

Exhibit No.:
Issue(s): *Staff's Prudence Review of
Evergy Missouri Metro's
Fuel Adjustment Clause*
Witness: *Brad J. Fortson*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *EO-2022-0064*
Date Testimony Prepared: *May 6, 2022*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

DIRECT TESTIMONY

OF

BRAD J. FORTSON

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

CASE NO. EO-2022-0064

*Jefferson City, Missouri
May 2022*

**** Denotes Confidential Information ****

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2
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6
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**TABLE OF CONTENTS OF
DIRECT TESTIMONY
OF
BRAD J. FORTSON
EVERGY METRO, INC.,
d/b/a EVERGY MISSOURI METRO
CASE NO. EO-2022-0064**

EXECUTIVE SUMMARY1
PRUDENCE REVIEW AND STAFF REPORT2
OVERVIEW OF STAFF’S PROPOSED DISALLOWANCE3

1 **DIRECT TESTIMONY**

2 **OF**

3 **BRAD J. FORTSON**

4 **EVERGY METRO, INC.,**

5 **d/b/a EVERGY MISSOURI METRO**

6 **CASE NO. EO-2022-0064**

7 Q. Please state your name and business address.

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

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

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

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

13 A. Please refer to the attached Schedule BJF-d1.

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

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

18 Q. Have you participated in the Commission Staff’s audit of Evergy Metro, Inc.,
19 d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”) concerning the Staff’s Fuel
20 Adjustment Clause (“FAC”) prudence review in this proceeding?

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

22 **EXECUTIVE SUMMARY**

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

1 A. I am sponsoring the *Staff Report (Public and Confidential)* (“Evergy Missouri
2 Metro Staff Report” or “Staff Report”) which was originally filed on February 28, 2022 in
3 Case No. EO-2022-0064, copies of which (both Public and Confidential) are attached as
4 Schedule BJJF-d3 and Confidential Schedule BJJF-d4 for Evergy Missouri Metro. Staff
5 analyzed items affecting Evergy Missouri Metro’s fuel costs; purchased power costs; net
6 emission costs; transmission costs; off-system sales revenue; and renewable energy credit
7 revenues during the Review Period¹ of the FAC for the Company. My testimony provides an
8 overview of the Staff Report. My testimony will also give a brief update for when to expect
9 a prudence review of the February 2021 Storm Uri net revenues.

10 **PRUDENCE REVIEW AND STAFF REPORT**

11 Q. Please describe Staff’s prudence review.

12 A. Staff analyzed items affecting Evergy Missouri Metro’s fuel costs; purchased
13 power costs; net emission costs; transmission costs; off-system sales revenue; and renewable
14 energy credit revenues during the Review Period of the FAC. As noted in the attached public
15 and confidential Staff Reports, Staff provided a description of the components it reviewed, a
16 discussion of its review, a summary of any cost implications and Staff’s conclusions based
17 on its review of the components. During its review, Staff found evidence of imprudence by
18 Evergy Missouri Metro when Evergy Missouri Metro failed to take any action that would
19 have allowed it to generate revenue from the sale of 1,153,813 renewable energy credits
20 (“RECs”) that were not needed to satisfy its renewable energy standard (“RES”) compliance

¹ Evergy Missouri Metro Staff Report covered the Review Period of January 1, 2020 through June 30, 2021.

1 and simply allowed them to expire during the Review Period. As such, Staff recommended
2 the Commission order an Ordered Adjustment (“OA”) in the amount of \$3,922,964.²

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

4 A. The Staff Report has 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 In the Renewable Energy Credit Revenues Section III.L., Staff explains the
11 recommended adjustment for the Review Period. Signed affidavits for all Staff members who
12 are responsible for a portion of the Staff Report and for whom those portions constitute direct
13 testimony in this proceeding are attached to the Staff Report. The individual Staff member(s)
14 responsible for each area of Staff’s direct case is identified in the Staff Report following the
15 written discussion he or she authored, and is the expert witness with respect to that section of
16 the Staff Report.

17 **OVERVIEW OF STAFF’S PROPOSED DISALLOWANCE**

18 Q. In its review of the FAC for Evergy Missouri Metro in Case No.
19 EO-2022-0064, did Staff recommend any disallowances in its Staff Report?

20 A. Yes. Based on its review, Staff found that Evergy Missouri Metro had acted
21 imprudently by not selling its excess RECs but instead allowing them to expire. This action
22 has caused harm to all ratepayers since selling excess RECs instead of allowing them to

² This recommended disallowance does not include interest.

1 expire would have decreased FAC charges. Staff could not find that Evergy Missouri Metro
2 took any action that would have allowed it to generate revenue from its 1,153,813 RECs that
3 were not needed to satisfy its RES compliance and were simply allowed to expire during the
4 Review Period. Staff recommended the Commission issue an OA in the amount of
5 \$3,922,964 which is equal to 1,153,813 RECs multiplied by Staff's estimated average sales
6 price of \$3.40 per REC during the 18-month Review Period. Further detail of this can be
7 found in the Staff Report.

8 Q. Are there individual witnesses sponsoring these adjustments?

9 A. Yes. Staff expert Cynthia M. Tandy provided a detailed explanation for the
10 proposed disallowance as related to RECs starting on page 28 through page 36 of the Evergy
11 Missouri Metro Staff Report.

12 Q. Does Staff have an update to the Evergy Missouri Metro Staff Report?

13 A. Yes. Staff would like to notify the Commission and all the parties to this
14 proceeding that the prudence review for the February 2021 Storm Uri net revenues is intended
15 to be reviewed by Staff in the next FAC prudence review filing, which will likely be initiated
16 in March 2023. Those net revenues now fall into Accumulation Period 13, the period of July
17 through December 2021, which will fall into the Review Period for the Fifth Prudence
18 Review of Costs related to the Fuel Adjustment Clause of Evergy Missouri Metro.

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

20 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Fourth Prudence Review)
of Costs Subject to the Commission-Approved)
Fuel Adjustment Clause of Evergy Metro, Inc.)
d/b/a Evergy Missouri Metro) Case No. EO-2022-0064

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BRAD J. FORTSON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Brad J. Fortson*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



BRAD J. FORTSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 5th day of May 2022.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070



Notary Public

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
EO-2020-0280	Evergy Metro	IRP Annual Update	Staff Report
EO-2020-0281	Evergy Missouri West	IRP Annual Update	Staff Report
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
EO-2020-0262	Evergy Metro and Evergy Missouri West	FAC prudence review	Direct & Rebuttal Testimony
EO-2021-0021	Union Electric Company d/b/a Ameren Missouri	Triennial compliance filing	Staff Report
EO-2021-0035	Evergy Metro	Triennial compliance filing	Staff Report
EO-2021-0036	Evergy Missouri West	Triennial compliance filing	Staff Report
EO-2021-0416	Evergy Missouri West	MEEIA prudence review	Staff Report
EO-2021-0417	Evergy Metro	MEEIA prudence review	Staff Report
EO-2022-0061	Evergy Missouri West	Application for Special Rate	Rebuttal Testimony

MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT

**FOURTH 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")**

CASE NO. EO-2022-0064

January 1, 2020, through June 30, 2021

*Jefferson City, Missouri
February 28, 2022*

**** Denotes Confidential Information ****

**Case No. EO-2022-0064
Schedule BJJF-d3
Page 1 of 59**

1 **TABLE OF CONTENTS OF**

2 **STAFF REPORT**

3 **FOURTH PRUDENCE REVIEW OF COSTS**
4 **RELATED TO THE FUEL ADJUSTMENT CLAUSE**
5 **FOR THE ELECTRIC OPERATIONS**
6 **OF**
7 **EVERGY METRO, INC.**

8 **January 1, 2020 through June 30, 2021**

9 **CASE NO. EO-2022-0064**

10 I. EXECUTIVE SUMMARY 1

11 II. INTRODUCTION 2

12 A. GENERAL DESCRIPTION OF EVERGY MISSOURI METRO’S FAC 2

13 B. PRUDENCE STANDARD 4

14 III. FUEL COSTS, PURCHASED POWER COSTS, TRANSMISSION COSTS, NET EMISSION

15 COSTS 5

16 A. STAFF REVIEW OF ORDINARY FAC COSTS 7

17 B. UTILIZATION OF GENERATION CAPACITY 8

18 C. HEAT RATES 14

19 D. PLANT OUTAGES 16

20 E. NATURAL GAS COSTS 17

21 F. COAL AND RAIL TRANSPORTATION COSTS 19

22 G. FUEL OIL COSTS 21

23 H. TRANSMISSION COSTS 22

24 I. NUCLEAR FUEL 24

25 J. EMISSION ALLOWANCES 24

26 K. OFF-SYSTEM SALES REVENUE 26

27 L. RENEWABLE ENERGY CREDIT REVENUES 28

28 M. CIMARRON 2 WIND FARM PURCHASED POWER AGREEMENT 37

1	N.	SLATE CREEK WIND PROJECT PURCHASED POWER AGREEMENT	38
2	O.	OSBORN WIND ENERGY PURCHASED POWER AGREEMENT	39
3	P.	SPEARVILLE 3 WIND ENERGY FACILITY PURCHASED POWER AGREEMENT	41
4	Q.	WAVERLY WIND FARM PURCHASED POWER AGREEMENT	42
5	R.	ROCK CREEK WIND PROJECT PURCHASED POWER AGREEMENT	43
6	S.	PRAIRIE QUEEN WIND PURCHASED POWER AGREEMENT	45
7	T.	PRATT WIND PURCHASED POWER AGREEMENT	46
8	U.	PURCHASED POWER COSTS	47
9	IV.	INTEREST	50

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

6 **January 1, 2020 through June 30, 2021**

7 **CASE NO. EO-2022-0064**

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
17 reviews of an electric utility’s FAC no less frequently than every 18 months. In this prudence
18 review, Staff analyzed items affecting Evergy Missouri Metro’s fuel costs; purchased power
19 costs; net emission allowance costs; transmission costs; off-system sales revenues; and
20 renewable energy credit revenues for the tenth, eleventh and twelfth accumulation periods
21 of Evergy Missouri Metro’s FAC (“prudence review period”). The tenth accumulation
22 period started January 1, 2020, and ended June 30, 2020. The eleventh accumulation period
23 started July 1, 2020, and ended December 31, 2020. The twelfth accumulation period started
24 January 1, 2021, and ended June 30, 2021. Thus, the 18-month prudence review period is from
25 January 1, 2020, through June 30, 2021 (“Review Period”). This is Staff’s fourth Prudence
26 Review Report for Evergy Missouri Metro’s FAC. Table 1 identifies Staff’s previous Evergy
27 Missouri Metro FAC prudence reviews.

¹ Effective January 30, 2019.

1 **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
Third	EO-2020-0263	July 1, 2018 through December 31, 2019

2 In evaluating prudence, Staff reviews whether a reasonable person making the same
3 decision would find both the information the decision-maker relied on and the process the
4 decision-maker employed to be reasonable based on the circumstances and information known
5 at the time the decision was made, *i.e.*, without the benefit of hindsight. If either the information
6 relied upon or the decision-making process employed was imprudent, then Staff examines
7 whether the imprudent decision caused any harm to ratepayers. Only if an imprudent decision
8 resulted in harm to ratepayers will Staff recommend a disallowance. However, if an imprudent
9 decision did not result in harm to Evergy Missouri Metro’s customers, then Staff may further
10 evaluate the decision-making process, and may recommend changes to the company’s business
11 practice going forward.

12 Staff analyzed a variety of items in examining whether Evergy Missouri Metro was
13 imprudent when it incurred the fuel and purchased power costs associated with its FAC.
14 Based on its review, Staff found evidence of imprudence by Evergy Missouri Metro when
15 Evergy Missouri Metro failed to take any action that would have allowed it to generate
16 revenue from the sale of 1,153,813 renewable energy credits (“RECs”) that were not needed
17 to satisfy its RES compliance and simply allowed them to expire during the Review
18 Period. Staff recommends the Commission order an Ordered Adjustment (“OA”) in the
19 amount of \$3,922,964.²

20 *Staff Expert/Witness: Brooke Mastrogiannis*

21 **II. INTRODUCTION**

22 **A. General Description of Evergy Missouri Metro’s FAC**

23 Table 2 identifies Evergy Missouri Metro’s Commission-approved FAC tariff sheets,
24 which were applicable for service provided by Evergy Missouri Metro to its customers

² This recommended disallowance does not include interest.

1 during the period January 1, 2020, through June 30, 2021:

2 **Table 2**

3 **Evergy Missouri Metro’s Commission-approved FAC Tariff Sheets**

4 January 1, 2020, through June 30, 2021

P.S.C. MO No. 7
Original Sheet No. 50.21
Original Sheet No. 50.22
Original Sheet No. 50.23
Original Sheet No. 50.24
Original Sheet No. 50.25
Original Sheet No. 50.26
Original Sheet No. 50.27
Original Sheet No. 50.28
Original Sheet No. 50.29
Original Sheet No. 50.30

5 For each accumulation period (“AP”),³ Evergy Missouri Metro’s Commission-approved FAC
6 allows Evergy Missouri Metro to recover from (if the actual net energy costs exceed) or refund
7 to (if the actual net energy costs are less than) its ratepayers ninety-five percent (95%) of its
8 Missouri jurisdictional⁴ actual net energy costs (“ANEC”)⁵ less net base energy cost (“B”)⁶
9 which is identified as (ANEC – B)*J in Evergy Missouri Metro’s FAC.⁷ Evergy Missouri Metro
10 accumulates variable fuel costs, purchased power costs, transmission costs and net emissions
11 costs minus off-system sales revenues and renewable energy credit revenues during six-month
12 accumulation periods. Each six-month accumulation period is followed by a twelve-month

³ Accumulation periods are January through June and July through December.

⁴ Missouri jurisdictional factor J is defined on Evergy Missouri Metro’s Original Sheet No. 50.28 as Missouri Retail Energy Ratio = (MO Retail kWh sales + MO Losses) / (MO Retail kWh Sales + MO Losses + KS Retail kWh Sales + KS Losses + Sales for Resale, Municipals kWh Sales [including border customers] + Sales 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 FPA. Net base energy costs will be calculated as shown below $S_{AP} \times \text{Base Factor}$ (“BF”).

