

4. As part of its Step 1 analysis, Staff reviewed Evergy's financials regarding QCA increases and ascertained that it was not apparent that a significant level of imprudent costs existed. Staff determined that a full prudence review under Step 2 was necessary.

5. In *State ex rel. Associated Natural Gas Co. v. Public Service Com'n of State of Mo.*, 954 S.W.2d 520, 528-529 (Mo. App. W.D., 1997) the Western District Court of Appeals stated the Commission defined its prudence standard as follows:

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

In the same case, the PSC noted that this test of prudence should not be based upon hindsight, but upon a reasonableness standard: [T]he company's conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the company had to solve its problem prospectively rather than in reliance on hindsight. In effect, our responsibility is to determine how reasonable people would have performed the tasks that confronted the company.¹

6. In affirming the circuit court's reversal of the Commission decision in that case, the Court of Appeals did not criticize the Commission's definition of prudence, but held, in part, that to disallow a utility's recovery of costs from its customers, the Commission must find that (1) the utility acted imprudently and (2) this imprudence resulted in harm to the utility's customers, *Id.* at 529-30. This is the prudence standard Staff has followed in this review. Staff reviewed for prudence the areas identified and discussed below.

7. In accordance with Step 2, Staff completed its full prudence review and provides a detailed discussion of its findings in its *Staff Report On The Prudence Review Of Costs Related To The Quarterly Cost Adjustment For The Steam Heat Operations Of Evergy Missouri West, Inc. D/B/A Evergy Missouri West* ("Prudence Review Report"), submitted concurrently herewith in

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

Confidential and Public formats. As a result of its prudence review, and as more fully explained in the Prudence Review Report, Staff found no evidence of imprudence by the Company.

WHEREFORE, Staff respectfully requests the Commission accept its *Prudence Review Report* of Evergy's QCA, and issue such further orders as the Commission deems proper.

Respectfully submitted,

/s/ Eric Vandergriff

Eric Vandergriff

Legal Counsel

Missouri Bar No. 73984

P.O. Box 360

Jefferson City, MO 65102

573-522-9524 (Voice)

573-751-9285 (Fax)

Eric.Vandergriff@psc.mo.gov

Staff Counsel for the

Missouri Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all parties and/or counsel of record on this 9th day of August, 2023.

/s/ Eric Vandergriff