouri Metro has
23 to receive and pay for the energy whether it needs the energy or not), and is based on a fixed
24 energy price of \$** ____ ** per MWh and a capacity of ** ____ ** MW, beginning November
25 2018. In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated,
26 “Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through
27 December 31, 2019”. Cost of electricity under the Pratt Wind Project was \$** _____ **
28 with revenue associated with sales of \$** _____ ** which resulted in a net loss of
29 \$** _____ ** for the Review Period.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
3 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm
4 could result from that imprudence through an increase in FAC charges. Commission Rule
5 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power
6 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found
7 no indication that Evergy Missouri Metro imprudently included the Pratt Wind PPA costs in
8 the FAC.

9 **3. Conclusion**

10 Staff has identified that the Prairie Queen Wind PPA is creating more additional costs
11 compared to the revenue received. Staff notes this is a long-term PPA and the performance of
12 this contract should be viewed on a long-term basis and not just from the results during this
13 Review Period. Staff is not recommending a disallowance related to this issue at this time.

14 **4. Documents Reviewed**

- 15 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
16 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;
- 17 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 18 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 19 d. Staff Report in Case No. EO-2018-0290; and
- 20 e. Staff Report in Case No. EO-2019-0317.

21 *Staff Expert/Witness: Brooke Mastrogiannis*

22 **V. Purchased Power Costs**

23 **1. Description**

24 Evergy Missouri Metro’s FAC Second Revised Sheet No. 50.13, applicable to service
25 provided from July 1, 2018 through December 6, 2018, and Original Sheet No. 50.23,
26 applicable to service provided from December 6, 2018 through the effective date of this tariff
27 sheet and thereafter, define the Purchased Power Costs (“PP”) components, which are purchases
28 of power through the SPP IM and not electric generated by the Company.

29 Staff has determined that Evergy Missouri Metro’s total purchased power expense for
30 the prudence Review Period is \$** _____ **, as shown previously in Table 3. More detail
31 for the cost of PP is shown in Table 14.

1 **Cimarron 2, Slate Creek, Osborn, Spearville 3, Waverly,**
2 **Rock Creek, Prairie Queen and Pratt**

3 Evergy Missouri Metro had long-term purchased power contracts with eight wind farms
4 during the Review Period. A further description of these contracts can be found in
5 Sections III. N, O, P, Q, R, S, T, and U of this report. Not included in these sections of Staff's
6 Report is the new purchased power wind contracts that Evergy Missouri Metro has recently
7 signed into since the associated costs and revenues have not yet been sought for recovery
8 through the FAC. However, Staff is aware of these additional purchased power wind contracts
9 and provided as part of its Staff Report in the most recent Evergy Missouri Metro 2020 IRP
10 Annual Update³⁹ concerns with these additional purchased power wind contracts. Given that a
11 majority of Evergy Missouri Metro's current wind PPAs are creating more costs for ratepayers
12 than revenues and additional purchased power wind contracts could put ratepayers at greater
13 risk, Staff notes in its Staff Report in Case No. EO-2020-0280 "that this risk could be addressed
14 fairly through risk mitigation or risk sharing in the Commission-approved fuel adjustment
15 clauses of the Companies."⁴⁰

16 **CNPPID Hydro Power Purchase Agreement**

17 Evergy Missouri Metro has a long-term (10-year) purchase power agreement with
18 Central Nebraska Public Power and Irrigation District ("CNPPID") ending December 31, 2023,
19 for energy generated by several hydroelectric facilities (Jeffery Hydro 1, Jeffery Hydro 2,
20 Johnson Hydro 11, Johnson Hydro 12, and Johnson Hydro 21) located in Nebraska. The
21 contract is based on a fixed energy price of \$** ____ ** per MWh and **__ ** MW of capacity
22 and is a "take-or pay" contract. Costs of electricity under the CNPPID purchase power
23 agreement are \$** _____ ** for July 1, 2018 through November 30, 2018.⁴¹ CNPPID is not
24 a Division of Energy certified renewable energy resource.

³⁹ Case No. EO-2020-0280.

⁴⁰ Case No. EO-2020-0280, Staff Report, Page 7.