⁷ For the tenth, eleventh and twelfth accumulation periods, the (ANEC - B)*J amounts are included on line 5 of Evergy Missouri Metro’s 4th Revised Sheet No. 50.31, 5th Revised Sheet No. 50.31, and 6th Revised Sheet No. 50.31, respectively.

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

10 **B. Prudence Standard**

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

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

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

27 In reversing the Commission in that case, the Court did not criticize the Commission’s
28 definition of prudence, but held, in part, that to disallow a utility's recovery of costs from its
29 customers based on imprudence the Commission must determine the detrimental impact of that
30 imprudence on the utility’s ratepayers.¹² This is the prudence standard Staff follows in

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).

¹² *Id.* at 529-30.

1 conducting prudence reviews. Staff reviewed for imprudence the areas identified and
2 discussed below for Evergy Missouri Metro’s tenth, eleventh, and twelfth six-month
3 accumulation periods.

4 *Staff Expert/Witness: Brooke Mastrogiannis*

5 **III. FUEL COSTS, PURCHASED POWER COSTS,**
6 **TRANSMISSION COSTS, NET EMISSION COSTS**

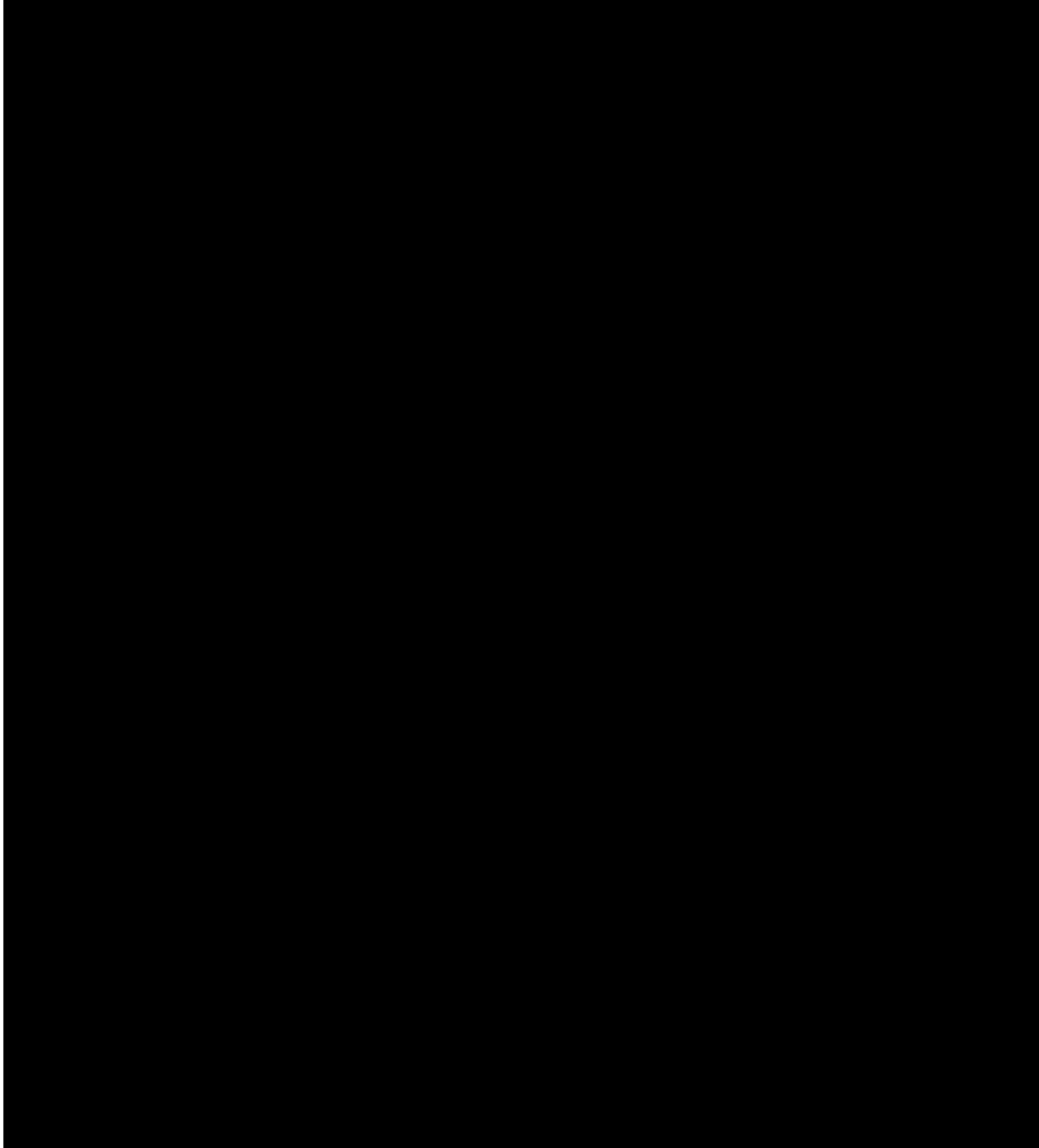
7 Evergy Missouri Metro’s FAC includes four major components of costs: fuel costs,
8 purchased power costs, net emission costs and transmission costs. It also includes two
9 components of revenues: off-system sales revenues and renewable energy credit revenues.
10 Table 3 is a breakdown of Evergy Missouri Metro’s fuel costs, purchased power costs, net
11 emission costs, transmission costs, off-system sales revenues, and renewable energy credit
12 revenues for the period of January 1, 2020, through June 30, 2021:

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33 *Continued on next page*

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Table 3 - Confidential

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*Staff Experts/Witnesses: Brooke Mastrogiannis, Lisa Wildhaber, Cynthia M. Tandy, and
Amanda C. Conner*

1 **A. Staff Review of Ordinary FAC Costs**

2 In the FAC FAR filing for Accumulation Period 12, Case No. ER-2022-0025,¹³
3 covering the six-month period of January 2021 through June 2021, Evergy Missouri Metro
4 requested to defer a net credit of \$56,830,775 of extraordinary costs and revenues associated
5 with the February 2021 cold weather event (“Winter Storm Uri”). After applying the
6 Commission’s current cost allocation methodology to Evergy Metro’s Missouri jurisdiction, a
7 benefit resulted for Evergy Missouri Metro customers of \$32.0 million. The extraordinary costs
8 and revenues are being sought for future recovery through an Accounting Authority Order
9 (“AAO”), which would track and defer in a regulatory asset or liability, as appropriate, all
10 extraordinary costs and revenues of Winter Storm Uri. The AAO case is still pending in File
11 No. EU-2021-0283, and recovery of the amounts deferred will be addressed by the Commission
12 in a future proceeding. As such, the deferred costs and revenues are not subject to review under
13 this prudence review.

14 Company witness Lisa A. Starkebaum’s direct testimony in the FAC FAR filing
15 explained that Winter Storm Uri caused extremely cold temperatures, resulting in increased fuel
16 and purchased power costs which were more than offset with an increase in off-system sales
17 revenues, or a net customer benefit.(page 6) Ms. Starkebaum stated that the Company is seeking
18 the AAO to accumulate and defer to a regulatory liability all extraordinary costs and revenues
19 incurred resulting from Winter Storm Uri. Ms. Starkebaum explained that the Company is
20 proposing a future FAC to flow back the benefits to customers from off-systems sales resulting
21 from Winter Storm Uri. Ms. Starkebaum further explained that the Company calculated a
22 three-year average baseline of February costs, using February costs for the years 2018, 2019,
23 and 2020 for fuel, purchased power, emissions, transmission expense, and off-system sales
24 revenues. This baseline average was compared to the February 2021 actual costs to compute
25 the extraordinary costs in excess of the average.¹⁴ The requested deferral of costs and revenues
26 was pursuant to Commission Rule 20 CSR 4240-20.090(8)(A)2.A.(XI), which states, “For the
27 period of historical costs which are being used to propose the fuel adjustment rates...
28 Extraordinary costs not to be passed through, if any, due to such costs being an insured loss, or
29 subject to reduction due to litigation or for any other reason.”

¹³ Filed July 30, 2021.

¹⁴ Lisa Starkebaum’s Direct Testimony page 6-7, filed July 30, 2021.

1 On August 27, 2021, Staff filed a recommendation to reject Evergy Missouri
2 Metro’s proposed tariff, stating that it was Staff’s opinion that the Commission rule allows
3 deferral of extraordinary costs but does not allow deferral of extraordinary revenues. On
4 September 15, 2021, the Commission ordered to reject Evergy Missouri Metro’s proposed
5 tariff, and ordered the parties to determine if there is any part of the proposed adjustment not
6 now in question that could be included in an interim FAC rate adjustment tariff revision. On
7 September 30, 2021, Evergy Missouri Metro resubmitted its proposed FAC tariff that was
8 originally filed on July 30, 2021, as an interim FAC tariff revision. On October 20, 2021,
9 the Commission approved an interim tariff sheet that removed the contested components,
10 to become effective November 1, 2021. A procedural schedule was established on
11 December 2, 2021, for resolution of the issues. The FAC filing is unresolved at the time of this
12 report, therefore the deferred costs and revenues will be reviewed in a future proceeding.

13 In Table 3 of this report are the amounts adjusted for the Storm Uri. These amounts
14 were calculated using a three-year average baseline of February costs, using actual
15 February costs for the years 2018, 2019, and 2020 for fuel, purchased power, emissions,
16 transmission expense, and off-system sales revenues. This baseline average was compared to
17 the February 2021 actual costs to compute the extraordinary costs in excess of the average.
18 However, in every section of this report that Storm Uri affected, there will be a footnote that
19 contains the total costs that were actually incurred before the adjustment for the deferral.

20 *Staff Expert/Witness: Brooke Mastrogiannis*

21 **B. Utilization of Generation Capacity**

22 **1. Description**

23 The purpose of this section is to provide an overview of Evergy Missouri Metro’s
24 available supply-side and demand response resources and review the process by which
25 generating units are selected to satisfy native load requirements during the Review Period.
26 Evergy Missouri Metro’s generating units consist of a mixture of coal, nuclear, natural gas,
27 diesel, and wind as indicated in Table 4¹⁵ below titled Supply Side Resources. Table 5 provides
28 a list of Evergy Missouri Metro’s long-term Power Purchase Agreements (“PPA”). Table 6
29 contains a capacity summary for Evergy Missouri Metro’s current fleet.

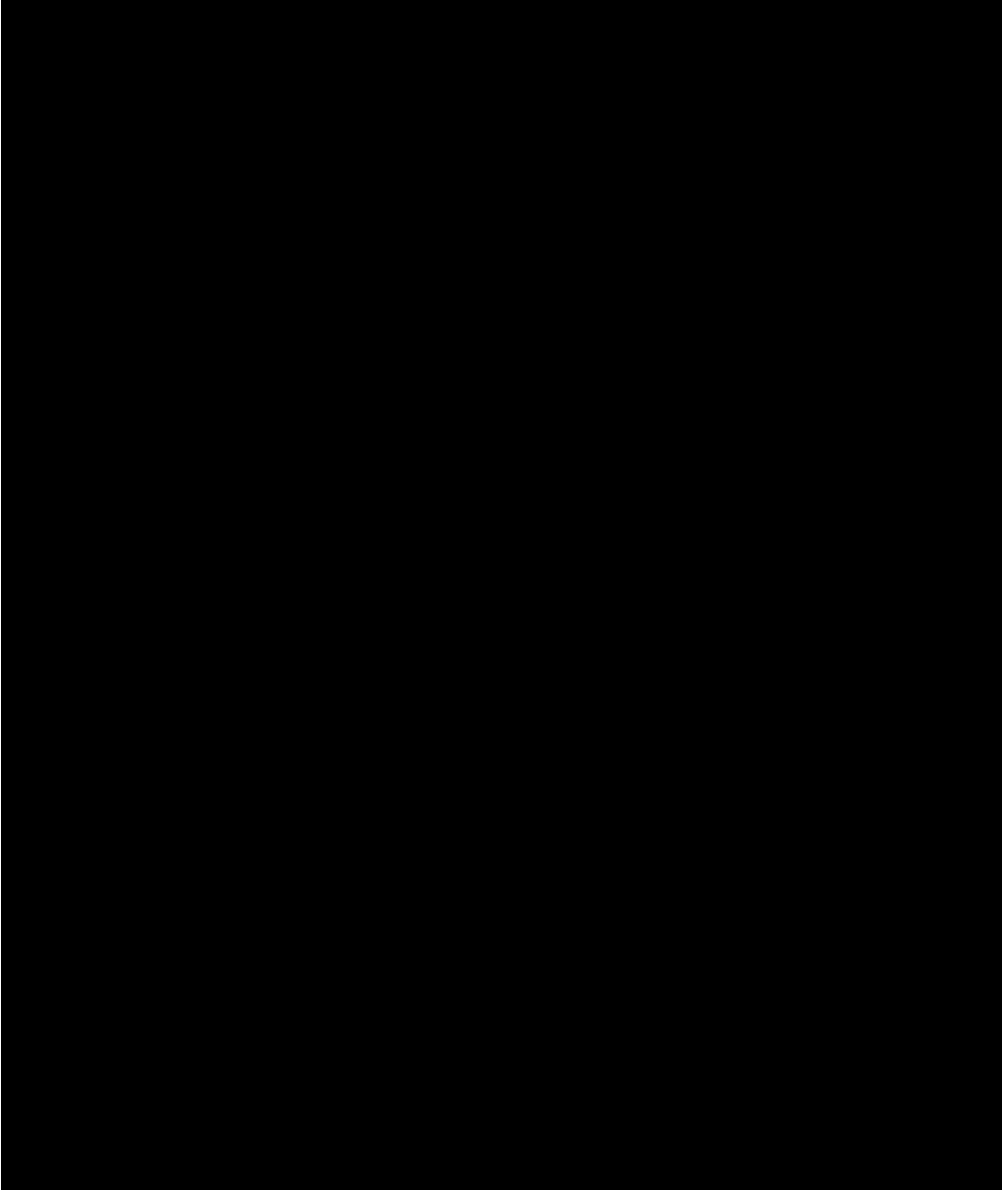
¹⁵ Evergy Missouri Metro response to Data Request No. 0013 & 0042.

Table 4 - Confidential

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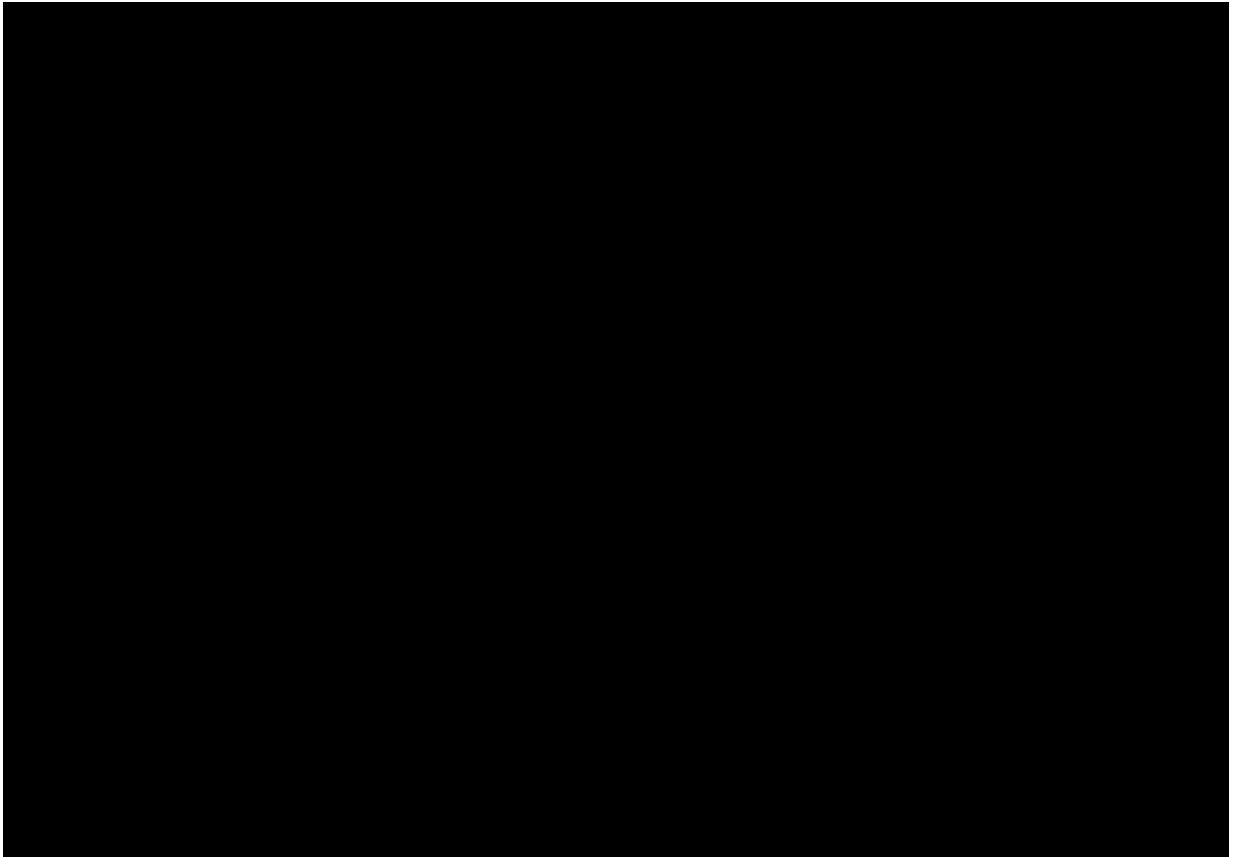
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Table 5 – Confidential

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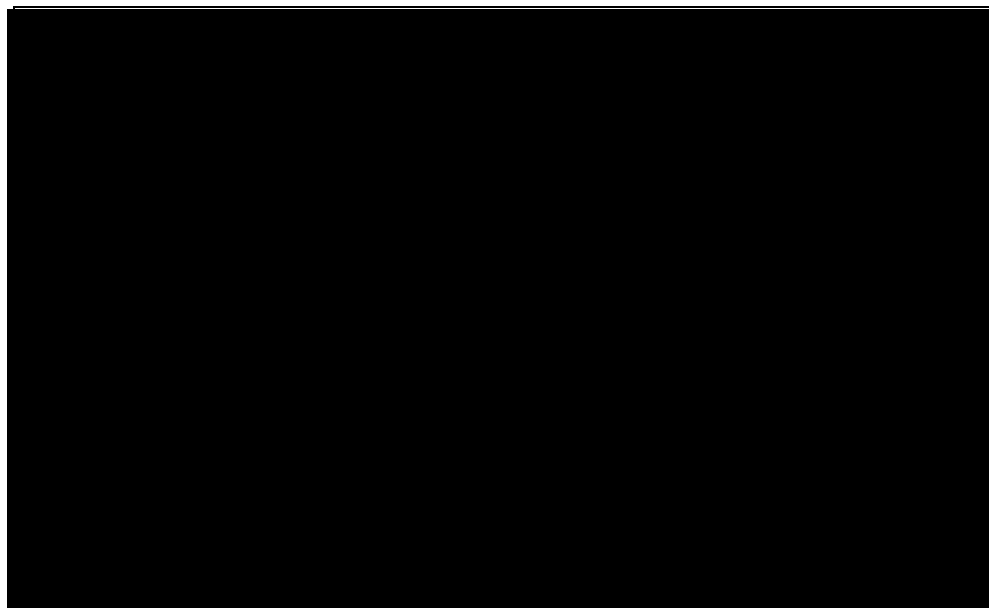


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Table 6 – Confidential

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1 **2. Self – Commitment of Baseload Generation Facilities into SPP**

2
3 During this FAC prudence review, Staff conducted a review of commitment status of
4 Evergy Missouri Metro’s electric generation facilities into SPP in an effort to determine any
5 negative impacts that might be occurring because of such actions. Evergy Missouri Metro has
6 varied electric generation facilities that are designed to provide varying types of services to its
7 customers. These generation facilities include coal, natural gas, #2 fuel oil, nuclear, 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 teams to determine optimal plant reliability and manufacturer operational guidelines.¹⁶ The
12 SPP market allows participants to commit resources in different ways rather than have the
13 market choose which units to run. SPP utilizes five resource offer commitment status
14 designations¹⁷ for its market participants (“MP”):

- 15 **1. Market** – the resource is available for centralized unit commitment through
16 its price sensitive (merit-based) price quantity offers.
17 **2. Self** – the market participant is committing the resource through price
18 insensitive offers outside of centralized unit commitment.
19 **3. Reliability** – the resource is off-line and is only available for centralized unit
20 commitment if there is an anticipated reliability issue.
21 **4. Outage** – the resource is unavailable due to a planned, forced, maintenance,
22 or other approved outage.
23 **5. Not participating** – the resource is otherwise available but has elected not to
24 participate in the day-ahead market.

25 SPP Market participants have stated the following reasons for self-commitment:¹⁸

- 26 • Testing – NERC requirement
27 • Public Utilities Regulatory Policy Act (PURPA)

¹⁶ SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.

¹⁷ *Id.*, Page 5.

¹⁸ SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Pages 7 and 8.

- 1 • Federal service exemptions
- 2 • Started by a different market
- 3 • Weather
- 4 • Long lead times
- 5 • Fuel contracts
- 6 • Other contracts
- 7 • Long minimum run times
- 8 • Commitment bridging
- 9 • Desire to reduce thermal damage to the unit due to starts and stops
- 10 • High startup costs

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

18 Staff analyzed data received from Evergy Missouri Metro²⁰ to determine the financial
19 impacts of the self-commit units as offered and cleared into the SPP Real-time market. Table 7
20 provides the summary of Staff’s review by generating unit for the period of January 1, 2020,
21 through June 30, 2021. Staff reviewed the hourly real-time transactions that were deemed
22 self-commitment by taking the hourly real time energy cost and adding it to the hourly total
23 revenue for that same hour for the individual generating unit that was self-committed, then
24 compared the number of positive “In the Money” hourly transactions to the negative “Out the
25 Money” hourly transactions. Results are shown below in Table 7. Staff then took it a step further
26 to show the amount of revenue that corresponded to the “In vs Out” of money transactions, as
27 well as a net settlement (revenue) or total when adding the “In the Money” to the “Out of the

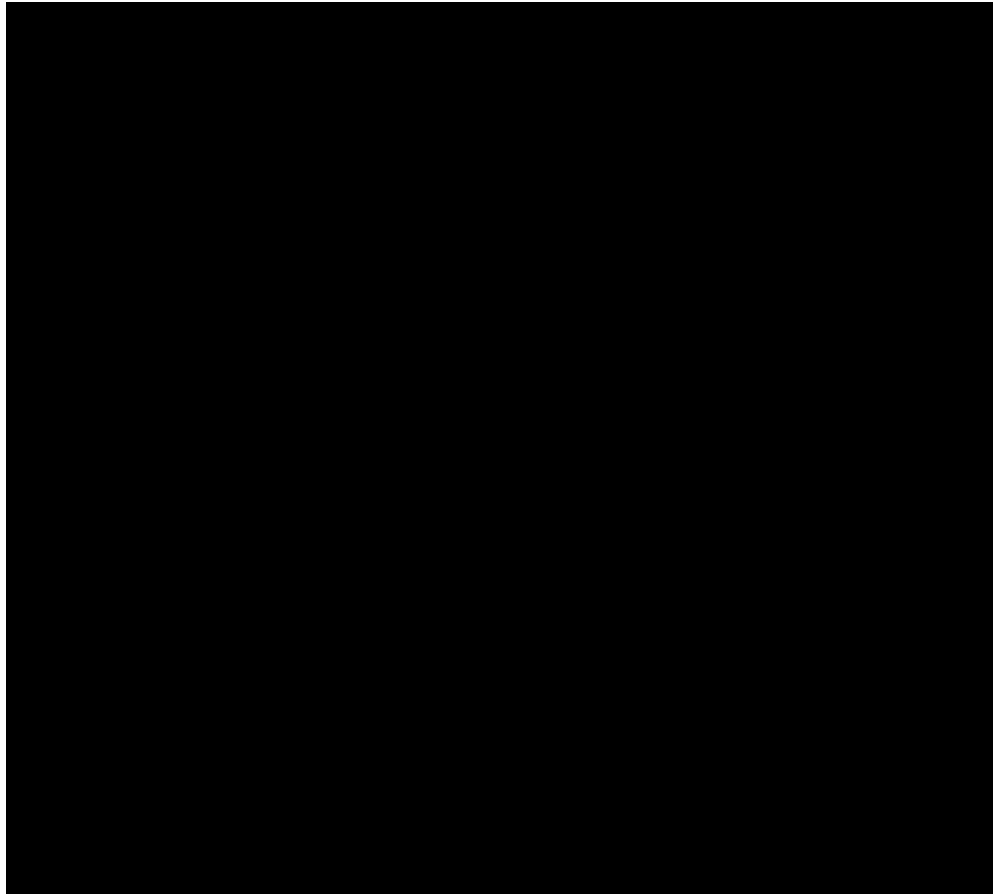
¹⁹ *Id.*, Page 8.

²⁰ Staff Data Request No. 0054.1 in File No. EO-2022-0064.

1 Money” transactions, to show an overall revenue associated with self-commitment. In the
2 revenue portion of the table below a positive/negative sign convention was used for revenues.
3 i.e. (Negative values =Charges/Station Use; Positive values = Revenues/Generation).

4 **Table 7 – Confidential**

5 **



6 **

7 Staff does not have the data to perform a detailed analysis as to what would have been the
8 additional costs to the units due to high cost of restart, increases in O&M cost and increased
9 plant outages if Evergy Missouri Metro would have designated these units as “Market” instead
10 of “Self-Commit.” Staff is providing Table 7 as actual financial results of Evergy Missouri
11 Metro’s current practice of self-commit of its baseload generation units as described above. The
12 overall findings from Table 7 revealed that 82% of Evergy Missouri Metro’s self-commitment
13 hourly transactions had positive revenues associated with them.

1 Staff further explored this issue in Case No. EW-2019-0370. Some of the findings in
2 that case were that “the utility responses indicate that the economic minimum for each unit is
3 based upon the physical limitations of each plant at a given point in time. These physical
4 limitations are highly variable among plants, are affected by a variety of factors, and can vary
5 by hour. Many of the units in question were commissioned as base load units well before the
6 day-ahead markets were formed. These base load coal units were not designed to be cycled
7 frequently and doing so would likely increase the likelihood of outages, increase operations and
8 maintenance expense, and reduce the reliability of the units... Staff maintains that in order to
9 fully understand the economic impact of self-scheduling on a given unit’s profitability, an
10 analysis at the RTO level would need to be conducted. Due to the highly confidential nature of
11 utilities’ market bidding strategies, it is highly unlikely that any party other than SPP or MISO
12 have the raw data, modeling software access, and resources to conduct such an extensive
13 analysis of market trends.”²¹

14 **3. Conclusion**

15 Staff did not observe any evidence of imprudent utilization of generation resources
16 during this prudence review.

17 **4. Documents Reviewed**

- 18 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0013, 0042,
19 0054, 0054.1;
- 20 b. SPP, Self-committing in SPP markets: Overview, impacts, and
21 recommendations, December 2019; and
- 22 c. EW-2019-0370.

23 *Staff Experts/Witnesses: Jordan T. Hull*

24 **C. Heat Rates**

25 **1. Description**

26 Heat rates of generating units are an indicator of each unit’s performance. A heat rate is
27 a calculation of total volume of fuel burned for electric generation multiplied by the average

²¹ EW-2019-0370, Staff’s Second Supplemental Report, Pages 1&2.

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

3 **2. Summary of Cost Implications**

4 Heat rates are inversely related to the operating efficiency of the generating unit.
5 Increasing heat rates of specific units over time may indicate that a specific unit's efficiency is
6 declining. Heat rates can vary greatly depending on operating conditions including but not
7 limited to load, hours of operation, shutdowns and startups, unit outages, derates,²² and weather
8 conditions. Therefore, a good indication of unit performance for frequently used units is an
9 analysis of the trend of heat rates over time. A permanent increase in monthly heat rates is
10 commonly the result of a decrease in a generating unit's operating efficiency. This typically
11 occurs when additional emissions reduction equipment is added to the exhaust of the
12 generating unit. Continued utilization of units with sustained elevated heat rates could result in
13 Evergy Missouri Metro incurring higher fuel costs per unit of electricity generated than it would
14 otherwise have incurred. If Evergy Missouri Metro was imprudent in response to the ongoing
15 trend of a unit's heat rate, ratepayer harm could result from an increase in the fuel costs that are
16 collected through Evergy Missouri Metro's FAC charges.