⁴¹ During the last general rate case, Case No. ER-2018-0145, the Commission, in its *Order Approving Stipulations and Agreements* issued on October 31, 2018, approved an agreement that the CNPPID contract would no longer be recoverable through Evergy Missouri Metro's FAC as of December 6, 2018.

1 **Non-firm Short-term Energy**

2 Evergy Missouri Metro purchases hourly energy in the SPP IM. Since implementing the
3 SPP IM, SPP has controlled the economic dispatch of Evergy Missouri Metro’s generation.
4 During times that Evergy Missouri Metro’s load exceeds Evergy Missouri Metro’s generation,
5 Evergy Missouri Metro becomes a net purchaser in the SPP market. These SPP market
6 purchases are from other electric suppliers to help meet Evergy Missouri Metro’s load during
7 times of forced or planned plant outages and during times when the market price is below the
8 marginal cost of providing that energy from Evergy Missouri Metro’s generating units. Under
9 the SPP IM, Evergy Missouri Metro’s generation is offered to the SPP IM and energy needed
10 for native load requirements is purchased from the SPP market. “Spot purchases and sales are
11 made based upon SPP market and operating conditions for the entire SPP footprint.” Costs for
12 the SPP IM purchases are included as “Non-Firm Short-term Energy” in Table 3 and Table 14
13 of this report. Further discussion of Evergy Missouri Metro’s participation in these markets can
14 be found in Section III.A. of this report.

15 **Short-term Demand**

16 There were no capacity charges for capacity purchases less than 12 months in duration
17 during the Review Period.

18 **2. Summary of Cost Implication**

19 If Evergy Missouri Metro erred when it booked costs from purchased power contracts
20 or if Evergy Missouri Metro imprudently participated in the SPP IM, ratepayer harm could
21 result from an increase in costs collected through the FAC.

22 **3. Conclusion**

23 Staff found no indication of imprudence by Evergy Missouri Metro related to its
24 purchasing short-term capacity, booking long-term purchased power contracts, or purchasing
25 non-firm short-term energy.

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0019,
3 0020, 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;
4 b. PPA Contracts;
5 c. Staff Report in EO-2020-0280; and
6 d. Section III.A. of this report.

7 *Staff Expert/Witness: Brooke Mastrogiannis*

8 **IV. INTEREST**

9 **1. Description**

10 During each accumulation period, Evergy Missouri Metro is required to calculate a
11 monthly interest amount based on Evergy Missouri Metro’s short-term debt borrowing rate that
12 is applied to the under-recovered or over-recovered fuel and purchased power costs. Evergy
13 Missouri Metro’s short-term debt rate is calculated using the daily one-month United States
14 Dollar London Interbank Offered Rate (“LIBOR”), using the last previous actual rate for
15 weekends and holidays or dates without an available LIBOR, and the Applicable Margin for
16 Eurodollar Advances. A simple mathematical average of all the daily rates for the month is then
17 computed. For the Review Period, Evergy Missouri Metro’s average monthly interest rate from
18 July 1, 2018 through December 31, 2019 was ** ____ ** with the total amount of interest
19 accumulated for the period of \$** _____ **. The interest amount is component “I” of
20 Evergy Missouri Metro’s FAC.

21 **2. Summary of Interest Implications**

22 If Evergy Missouri Metro imprudently calculated the monthly interest amounts or used
23 short-term debt borrowing rates that did not fairly represent the actual cost of Evergy Missouri
24 Metro’s short-term debt, ratepayers could be harmed by FAC charges that are too high.

25 **3. Conclusion**

26 Staff found no evidence Evergy Missouri Metro imprudently determined the monthly
27 interest amount that was applied to the under-recovered or over-recovered fuel and purchased
28 power costs.

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001 and 0044;
- 3 b. Evergy Missouri Metro’s monthly interest calculation work papers in support of the
- 4 interest calculation amount on the under-recovered or over-recovered balance; and
- 5 c. Company Files: q0001 conf Metro section 8 filing – 7th accum – dec 2018; q0001
- 6 conf Metro section 8 filing – 8th accum – jun 2019; and, q0001 conf Metro section 8
- 7 filing – 9th accum – dec 2019.

8 *Staff Expert/Witness: Cynthia M. Tandy*

SCHEDULE BJJ-d6

HAS BEEN DEEMED

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