17 **3. Conclusion**

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

21 **4. Documents Reviewed**

- 22 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0018, 0063, and
23 0063.1; and
- 24 b. Monthly Outage data in the Monthly Reports submitted by Evergy Missouri Metro
25 in compliance with Rule 20 CSR 4240-3.190.

26 *Staff Experts/Witnesses: Jordan T. Hull*

²² Derate- To lower the rating of (a device), especially because of a deterioration in efficiency or quality.

1 **D. Plant Outages**

2 **1. Description**

3 Generating stations’ outages generally can be classified as scheduled outages, forced
4 outages, or partial outages. Scheduled outages consist of either a planned outage or a
5 maintenance outage. A planned outage is one that is scheduled well in advance, with a
6 predetermined duration and occurring only once or twice a year. Scheduled outages are often
7 planned and scheduled over one year in advance. The exact start date depends on freezing
8 temperatures and natural gas availability. Turbine and boiler overhauls, inspections, testing,
9 and nuclear refueling are typical planned outages. A maintenance outage is one that can be
10 deferred beyond the end of the next weekend but must be taken before the next planned outage.
11 A forced outage is an outage that cannot be deferred beyond the next weekend, and a partial
12 outage, or derating, is a condition that requires the unit to be limited to an energy output below
13 maximum capacity.

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

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

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

1 **2. Summary of Cost Implications**

2 An imprudent planned outage could result in an increased cost of purchased power
3 by Evergy Missouri Metro from the SPP IM²³ as well as a decrease in off-system sales revenues
4 through the SPP IM.

5 **3. Conclusion**

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

8 **4. Documents Reviewed**

- 9 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0004, 0005, 0005.1,
10 0006; and 0046.

11 *Staff Experts/Witnesses: Jordan T. Hull*

12 **E. Natural Gas Costs**

13 **1. Description**

14 For the Review Period, ** [REDACTED] ** or ** [REDACTED] **²⁴ of Evergy Missouri Metro’s
15 total fuel costs, purchased power costs, transmission costs, and net emission costs was
16 associated with the natural gas used in generating electricity. The cost of natural gas includes
17 various miscellaneous charges such as firm transportation service charges and other fuel
18 handling expenses. During the Review Period, Evergy Missouri Metro’s natural gas price
19 averaged ** [REDACTED] ** per MMBtu, based on ** [REDACTED] ** MMBtu of natural gas purchases
20 and purchase amounts of ** [REDACTED] **. Staff reviewed the contract terms and a sampling
21 of invoices for gas purchased. Evergy Missouri Metro receives natural gas services from 24 gas
22 supply contracts and four natural gas transportation contracts. The contracts are identified in
23 Table 8:

²³ Southwest Power Pool Integrated Market

²⁴ The natural gas costs and percentage of total fuel costs reflect the removal of extraordinary costs deferred from Accumulation Period 12, as noted in Section III.A of this report. Evergy Missouri Metro’s total natural gas costs actually incurred, before the adjustment for the deferral, is ** [REDACTED] ** or ** [REDACTED] ** of total fuel costs, purchased power costs, transmission costs, and net emission costs.

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Table 8 - Confidential

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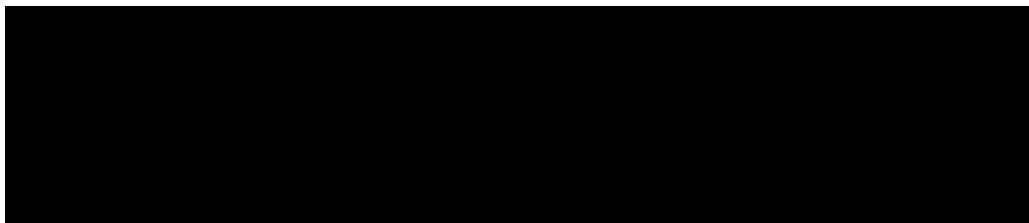
Table 9 lists the Gas Transportation Contracts in effect for the Review Period:

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Table 9 – Confidential

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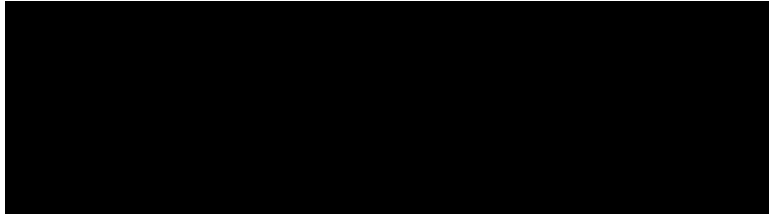
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1 Table 10 identifies Evergy Missouri Metro’s intermediate and peaking generating units that
2 burn natural gas:

3 **Table 10 – Confidential**

4 **



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6 **2. Summary of Cost Implications**

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

9 **3. Conclusion**

10 Staff found no indication Evergy Missouri Metro’s purchases of natural gas were
11 imprudent during the Review Period.

12 **4. Documents Reviewed**

- 13 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0007, 0013,
14 0023, 0024, 0024.1, 0026, 0034, 0035, 0044, 0045, 0053, 0064; and
15 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
16 AP 10, 11, and 12.

17 *Staff Expert/Witness: Lisa Wildhaber*

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

19 **1. Description**

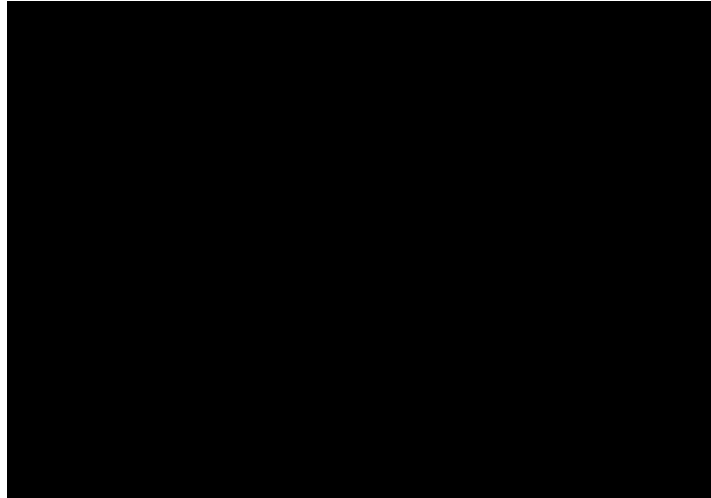
20 For the Review Period, ** [REDACTED] ** or ** [REDACTED] **²⁵ of Evergy Missouri Metro’s
21 total fuel costs, purchased power costs, transmission costs, and net emission allowance costs
22 was associated with the coal used in generating electricity. The cost of coal includes various

²⁵ The coal costs and percentage of total fuel costs reflect the removal of extraordinary costs deferred from Accumulation Period 12, as noted in Section III.A of this report. Evergy Missouri Metro’s total coal costs actually incurred, before the adjustment for the deferral, is ** [REDACTED] ** or ** [REDACTED] ** of total fuel costs, purchased power costs, transmission costs, and emission costs.

1 miscellaneous charges such as rail and other ground transportation service charges, and other
2 fuel handling expenses. Staff reviewed the contract terms of eight (8) short and long-term coal
3 purchase contracts, as well as a sampling of invoices for coal purchased and delivered. The
4 counterparties for the contracts are identified in Table 11:

5 **Table 11 - Confidential**

6 **



7 **

8 The contracts provide coal delivery to Evergy Missouri Metro's Hawthorn 5, Iatan 1 and 2, and
9 LaCygne 1 and 2. The price of coal can either be a fixed price for the entire contract, a fixed
10 price for each year of the contract, a base price plus an escalation as calculated per the contract,
11 a price determined by the Master Purchase & Sales Agreement, or a price which is index-based.

12 **2. Summary of Cost Implications**

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

15 **3. Conclusion**

16 Staff found no indication that Evergy Missouri Metro's purchases and transportation of
17 coal or its coal-related contracts were imprudent during the Review Period.

18 **4. Documents Reviewed**

- 19 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0007, 0008,
20 0009, 0013, 0021, 0023, 0027, 0028, 0029, 0030, 0034, 0035, 0044, 0045, 0053,
21 0064; and

1 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
2 AP 10, 11, and 12.

3 *Staff Expert/Witness: Lisa Wildhaber*

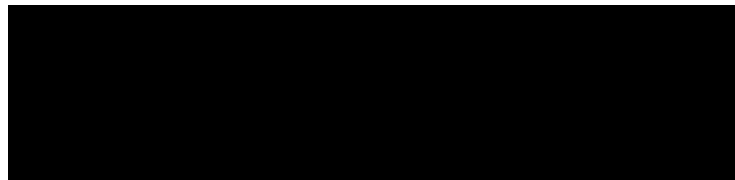
4 **G. Fuel Oil Costs**

5 **1. Description**

6 For the Review Period, ** [REDACTED] ** or ** [REDACTED] **²⁶ of Evergy Missouri Metro’s
7 total fuel costs, purchased power costs, transmission costs, and net emission allowance costs
8 was associated with the fuel oil used in generating electricity. The cost of fuel oil includes
9 various miscellaneous charges, such as rail and/or ground transportation service charges and
10 other miscellaneous fuel handling expenses. Staff reviewed the contract terms of Evergy
11 Missouri Metro’s two (2) oil contracts that were in place during the Review Period, as well as
12 a sampling of invoices for fuel oil purchased. The contracts provide a primary delivery location
13 and agreement on the price. The price is based on the market price at the time Evergy Missouri
14 Metro purchases the fuel oil. The counterparties for the fuel oil contracts are identified in
15 Table 12:

16 **Table 12 - Confidential**

17 **



18 **

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

20 **2. Summary of Cost Implications**

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

²⁶ The fuel oil costs and percentage of total fuel costs reflect the removal of extraordinary costs deferred from Accumulation Period 12, as noted in Section III.A of this report. Evergy Missouri Metro’s total fuel oil costs actually incurred, before the adjustment for the deferral, is ** [REDACTED] ** or ** [REDACTED] ** of total fuel costs, purchased power costs, transmission costs, and emission costs.

1 **3. Conclusion**

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

4 **4. Documents Reviewed**

- 5 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0007, 0013,
- 6 0023, 0025, 0034, 0035, 0044, 0045, 0053, 0064; and
- 7 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
- 8 AP 10, 11, and 12.

9 *Staff Expert/Witness: Lisa Wildhaber*

10 **H. Transmission Costs**

11 **1. Description**

12 For the Review Period, ** [REDACTED] ** or ** [REDACTED] **²⁷ of Evergy Missouri Metro’s
13 total fuel cost, purchased power costs, transmission costs and net emission costs was associated
14 with transmission costs. There was one tariff sheet that was in effect during this Review Period.
15 Evergy Missouri Metro’s FAC P.S.C. MO No. 7 Original Sheet No. 50.24 (Applicable to
16 Service Provided December 6, 2018 through June 30, 2021), defines the “TC” component as:

17 Transmission Costs:

18 The following costs reflected in FERC Account Number 565:

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

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

25 Schedule 8 – Non Firm Point to Point Transmission Service

26 Schedule 9 – Network Integration Transmission Service

27 Schedule 10 – Wholesale Distribution Service

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

²⁷ The transmission costs and percentage of total transmission costs reflect the removal of extraordinary costs deferred from Accumulation Period 12, as noted in Section III.A of this report. Evergy Missouri Metro’s total transmission costs actually incurred, before the adjustment for the deferral, is ** [REDACTED] ** or ** [REDACTED] ** of total fuel costs, purchased power costs, transmission costs, and emission costs.

1 Excluding amounts associated with portions of purchased power
2 agreements dedicated to specific customers under the Renewable Energy
3 Rider tariff.

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

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

8 Subaccount 565030: the allocation of the allowed costs in account
9 565000 attributed to off-system sales.

10 For calculating TC, Evergy Missouri Metro implemented a process whereby total transmission
11 expenses were tabulated and then costs not allowed in the FAC were removed. Staff reviewed
12 the transmission costs over the Review Period to verify only 26.40% of the SPP transmission
13 service costs are included (from January 1, 2020 through June 30, 2021).²⁸ Evergy Missouri
14 Metro's transmission costs during the Review Period are ** [REDACTED] **.

15 **2. Summary of Cost Implications**

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

18 **3. Conclusion**

19 Staff found no indication that Evergy Missouri Metro's transmission costs were
20 imprudent during the Review Period.

21 **4. Documents Reviewed**

- 22 a. Evergy Missouri Metro's General Ledger;
- 23 b. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0023,
24 0039, 0044, and 0045; and
- 25 c. Evergy Missouri Metro's monthly reports, FAR Filings and related work papers for
26 AP 10, 11, and 12.

27 *Staff Expert/Witness: Amanda C. Conner*

²⁸ 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 **I. Nuclear Fuel**

2 **1. Description**

3 For the Review Period ** [REDACTED] ** or ** [REDACTED] **²⁹ of Evergy Missouri Metro’s
4 fuel costs, purchased power costs, transmission costs, and net emission allowance costs is
5 associated with nuclear fuel used in the generation of electricity at the Wolf Creek Nuclear
6 Operating Corporation’s generating unit. Evergy Missouri Metro owns 47% of Wolf Creek
7 Nuclear Operating Corporation.

8 **2. Summary of Cost Implications**

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

11 **3. Conclusion**

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

14 **4. Documents Reviewed**

- 15 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0035, 0044,
16 0045, 0066; and
- 17 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
18 AP 10, 11, and 12.

19 *Staff Expert/Witness: Amanda C. Conner*

20 **J. Emission Allowances**

21 **1. Description**

22 The Cross-State Air Pollution Rule (“CSAPR”) is a ruling by the United States
23 Environmental Protection Agency (“EPA”) that requires a number of states, including Missouri,
24 to reduce power plant emissions that contribute to ozone and/or fine particle pollution in other
25 states. The CSAPR replaced EPA’s 2005 Clean Air Interstate Rule (“CAIR”), following the

²⁹ The nuclear fuel costs and percentage of total fuel costs reflect the removal of extraordinary costs deferred from Accumulation Period 12, as noted in Section III.A of this report. Evergy Missouri Metro’s total nuclear fuel costs actually incurred, before the adjustment for the deferral, is** [REDACTED] ** or ** [REDACTED] ** of total fuel costs, purchased power costs, transmission costs, and emission costs.

1 direction of a 2008 court decision that required EPA to issue a replacement regulation. CSAPR
2 implementation began on January 1, 2015.

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

7 On September 7, 2016, the EPA revised the CSAPR ozone season NO_x program by
8 finalizing an update to CSAPR for the 2008 ozone NAAQS, known as the CSAPR Update. The
9 CSAPR Update ozone season NO_x program largely replaced the original CSAPR ozone season
10 NO_x program starting on May 1, 2017. The CSAPR Update further reduced summertime NO_x
11 emissions from power plants in the eastern U.S. There was a Final Revised Cross-State Air
12 Pollution Rule Update on March 15, 2021, that included an additional 12 states. Since Missouri
13 was already part of the first CSAPR Update, this Revised CSAPR Update did not affect
14 Missouri. According to Evergy Missouri Metro, there were no operational adjustments needed
15 to comply with the CSAPR requirements.

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

22 To comply with CSAPR, Evergy Missouri Metro established an inventory for SO₂ and
23 NO_x. Evergy Missouri Metro currently plans to maintain this SO₂ and NO_x allowance inventory
24 sufficient to offset expected emissions. This inventory is tracked in Company account 158100
25 for Emissions Allowance Inventory and accounts 158200, 158201 and 158500 for Emission
26 Allowance REC inventories. The Evergy Missouri Metro SO₂ and NO_x allowance inventories
27 are valued at zero cost, and the cost for SO₂ and NO_x allowances is tracked in FERC Account
28 Number 509000. For the Review Period, the total balance in the emission inventory accounts
29 as of June 30, 2021 was ** [REDACTED] **. The Company annually balances account 509000
30 when the EPA yearly awards the additional allowances.

1 For the Review Period, Evergy Missouri Metro’s total net emission allowance cost was
2 ** [REDACTED] **.

3 2. Summary of Cost Implications

4 If Evergy Missouri Metro imprudently used, purchased or banked its SO₂ and NO_x
5 allowances, ratepayer harm could result from an increase in Evergy Missouri Metro’s FAC
6 charges.

7 3. Conclusion

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

10 4. Documents Reviewed

- 11 a. Evergy Missouri Metro’s response to Staff’s Data Request Nos. 0031, 0033, 0038,
12 0044, 0058, 0059, 0060 and 0061;
- 13 b. Evergy Missouri Metro’s FAR filings and related work papers for AP 10, 11, and
14 12; and,
- 15 c. Evergy Missouri Metro’s monthly reports for the time period January 1, 2020
16 through June 30, 2021 required by 20 CSR 4240-20.090(5).

17 *Staff Expert/Witness: Cynthia M Tandy*

18 K. Off-System Sales Revenue

19 1. Description

20 Off-system sales revenues (“OSSR”) is a component in the calculation of Evergy
21 Missouri Metro’s FAR used to charge or refund fuel and purchased power costs to its customers.
22 The following language was in effect during the Review Period:

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

- 25 • OSSR = Revenues from Off-System Sales:
 - 26 ○ The following revenues or costs reflected in FERC Account
27 Number 447:
28 Subaccount 447020: all revenues from off-system sales.
29 This includes charges and credits related to the SPP IM, or

1 other IMs, including, energy, ancillary services, revenue
2 sufficiency (such as make whole payments and out of merit
3 payments and distributions), revenue neutrality payments
4 and distributions, over collected losses payments and
5 distributions, TCR and ARR settlements, demand
6 reductions, virtual energy costs and revenues and related
7 fees where the virtual energy transaction is a hedge in
8 support of physical operations related to a generating
9 resource or load, generation/export charges, ancillary
10 services including non-performance and distribution
11 payments and SPP uplift revenues or credits, but excluding
12 (1) off-system sales revenues from full and partial
13 requirements sales to municipalities that are served
14 through bilateral contracts in excess of one year and
15 (2) the amounts associated with purchased power
16 agreements associated with the Renewable Energy
17 Rider tariff. Additional revenue will be added at an
18 inputted 75% of the unsubscribed portion associated
19 with the Solar Subscription Rider valued at market prices;
20 Subaccount 447012: capacity charges for capacity sales
21 one year or less in duration;
22 Subaccount 447030: the allocation of the includable sales
23 in account 447020 not attributed to retail sales.

24 Staff reviewed the off-system sales quantities and revenues over the Review Period, and
25 Evergy Missouri Metro's off-system sales revenue recoverable under the FAC was in the
26 amount of ** [REDACTED] **³⁰.

27 2. Summary of Cost Implications

28 Evergy Missouri Metro's revenues from off-system sales are an offset against total fuel
29 and purchased power costs, transmission costs and net emission costs. This is because Evergy
30 Missouri Metro's ratepayers pay for the resources used to produce any energy that Evergy
31 Missouri Metro sells. Since implementing the IM, SPP has controlled the economic dispatch
32 of Evergy Missouri Metro's generation. During times that Evergy Missouri Metro's generation
33 exceeds Evergy Missouri Metro's retail customers' needs, Evergy Missouri Metro becomes a
34 net seller in the SPP IM. If Evergy Missouri Metro did not make available its generating units

³⁰ The off-system sales revenues reflect the removal of extraordinary costs deferred from Accumulation Period 12, as noted in Section III.A of this report. Evergy Missouri Metro's total off-system sales revenues actually incurred, before the adjustment for the deferral, is ** [REDACTED] **.

1 in the SPP IM for off-system sales to be made, ratepayers could be harmed by such imprudence
2 by an increase in Evergy Missouri Metro's FAC charges.

3 **3. Conclusion**

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

6 **4. Documents Reviewed**

- 7 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0044 and 0055;
- 8 b. Evergy Missouri Metro's FAC tariff sheet during the Review Period; and,
- 9 c. Evergy Missouri Metro's monthly reports, FAR Filings and related work papers for
10 AP 10, 11, and 12.

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

12 **L. Renewable Energy Credit Revenues**

13 **1. Description**

14 The Missouri Renewable Energy Standard ("RES")³¹ requires all investor-owned
15 electric utilities in Missouri to provide at least two percent (2%) of their retail electricity
16 sales using renewable energy resources in each calendar year 2011 through 2013, and to
17 increase that percentage over time to at least fifteen percent (15%) by 2021. Commission rule
18 20 CSR 4240-20.100, Electric Utility Renewable Energy Standard Requirements, which first
19 became effective September 30, 2010, contains the definitions, structure, operations, and
20 procedures for implementing the RES.

21 The RES rule creates two categories of energy-generating resources: non-renewable
22 energy resources (including purchased power from non-renewable energy sources) and
23 renewable energy resources (including purchased power from renewable energy sources).³²

24 Renewable energy resources produce electrical energy and are:

- 25 • wind
- 26 • solar sources
- 27 • thermal sources

³¹ Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.

³² 20 CSR 4240-20.100(5)(B).

- 1 • hydroelectric sources
- 2 • photovoltaic cells and panels
- 3 • fuel cells using hydrogen produced by one (1) of the above named electrical
- 4 energy sources, and other sources of energy that become available after August
- 5 28, 2007, and are certified as renewable by the Missouri Department of Natural
- 6 Resources – Division of Energy (“Division of Energy”).³³

7 Once an energy resource is certified, it begins producing Renewable Energy Credits (“RECs”),
8 with one (1) REC representing one (1) megawatt-hour of electricity that has been generated
9 from the renewable energy resource. These RECs can be sold and/or traded in the market place
10 bundled with or without the energy that generated the REC.³⁴ The cost of a REC (as a RES
11 compliance cost) cannot be recovered through the FAC.³⁵ However, revenues from the sale of
12 RECs are recovered through the FAC as an off-set to fuel costs. During the Review Period, the
13 RES rule required Evergy Missouri Metro to serve at least 10% of its retail load using renewable
14 energy resources until December 31, 2020, and then at least 15% of its retail load starting
15 January 1, 2021. There were no REC expenses submitted under the FAC program during this
16 Review Period.

17 The issue of selling or not selling RECs for Evergy Missouri Metro was addressed in
18 Case No. EO-2019-0068 (Combined with Case No. EO-2019-0067) and the Commission issued
19 a *Report and Order* in that case addressing this issue. The Order stated, “The Commission finds
20 that when made, KCPL’s decision not to sell the 722,628 RECs was not imprudent in light of
21 the circumstances then existing and considered, to wit: KCPL’s consideration of its customers’
22 wishes to retain their energy’s environmental attributes; KCPL’s consideration that selling
23 the RECs would reduce from 25.15% to 19.39% the percentage of power customers were
24 receiving from renewable energy sources; KCPL’s consideration that the revenue
25 opportunities in selling the RECs were very limited; KCPL’s consideration that the credit to
26 customers of approximately \$.02 per month per 1,000kWh was de minimis and outweighed by

³³ Prior Department of Economic Development – Division of Energy

³⁴ 20 CSR 4240-20.100(6)(B)(5)(J).

³⁵ 20 CSR 4240-20.100(6)(A)(16).

1 KCPL’s customers’ desires to receive energy bundled with their corresponding renewable
2 energy credits and thereby reduce their carbon footprint.”³⁶

3 The Commission also quoted a statement in its *Report and Order*, directly from Evergy
4 witness Jeff Martin, “KCPL determined at least some of its customers preferred not to lose the
5 environmental attributes of the power they were purchasing.”³⁷ Staff does not disagree that
6 specific customers such as the City of Kansas City benefits directly from Evergy Missouri
7 Metro selling electricity from renewable energy sources. However, in regard to the FAC, the
8 question is whether all ratepayers benefit. Mr. Martin’s testimony in that case demonstrates that
9 Evergy’s holding of the RECs until expiration are benefitting “some” of the customers.
10 Evergy’s customers can claim this indirect benefit from the energy they are purchasing from
11 Evergy as “renewable energy resources” up to the 10 to 15% requirement established by the
12 State of Missouri. However, any RECs beyond those requirements would benefit all ratepayers
13 if they were sold to offset the fuel costs. If certain customers are interested in renewable energy,
14 they should be allowed to actually purchase the RECs from Evergy, allowing those customers
15 to claim renewable energy as a resource in a more direct manner. This would be a benefit to all
16 ratepayers.

17 Lastly, the *Report and Order* further referenced Evergy witness Jeff Martin stating,
18 “More than half of the Missouri customer members of the KCPL’s Customer Advisory Panel
19 had said they were “likely” or “somewhat likely” to participate in a solar program if offered by
20 KCPL at a cost of \$5 to \$10 per month.”³⁸ Staff believes this statement is irrelevant to the issue
21 of selling non-solar RECs, since solar RECs are not included as revenues in the FAC.

22 In the current Review Period, the issue of not selling but instead letting non-solar RECs
23 expire was reevaluated again since there were significant changes in the circumstances that
24 Staff was unable to ignore, as further addressed below. Staff continues to question the prudence
25 of allowing RECs to expire that could bring in revenue for the benefit of all ratepayers if they
26 were sold.

³⁶ *Report and Order* in Case No. EO-2019-0067, page 12, paragraph 17.

³⁷ *Report and Order*, Page 11, #13 referring to Evergy witness Jeff Martin’s Direct Testimony in Case No. EO-2019-0067, Exhibit 1, pages 5-7.

³⁸ Evergy witness Jeff Martin’s Direct Testimony in Case No. EO-2019-0067, Exhibit 1, pages 6-7.

1 Staff sent several data requests to review the sale of RECs in this Review Period. In Staff
2 Data Request No. 0057, Staff asked, “Did Evergy Missouri Metro sell any RECs (wind, solar,
3 etc.) during the Review Period of January 1, 2020 through June 30, 2021?... If “no”, please
4 provide the reason why no RECs were sold.” Evergy Missouri Metro responded, “Evergy
5 Missouri Metro did not sell any RECs during the Review Period of January 1, 2020 through
6 June 30, 2021... Evergy RECs were expired rather than sold. This is to ensure our customers
7 receive as much renewable energy as possible since we cannot double count sold RECs as
8 renewable energy delivered to customers.” Staff sent a follow up DR 57.1 for clarification on
9 the statements in the response to DR 57.

10 Evergy’s response to DR 57.1 was, “Evergy customers have expressed that they value
11 renewable energy as a key component of the total energy provided by Evergy. If Evergy sold
12 RECS from Evergy’s renewable resources, it would be as if the renewable energy was not
13 produced for Evergy retail customers but instead for the buyer of the RECs. Double counting
14 would occur if both Evergy and the buyer claimed the energy from the sold RECs as
15 renewable.” Staff disagrees with both statements in this response to DR 0057.1. The producing
16 or acquiring of renewable energy is for the purpose of meeting the requirements by the State of
17 Missouri and any RECs beyond that may have some value to certain customers, but selling the
18 RECs would directly benefit all ratepayers. Evergy could sell excess RECs to specific
19 customers so those customers could further claim to be using renewable energy.

20 Staff also disagrees with the statement of “double counting.” In Staff’s opinion, the sales
21 of RECs does not create double counting. When the excess RECs are sold, the ownership of
22 those RECs would transfer to the buyer of the RECs and then the sales of the RECs would be
23 used by Evergy to offset the fuel expense under the FAC mechanism, creating a benefit to all
24 ratepayers. Evergy would only claim ownership of the renewable energy to the point of sale
25 and then the buyer would claim ownership of the renewable energy. Ownership of the RECs by
26 Evergy and the buyer would never be at the same time and would not be “double counted.” In
27 Staffs opinion, the statement of “double counting” is not viable.

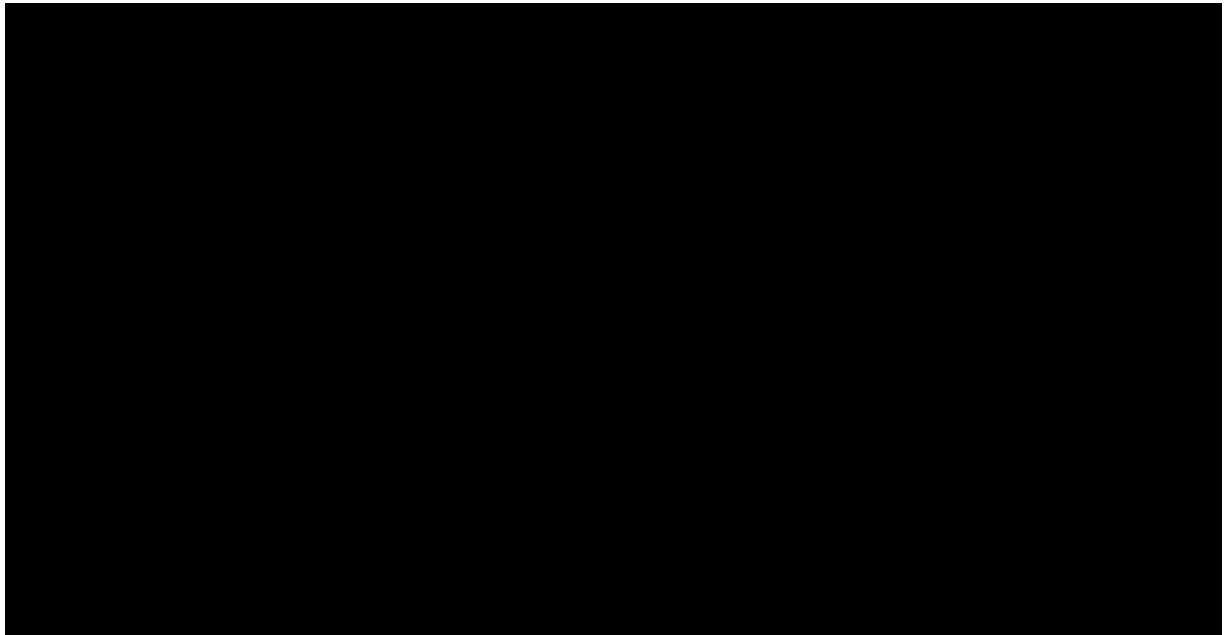
28 In addition to the statement in DR 0057.1 that Evergy customers have expressed that
29 they value renewable energy, Staff asked Evergy Missouri Metro in DR 0067 if they have sent
30 any surveys out to all customers asking if they would rather have their FAC charge reduced
31 by selling RECs on the market or prefer to keep the RECs until expiration for their

1 “energy’s environmental attributes.” Evergy Missouri Metro’s response to DR 0067 stated,
2 “The Company has not surveyed all Evergy Metro customers asking them if they would rather
3 have their FAC charge reduced by selling RECs on the market or prefer to keep the RECs until
4 expiration.” Therefore, the statement in DR 0057.1 that Evergy customers have expressed that
5 they value renewable energy as a key component of the total energy provided by Evergy does
6 not have as much merit since they have not surveyed all ratepayers.

7 Staff also reviewed DR 0041 in this case along with prior case information, including
8 Evergy Missouri Metro’s 2021 IRP Annual Update and the 2021 RES Compliance Plan, and
9 all sources suggests the number of non-solar RECs will increase significantly in the coming
10 years. On January 1, 2021 (during this Review Period), the maximum level of the RES rule
11 requirement of 15% was reached and even with this increase, the Company’s excess and
12 expired RECs increased. The following table summarizes the data of non-solar RECs from
13 2017 to 2021:

14 **Table 13 - Confidential**

15 **



16 **

17 There have been a number of significant changes in regards to whether to sell non-solar RECs
18 since the *Report and Order* in Case No. EO-2019-0067 was issued by the Commission.
19 Following are changes to the previous circumstances:
20

- 1 1) The value of selling a REC has increased significantly since the *Report and Order*
2 was issued. The value of RECs has increased from approximately \$.84 per REC to
3 as high as \$7.³⁹
- 4 2) The required RECs for Missouri has increased from 10% to 15% (50% increase)
5 starting January 1, 2021. Even with the increase in the required amount of RECs in
6 Missouri for 2021, the amount of available RECs for consideration of selling has
7 increased and will likely continue to increase.
- 8 3) The significant increase in the amount of excess and/or expired RECs grew
9 consistently and continues to increase. The expired RECs has gone from 425,580 in
10 2017 to 1,850,711 in 2021⁴⁰ (even with the 15% increase in required RECs in 2021).
11 In Table 13, the excess and expired RECs have increased significantly since the
12 *Report and Order* was issued and the amount of revenue that could have been
13 generated from selling non-solar RECS during the time of the *Report and Order* has
14 increase significantly. Staff remains concerned with the continued growth of
15 excess/expired RECs in this Review Period and the likelihood of even more
16 significant growth of excess/expired RECs in subsequent years following this
17 Review Period. This is confirmed by Evergy Missouri Metro in its 2021 Integrated
18 Resource Plan Annual Update and 2021 Renewable Energy Standard Compliance
19 Plan. The price per REC also increased significantly during the Review Period since
20 the *Report and Order*.
- 21 4) The *Report and Order* also states that, “KCPL’s consideration that the revenue
22 opportunities in selling the RECs were very limited.”⁴¹ According to Allied Market
23 Research on renewable energy, RECs had a value in the market of \$881.7 billion in
24 2020 and expect to reach \$1,977.6 billion by 2030.⁴² Staff has also reviewed various
25 other resources on the REC market along with the future market of RECs. Therefore,
26 it seems there will be tremendous growth in the market in the next ten years.

³⁹ Value quoted by Ameren publically in EE-2022-0074 case.

⁴⁰ The information was not available in time of this report. An estimate was done from prior years on growth and actual expired RECs.

⁴¹ *Report and Order* in Case No. EO-2019-0067, page 25.

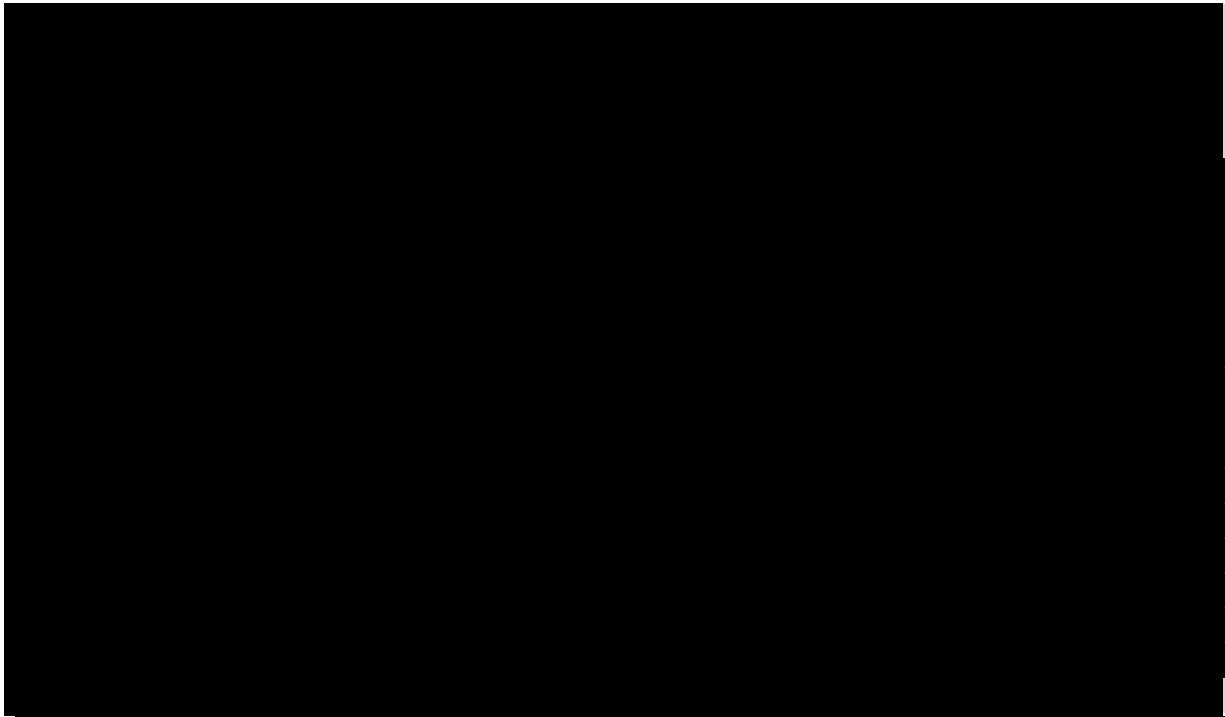
⁴² www.alliedmarketresearch.com/renewable-energy-certificates-market

1 5) According to Evergy 2021 Integrated Resource Plan Overview, Evergy itself
2 indicates their renewable energy sources from wind is anticipated to increase from
3 27% in 2020 to 33% in 2030.

4 6) There are other electric companies in Missouri and other states that continue to sell
5 their excess RECs to help offset costs. In Missouri, any sale from RECs would help
6 offset the cost of fuel in the FAC.⁴³ Selling excess RECs would benefit all ratepayers
7 as opposed to the current benefit to “some” ratepayers.

8 Table 14 is a comparison of non-solar RECs that were produced/acquired, required
9 for compliance, excess and expired for this Prudence Review versus the last Prudence
10 Review. In just 18 months, excess non-solar RECs increased 18% and expired non-solar REC
11 increased 72%.

12 **



13 **

14
15 On January 7, 2022, in Case No. ER-2022-0129, Evergy Missouri Metro filed direct
16 testimony explaining its proposed Green Pricing Renewable Energy Credit (“REC”) Program
17 (“Green Pricing Program”).⁴⁴ The proposed Green Pricing Program appears to be an attempt to

⁴³ This is applicable for Empire, however for Ameren the revenues are returned to all ratepayers through the RESRAM. With either mechanism, the sales are returned to all ratepayers.

⁴⁴ Case No. ER-2022-0129 Direct Testimony of Kimberly H. Winslow, pages 48-51.

1 potentially address Staff’s concern going forward from the effective date of rates in that case.
2 The proposed Green Pricing Program, however, does nothing to address Staff’s concern for this
3 Review Period.

4 When determining the disallowance amount, Staff used averages and information from
5 many sources to determine the cost of a non-solar REC in the market during the Review Period.
6 Evergy Missouri Metro was unable to provide specific information on expired RECs and the
7 cost as of June 30, 2021 or December 31, 2021. Since RECs can be sold and purchased
8 throughout the country, the prices can vary depending on the types of RECs, supply and
9 demand, brokers used and fees, etc. Staff used the value of RECs for other Missouri electric
10 utility companies as a guide along with Evergy’s response to DRs 0057-0057.3.

11 For the Review Period from January 1, 2020, through June 30, 2021, averages were
12 used to determine a reasonable REC price during this time. Evergy responded to DR 0057.2
13 that on 12/31/20, wind RECs sold for ** [REDACTED] **. A Data Request was also sent to Liberty
14 Utilities (dba, The Empire District Electric Company) (DR 0390) for Case No. ER-2021-0312,
15 and their response on the value of RECs for Liberty using Green-e Eligible National REC was
16 ** [REDACTED] ** on January 7, 2020, to ** [REDACTED] ** on June 30, 2021. According to an Ameren
17 publically quoted statement in Case No. EE-2022-0074, they indicate the REC price per
18 REC was \$7.

19 An average from all three sources was used to determine the price per non-solar REC for
20 the disallowance. Based on that, it was determined that a reasonable cost to use was \$3.40 per
21 REC. Therefore, the total recommended disallowance for this Prudence Review is \$3,922,964,
22 plus interest.⁴⁵ Although the Commission in its *Report and Order* determined the effect of
23 selling the RECs versus holding the RECs was not significant enough to order any
24 disallowances, it is Staff’s opinion that this is no longer the case with the change in
25 circumstances during this Review Period and the effect is now very significant. The decision to
26 not sell non-solar RECs during this Review Period has a tremendous financial impact on
27 ratepayers.

⁴⁵ This disallowance is derived by calculating an average of \$3.40 per REC by the amount of expired RECs of 1,153,813 during the Review Period.

1 **2. Summary of Cost Implications**

2 Evergy Missouri Metro could have decreased all ratepayers FAC charges by selling
3 excess RECs instead of letting them expire. Due to the many changes in circumstances with
4 selling RECs, as explained above, Staff is recommending the Commission find that Evergy
5 Missouri Metro acted imprudent in its management of RECs during this Review Period causing
6 harm to its ratepayers by increased FAC charges.

7 **3. Conclusion**

8 Staff has found that Evergy Missouri Metro has acted imprudently by not selling its
9 excess RECs but instead allowing them to expire. This action has caused harm to all ratepayers
10 by increasing FAC charges. Staff could not find that Evergy Missouri Metro took any action
11 that would have allowed it to generate revenue from its 1,153,813 RECs that were not needed
12 to satisfy its RES compliance and were simply allowed to expire during the Review Period.
13 Staff recommends the Commission issue an Ordered Adjustment (“OA”) in the amount of
14 \$3,922,964 which is equal to 1,153,813 RECs multiplied by Staff’s estimated average sales
15 price of \$3.40 per REC during the 18-month Review Period.

16 **4. Documents Reviewed**

- 17 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0041, 0041A,
18 0041.1, 0041.2, 0044, 0056, 0057, 0057.1, 0057.2, 0057.3, 0065, and 0067;
19 b. File No. EO-2019-0067 information;
20 c. File No. EO-2019-0068, Data Request Nos. 0044.2, 0044.6;
21 d. Liberty Data Request 0390, Case No. ER-2021-0312;
22 e. Case No. ER-2022-0129, Direct Testimony of Kimberly H Winslow Page 48-51,
23 iii.Green Pricing Renewables Energy Credit (“REC”) Program;
24 f. email correspondence with Randy Erickson, Evergy.
25 g. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan
26 (April 2021); and,
27 h. Evergy 2021 Integrated Resource Plan Overview.

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

1 **M. Cimarron 2 Wind Farm Purchased Power Agreement**

2 **1. Description**

3 Evergy Missouri Metro has a long-term (20-year) PPA with CPV Cimarron II
4 Renewable Energy Company, LLC for energy and RECs generated by the Cimarron 2 Wind
5 Farm located in Kansas. The contract is based on ** [REDACTED] ** MW of capacity that Evergy
6 Missouri Metro began receiving on June 1, 2012 at a fixed price of ** [REDACTED] ** per MWh. The
7 contract is a “take-or pay” contract for renewable wind energy and RECs, (i.e., Evergy Missouri
8 Metro has to receive and pay for the energy whether it needs the energy or not), which is a
9 standard feature of many wind PPAs. The contract is for the energy and RECs generated by the
10 wind farm. In its response to Staff Data Request No. 0057 Evergy Missouri Metro stated,
11 “Evergy MO Metro did not sell any RECs during the Review Period of January 1, 2020 through
12 June 30, 2021.”⁴⁶ Total costs of electricity under the Cimarron 2 PPA was ** [REDACTED] **
13 with revenue associated with sales of ** [REDACTED] ** which resulted in a net loss of
14 ** [REDACTED] ** for the Review Period.

15 **2. Summary of Cost Implications**

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

23 **3. Conclusions**

24 Staff has identified that the Cimarron Wind Farm PPA is creating a significant
25 amount of additional costs compared to the revenue received. In the Report and Order in Case
26 No. EO-2019-0067, the Commission stated, “The Commission will not replace the companies’
27 primary supposition at the point of decision that the PPAs were being acquired in the context
28 of a long term, twenty-year investment with a supposition that the investment was short term,

⁴⁶ This is addressed further in the REC section III.L above.

1 and then apply a hindsight test and pronounce the investments imprudent.” Staff is not
2 recommending a disallowance related to this issue at this time.

3 **4. Documents Reviewed**

- 4 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
5 0023, 0042, 0044, 0045, 0052, and 0057;
6 b. Evergy Missouri Metro 2020 Annual Renewable Energy Standard Compliance Plan;
7 c. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan;
8 d. Staff Report in Case No. EO-2020-0331; and
9 e. Staff Report in Case No. EO-2021-0347.

10 *Staff Expert/Witness: Brooke Mastrogiannis*

11 **N. Slate Creek Wind Project Purchased Power Agreement**

12 **1. Description**

13 Evergy Missouri Metro has a long-term (20-year) PPA with Slate Creek Wind
14 Project, LLC for energy and RECs generated by the Slate Creek Wind Project beginning in
15 November 2015. The contract is also a “take-or pay” contract for renewable wind energy
16 and RECs, and is based on a fixed energy price of ** [REDACTED] ** per MWh and a capacity of
17 ** [REDACTED] ** MW. In its response to Staff Data Request No. 0057 Evergy Missouri Metro stated,
18 “Evergy MO Metro did not sell any RECs during the Review Period of January 1, 2020
19 through June 30, 2021.”⁴⁷ Cost of electricity under the Slate Creek Wind Project PPA was
20 ** [REDACTED] ** with revenue associated with sales of ** [REDACTED] ** which resulted in
21 a net loss of ** \$4,793,661 ** for the Review Period.

22 **2. Summary of Cost Implications**

23 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
24 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer
25 harm could result from that imprudence through an increase in FAC charges. Commission
26 Rule 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased
27 power costs and revenues in FERC Account Number 555 to be recovered through the FAC.

⁴⁷ This is addressed further in the REC section III.L above.

1 Staff found no indication that Evergy Missouri Metro imprudently included the Slate Creek
2 Wind Farm PPA costs in the FAC.

3 **3. Conclusions**

4 Staff has identified that the Slate Creek Wind Farm PPA is creating a significant
5 amount of additional costs compared to the revenue received. In the Report and Order in Case
6 No. EO-2019-0067, the Commission stated, “The Commission will not replace the companies’
7 primary supposition at the point of decision that the PPAs were being acquired in the context
8 of a long term, twenty-year investment with a supposition that the investment was short term,
9 and then apply a hindsight test and pronounce the investments imprudent.” Staff is not
10 recommending a disallowance related to this issue at this time.

11 **4. Documents Reviewed**

- 12 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
13 0023, 0042, 0044, 0045, 0052, and 0057;
- 14 b. Evergy Missouri Metro 2020 Annual Renewable Energy Standard Compliance Plan;
- 15 c. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan;
- 16 d. Staff Report in Case No. EO-2020-0331; and
- 17 e. Staff Report in Case No. EO-2021-0347.

18 *Staff Expert/Witness: Brooke Mastrogiannis*

19 **O. Osborn Wind Energy Purchased Power Agreement**

20 **1. Description**

21 Evergy Missouri Metro has a long-term (20-year) PPA with NextEra Energy Resources
22 for energy and RECs generated by the Osborn Wind Energy Center located in Missouri. The
23 contract is based on a fixed price of ** [REDACTED] ** per MWh and ** [REDACTED] ** MW of capacity that
24 Evergy Missouri Metro began receiving in December 2016. In its response to Staff Data
25 Request No. 0057 Evergy Missouri Metro stated, “Evergy MO Metro did not sell any RECs
26 during the Review Period of January 1, 2020, through June 30, 2021.”⁴⁸ The contract is a
27 “take-or pay” contract for renewable wind energy and RECs, which is a standard feature of

⁴⁸ This is addressed further in the REC section III.L above.

1 many wind PPAs. The contract is for the energy and RECs generated by the wind farm. Cost
2 of electricity under the Osborn Wind Energy PPA was ** [REDACTED] ** with revenue
3 associated with sales of ** [REDACTED] ** which resulted in a net loss of ** [REDACTED] ** for
4 the Review Period.⁴⁹

5 **2. Summary of Cost Implications**

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

13 **3. Conclusions**

14 Staff has identified that the Osborn Wind Farm PPA is creating a significant amount
15 of additional costs compared to the revenue received. In the Report and Order in Case No.
16 EO-2019-0067, the Commission stated, "The Commission will not replace the companies'
17 primary supposition at the point of decision that the PPAs were being acquired in the context
18 of a long term, twenty-year investment with a supposition that the investment was short term,
19 and then apply a hindsight test and pronounce the investments imprudent." Staff is not
20 recommending a disallowance related to this issue at this time.

21 **4. Documents Reviewed**

- 22 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0020,
23 0023, 0042, 0044, 0045, 0052, and 0057;
- 24 b. Evergy Missouri Metro 2020 Annual Renewable Energy Standard Compliance Plan;
- 25 c. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan;

⁴⁹ During this prudence review Staff discovered SPP revenues not reported correctly in the Company's monthly report filings tab 5(K). Staff confirmed this with Evergy Missouri Metro. As such, the Osborn Wind PPA revenue associated with sales is actually ** [REDACTED] **, which resulted in a net loss of ** [REDACTED] **. These monthly report filings will be updated in March 2022. The overall FAR filings and what was reported in the general ledger account were correct, this is just an update to the monthly report tab 5(K).

- d. Staff Report in Case No. EO-2020-0331; and
- e. Staff Report in Case No. EO-2021-0347.

Staff Expert/Witness: Brooke Mastrogiannis

P. Spearville 3 Wind Energy Facility Purchased Power Agreement

1. Description

Evergy Missouri Metro has a long-term (20-year) PPA with Spearville 3, LLC for energy and RECs generated by the Spearville 3 Wind Energy Facility located in Kansas. The contract is based on a fixed price of ** [REDACTED] ** per MWh and ** [REDACTED] ** MW of capacity that Evergy Missouri Metro began receiving in October 2012. The contract is a “take-or pay” contract for renewable wind energy and RECs, which is a standard feature of many wind PPAs. The contract is for the energy and RECs generated by the wind farm. In its response to Staff Data Request No. 0057 Evergy Missouri Metro stated, “Evergy MO Metro did not sell any RECs during the Review Period of January 1, 2020, through June 30, 2021”.⁵⁰ Cost of electricity under the Spearville 3 PPA was ** [REDACTED] ** with revenue associated with sales of ** [REDACTED] ** which resulted in a net loss of ** [REDACTED] ** for the Review Period.

2. Summary of Cost Implications

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

3. Conclusions

Staff has identified that the Spearville 3 Wind Energy PPA is creating a significant amount of additional costs compared to the revenue received. In the Report and Order in Case No. EO-2019-0067, the Commission stated, “The Commission will not replace the companies’

⁵⁰ This is addressed further in the REC section III.L above.

1 primary supposition at the point of decision that the PPAs were being acquired in the context
2 of a long term, twenty-year investment with a supposition that the investment was short term,
3 and then apply a hindsight test and pronounce the investments imprudent.” Staff is not
4 recommending a disallowance related to this issue at this time.

5 **4. Documents Reviewed**

- 6 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
7 0023, 0042, 0044, 0045, 0052, and 0057;
- 8 b. Evergy Missouri Metro 2020 Annual Renewable Energy Standard Compliance Plan;
- 9 c. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan;
- 10 d. Staff Report in Case No. EO-2020-0331; and
- 11 e. Staff Report in Case No. EO-2021-0347.

12 *Staff Expert/Witness: Brooke Mastrogiannis*

13 **Q. Waverly Wind Farm Purchased Power Agreement**

14 **1. Description**

15 Evergy Missouri Metro has a long-term (20-year) PPA with Waverly Wind Farm, LLC
16 for energy and RECs generated by the Waverly Wind Farm beginning in November 2015. The
17 contract is also a “take-or pay” contract for renewable wind energy and RECs, and is based on
18 a fixed energy price of ** [REDACTED] ** per MWh and a capacity of ** [REDACTED] ** MW. In its response
19 to Staff Data Request No. 0057 Evergy Missouri Metro stated, “Evergy MO Metro did not sell
20 any RECs during the Review Period of January 1, 2020, through June 30, 2021”.⁵¹ Cost of
21 electricity under the Waverly Wind Farm PPA was ** [REDACTED] ** with revenue associated
22 with sales of ** [REDACTED] ** which resulted in a net loss of ** [REDACTED] ** for the
23 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
27 harm could result from that imprudence through an increase in FAC charges. Commission

⁵¹ This is addressed further in the REC section III.L above.

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

5 **3. Conclusions**

6 Staff has identified that the Waverly Wind Farm PPA is creating a significant amount of
7 additional costs compared to the revenue received. In the Report and Order in Case No.
8 EO-2019-0067, the Commission stated, “The Commission will not replace the companies’
9 primary supposition at the point of decision that the PPAs were being acquired in the context
10 of a long term, twenty-year investment with a supposition that the investment was short term,
11 and then apply a hindsight test and pronounce the investments imprudent.” Staff is not
12 recommending a disallowance related to this issue at this time.

13 **4. Documents Reviewed**

- 14 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
15 0023, 0042, 0044, 0045, 0052, and 0057;
- 16 b. Evergy Missouri Metro 2020 Annual Renewable Energy Standard Compliance Plan;
- 17 c. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan;
- 18 d. Staff Report in Case No. EO-2020-0331; and
- 19 e. Staff Report in Case No. EO-2021-0347.

20 *Staff Expert/Witness: Brooke Mastrogiannis*

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

22 **1. Description**

23 Evergy Missouri Metro has a long-term (20-year) PPA with Rock Creek Wind Project,
24 LLC for energy and RECs generated by the Rock Creek Wind Farm located in Missouri. The
25 contract is also a “take-or pay” contract for renewable wind energy and RECs, and is based on
26 a fixed energy price of ** [REDACTED] ** per MWh and a capacity of ** [REDACTED] ** MW, beginning
27 August 2017. In its response to Staff Data Request No. 0057 Evergy Missouri Metro
28 stated, “Evergy MO Metro did not sell any RECs during the Review Period of January 1, 2020,

1 through June 30, 2021.”⁵² Cost of electricity under the Rock Creek Wind Project was
2 ** [REDACTED] ** with revenue associated with sales of ** [REDACTED] ** which resulted in
3 a net loss of ** [REDACTED] ** for the Review Period.⁵³

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 20
8 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 Rock Creek Wind Project
11 PPA costs in the FAC.

12 3. Conclusions

13 Staff has identified that the Rock Creek Wind Project PPA is creating a significant
14 amount of additional costs compared to the revenue received. In the Report and Order in Case
15 No. EO-2019-0067, the Commission stated, “The Commission will not replace the companies’
16 primary supposition at the point of decision that the PPAs were being acquired in the context
17 of a long term, twenty-year investment with a supposition that the investment was short term,
18 and then apply a hindsight test and pronounce the investments imprudent.” Staff is not
19 recommending a disallowance related to this issue at this time.

20 4. Documents Reviewed

- 21 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
22 0023, 0042, 0044, 0045, 0052, and 0057;
23 b. Evergy Missouri Metro 2020 Annual Renewable Energy Standard Compliance Plan;
24 c. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan;

⁵² This is addressed further in the REC section III.L above.

⁵³ During this prudence review Staff discovered SPP revenues not reported correctly in the Company’s monthly report filings tab 5(K). Staff confirmed this with Evergy Missouri Metro. As such, the Rock Creek Wind PPA revenue associated with sales is actually ** [REDACTED] **, which resulted in a net loss of ** [REDACTED] **. These monthly report filings will be updated in March 2022. The overall FAR filings and what was reported in the general ledger account were correct, this is just an update to the monthly report tab 5(K).

1 d. Staff Report in Case No. EO-2020-0331; and

2 e. Staff Report in Case No. EO-2021-0347.

3 *Staff Expert/Witness: Brooke Mastrogiannis*

4 **S. Prairie Queen Wind Purchased Power Agreement**

5 **1. Description**

6 Evergy Missouri Metro has a long-term (20-year) PPA with Prairie Queen Wind Farm,
7 LLC for energy and RECs generated by the Prairie Queen Wind Farm located in Kansas. The
8 contract is also a “take-or pay” contract for renewable wind energy and RECs, and is based on
9 a fixed energy price of ** [REDACTED] ** per MWh and a capacity of ** [REDACTED] ** MW, beginning
10 May 2019. In its response to Staff Data Request No. 0057 Evergy Missouri Metro stated,
11 “Evergy MO Metro did not sell any RECs during the Review Period of January 1, 2020,
12 through June 30, 2021.”⁵⁴ Cost of electricity under the Prairie Queen Wind Project was
13 ** [REDACTED] ** with revenue associated with sales of ** [REDACTED] ** which resulted in a
14 net gain of ** [REDACTED] ** for the Review Period.

15 **2. Summary of Cost Implications**

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

23 **3. Conclusions**

24 Staff has identified that the Prairie Queen Wind PPA is creating more revenue received
25 than additional costs In the Report and Order in Case No. EO-2019-0067, the Commission
26 stated, “The Commission will not replace the companies’ primary supposition at the point of
27 decision that the PPAs were being acquired in the context of a long term, twenty-year
28 investment with a supposition that the investment was short term, and then apply a hindsight

⁵⁴ This is addressed further in the REC section III.L above.

1 test and pronounce the investments imprudent.” Staff is not recommending a disallowance
2 related to this issue at this time.

3 **4. Documents Reviewed**

- 4 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,
5 0023, 0042, 0044, 0045, 0052, and 0057;
6 b. Evergy Missouri Metro 2020 Annual Renewable Energy Standard Compliance Plan;
7 c. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan;
8 d. Staff Report in Case No. EO-2020-0331; and
9 e. Staff Report in Case No. EO-2021-0347.

10 *Staff Expert/Witness: Brooke Mastrogiannis*

11 **T. Pratt Wind Purchased Power Agreement**

12 **1. Description**

13 Evergy Missouri Metro has a long-term (30-year) PPA with Pratt Wind, LLC for
14 energy and RECs generated by the Pratt Wind Farm located in Kansas. The contract is also a
15 “take-or pay” contract for renewable wind energy and RECs, and is based on a fixed energy
16 price of ** [REDACTED] ** per MWh and a capacity of ** [REDACTED] ** MW, beginning November 2018.
17 In its response to Staff Data Request No. 0057 Evergy Missouri Metro stated, “Evergy
18 MO Metro did not sell any RECs during the Review Period of January 1, 2020, through
19 June 30, 2021.”⁵⁵ Cost of electricity under the Pratt Wind Project was ** [REDACTED] **
20 with revenue associated with sales of ** [REDACTED] ** which resulted in a net loss of
21 ** [REDACTED] ** for the Review Period.⁵⁶

22 **2. Summary of Cost Implications**

23 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a
24 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm

⁵⁵ This is addressed further in the REC section III.L above.

⁵⁶ During this prudence review Staff discovered SPP revenues not reported correctly in the Company’s monthly report filings tab 5(K). Staff confirmed this with Evergy Missouri Metro. As such, the Pratt Wind PPA revenue associated with sales is actually ** [REDACTED] **, which resulted in a net loss of ** [REDACTED] **. These monthly report filings will be updated in March 2022. The overall FAR filings and what was reported in the general ledger account were correct, this is just an update to the monthly report tab 5(K).

1 could result from that imprudence through an increase in FAC charges. Commission Rule 20
2 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power
3 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found
4 no indication that Evergy Missouri Metro imprudently included the Pratt Wind PPA costs in
5 the FAC.

6 **3. Conclusion**

7 Staff has identified that the Prairie Queen Wind PPA is creating more additional costs
8 compared to the revenue received. In the Report and Order in Case No. EO-2019-0067, the
9 Commission stated, “The Commission will not replace the companies’ primary supposition at
10 the point of decision that the PPAs were being acquired in the context of a long term,
11 twenty-year investment with a supposition that the investment was short term, and then apply
12 a hindsight test and pronounce the investments imprudent.” Staff is not recommending a
13 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, 0042, 0044, 0045, 0052, and 0057;
- 17 b. Evergy Missouri Metro 2020 Annual Renewable Energy Standard Compliance Plan;
- 18 c. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan;
- 19 d. Staff Report in Case No. EO-2020-0331; and
- 20 e. Staff Report in Case No. EO-2021-0347.

21 *Staff Expert/Witness: Brooke Mastrogiannis*

22 **U. Purchased Power Costs**

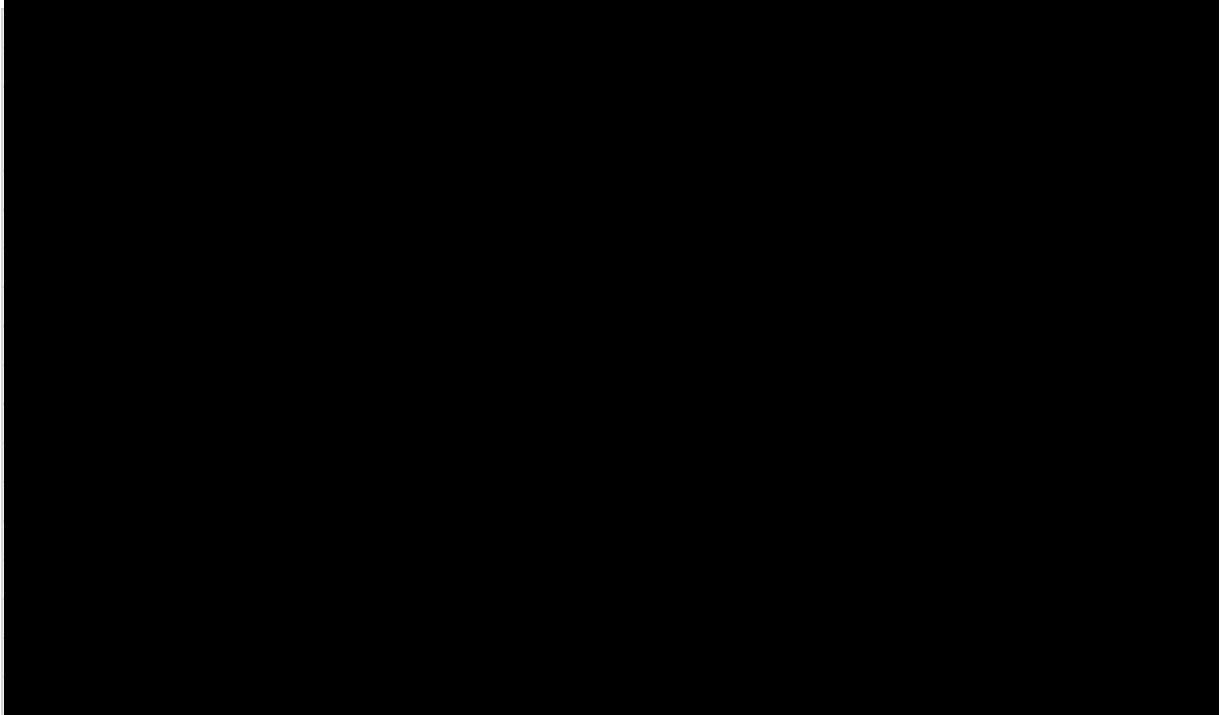
23 **1. Description**

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

1 Staff has determined that Evergy Missouri Metro’s total purchased power expense for
2 the prudence Review Period is ** [REDACTED] **⁵⁷, as shown previously in Table 3. More
3 detail for the cost of PP is shown in Table 15.

4 **Table 15 – Confidential**

5 **



6 **

7
8 Evergy Missouri Metro had eight long-term purchase power agreements in effect at the start of
9 the Review Period: Cimarron 2, Slate Creek, Spearville 3, Waverly, Osborn, Rock Creek, Pratt,
10 and Prairie Queen. Staff also reviews long-term purchased power contracts during a general
11 rate case. As a result of that review, a determination is made regarding what generation plants
12 and purchased power contracts should be input into Staff’s fuel model. The outcome of the
13 most recent general rate case is taken into consideration regarding the prudence of long-term
14 purchased power contracts. Staff also considers the Company’s Integrated Resource

⁵⁷ The purchased power costs reflect the removal of extraordinary costs deferred from Accumulation Period 12, as noted in Section III.A of this report. Evergy Missouri Metro’s total purchased power costs actually incurred, before the adjustment for the deferral, is [REDACTED] ** or ** [REDACTED] ** of total fuel costs, purchased power costs, transmission costs, and emission costs.

1 Plan (“IRP”) and IRP Annual Updates regarding the prudence of long-term purchased power
2 contracts.

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

4 **Queen**

5 Evergy Missouri Metro had long-term purchased power contracts with eight wind farms
6 during the Review Period. A further description of these contracts can be found in Sections III.
7 M, N, O, P, Q, R, S, and T of this report. Not included in these sections of Staff’s Report is the
8 new purchased power wind contracts that Evergy Missouri Metro has recently signed into since
9 the associated costs and revenues have not been sought for recovery through the FAC.
10 However, Staff is aware of these additional purchased power wind contracts and provided as
11 part of its Staff Report in the most recent Evergy Missouri Metro 2020 IRP Annual Update⁵⁸
12 concerns with these additional purchased power wind contracts. Given that a majority of
13 Evergy Missouri Metro’s current wind PPAs are creating more costs for ratepayers than
14 revenues and additional purchased power wind contracts could put ratepayers at greater risk,
15 Staff notes in its Staff Report in Case No. EO-2020-0280 “that this risk could be addressed
16 fairly through risk mitigation or risk sharing in the Commission-approved fuel adjustment
17 clauses of the Companies.” Subsequently, Staff’s Report in the most recent Evergy Missouri
18 Metro Triennial IRP Filing in Case No. EO-2021-0036 also stated, “Staff echoes its past
19 comments in regards to Evergy Metro and PPAs, and that ratepayers should not have to bear
20 all of the risk of PPAs which are entered into when there is not a need for capacity to meeting
21 minimum capacity requirements. To remedy this concern, Staff suggests as it has before, that
22 ratepayer risk mitigation or risk sharing could be addressed fairly in the Commission-approved
23 fuel adjustment clause of Evergy Metro.”

24 **Non-firm Short-term Energy**

25 Evergy Missouri Metro purchases hourly energy in the SPP IM. Since implementing the
26 SPP IM, SPP has controlled the economic dispatch of Evergy Missouri Metro’s generation.
27 During times that Evergy Missouri Metro’s load exceeds Evergy Missouri Metro’s generation,
28 Evergy Missouri Metro becomes a net purchaser in the SPP market. These SPP market
29 purchases are from other electric suppliers to help meet Evergy Missouri Metro’s load during

⁵⁸ Case No. EO-2020-0280.

1 times of forced or planned plant outages and during times when the market price is below the
2 marginal cost of providing that energy from Evergy Missouri Metro’s generating units. Under
3 the SPP IM, Evergy Missouri Metro’s generation is offered to the SPP IM and energy needed
4 for native load requirements is purchased from the SPP market. “Spot purchases and sales are
5 made based upon SPP market and operating conditions for the entire SPP footprint.” Costs for
6 the SPP IM purchases are included as “Non-Firm Short-term Energy” in Table 3 and Table 15
7 of this report. Further discussion of Evergy Missouri Metro’s participation in these markets can
8 be found in Section III.B. of this report.

9 **2. Summary of Cost Implication**

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

13 **3. Conclusion**

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

17 **4. Documents Reviewed**

- 18 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0019,
19 0020, 0023, 0042, 0044, 0045, 0052, 0057, and 0069;
- 20 b. PPA Contracts;
- 21 c. Staff Report in EO-2020-0280 and EO-2021-0036; and
- 22 c. Section III.B. of this report.

23 *Staff Expert/Witness: Brooke Mastrogiannis*

24 **IV. INTEREST**

25 **1. Description**

26 During each accumulation period, Evergy Missouri Metro is required to calculate a
27 monthly interest amount based on Evergy Missouri Metro’s short-term debt borrowing rate that
28 is applied to the under-recovered or over-recovered fuel and purchased power costs. Evergy

1 Missouri Metro’s short-term debt rate is calculated using the daily one-month United States
2 Dollar London Interbank Offered Rate (“LIBOR”), using the last previous actual rate for
3 weekends and holidays or dates without an available LIBOR, and the Applicable Margin for
4 Eurodollar Advances. A simple mathematical average of all the daily rates for the month is then
5 computed. For the Review Period, Evergy Missouri Metro’s average monthly interest rate from
6 January 1, 2020, through June 30, 2021, was ** [REDACTED] ** with the total amount of interest
7 accumulated for the period of ** [REDACTED] **. The interest amount is component “I” of Evergy
8 Missouri Metro’s FAC.

9 **2. Summary of Interest Implications**

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

13 **3. Conclusion**

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

17 **4. Documents Reviewed**

- 18 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001 and 0044;
- 19 b. Evergy Missouri Metro’s monthly interest calculation work papers in support of the
20 interest calculation amount on the under-recovered or over-recovered balance; and
- 21 c. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
22 AP 10, 11, and 12.

23 *Staff Expert/Witness: Amanda C. Conner*

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Fourth Prudence)
Review of Costs Subject to the)
Commission-Approved Fuel Adjustment)
Clause of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro)

Case No. EO-2022-0064

AFFIDAVIT OF AMANDA C. CONNER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW AMANDA C. CONNER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

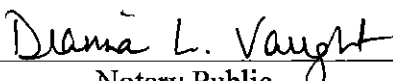
Further the Affiant sayeth not.



AMANDA C. CONNER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 28th day of February, 2022.



Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Fourth Prudence)
Review of Costs Subject to the) Case No. EO-2022-0064
Commission-Approved Fuel Adjustment)
Clause of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro)

AFFIDAVIT OF JORDAN T. HULL

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JORDAN T. HULL and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.




JORDAN T. HULL

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 28th day of February, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Fourth Prudence)
Review of Costs Subject to the) Case No. EO-2022-0064
Commission-Approved Fuel Adjustment)
Clause of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

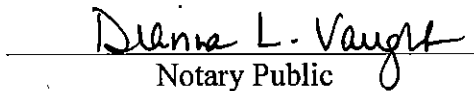
Further the Affiant sayeth not.


BROOKE MASTROGIANNIS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26th day of February, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

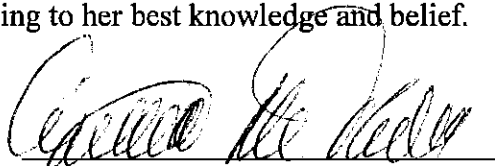
In the Matter of the Fourth Prudence)
Review of Costs Subject to the) Case No. EO-2022-0064
Commission-Approved Fuel Adjustment)
Clause of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro)

AFFIDAVIT OF CYNTHIA M. TANDY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW CYNTHIA M. TANDY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

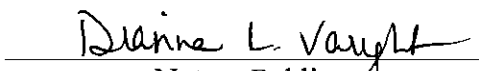
Further the Affiant sayeth not.


CYNTHIA M. TANDY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26th day of February, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Fourth Prudence)
Review of Costs Subject to the)
Commission-Approved Fuel Adjustment)
Clause of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro)

Case No. EO-2022-0064

AFFIDAVIT OF LISA WILDHABER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW LISA WILDHABER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

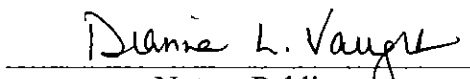
Further the Affiant sayeth not.


LISA WILDHABER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 28th day of February, 2022.

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: July 18, 2023 Commission Number: 15207377


Notary Public

SCHEDULE BJJ-d4

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY