

Exhibit: _____

Issues: Qualified Extraordinary Costs
adjustments; Sibley Retirement;
Post-Financing Order review and
Waiver of Affiliate Transactions
Rule

Witness: Darrin R. Ives

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Evergy Missouri West

Case No. EF-2022-0155

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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO:

EF-2022-0155

SURREBUTTAL TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

EVERGY MISSOURI WEST

**Kansas City, Missouri
July 2022**

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SURREBUTTAL TESTIMONY

OF

DARRIN R. IVES

Case No. EF-2022-0155

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Darrin R. Ives. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

4 **Q: Are you the same Darrin R. Ives who submitted direct testimony in this docket on**
5 **March 11, 2022?**

6 A: Yes.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of Evergy Missouri West, Inc. d/b/a Evergy Missouri West
9 (“EMW” or the “Company”).

10 **II. PURPOSE**

11 **Q: What is the purpose of your surrebuttal testimony?**

12 A: The purpose of my surrebuttal testimony is to introduce the witnesses who are filing
13 surrebuttal testimony on the Company’s behalf in this proceeding and to respond to
14 portions of the rebuttal testimony of Staff witnesses Bolin, Fortson and Davis and Office
15 of the Public Counsel (“OPC”) witness Mantle.

1 **Q: Who is filing surrebuttal testimony for EMW?**

2 A: The Company's surrebuttal witnesses and the general topics addressed by each are as
3 follows:

- 4 ▪ Matt Gummig – Senior Manager, External Reporting. Mr. Gummig responds to
5 the rebuttal testimony of Staff witness Lange regarding the treatment of late and
6 partial payments and the interaction with the Cold Weather Rule. He also provides
7 a method for tracing of funds resulting from the securitized utility tariff charge
8 (“SUTC”) to meet the requirements of section 393.1700.2(3)(c)j of the
9 Securitization Law enacted in Missouri in 2021 (the Securitization Law”).
- 10 ▪ Melissa Hardesty – Senior Director, Tax. Ms. Hardesty responds to the rebuttal
11 testimony of OPC witness Riley concerning income tax savings he alleges the
12 Company will realize as a result of Winter Storm Uri costs.
- 13 ▪ Jason Humphrey – Senior Director, Renewables Development and Assistant
14 Treasurer. Mr. Humphrey responds to portions of the rebuttal testimony of Staff
15 witnesses Davis and Bolin and OPC witness Murray on the topics of carrying costs,
16 upfront financing costs and the current rising interest rate environment.
- 17 ▪ Larry Kennedy – Concentric Energy Advisors. Mr. Kennedy responds to portions
18 of the rebuttal testimony of OPC witness Mantle alleging imprudence on the part
19 of EMW.
- 20 ▪ Ron Klote – Senior Director, Regulatory Affairs. Mr. Klote responds to portions
21 of the rebuttal testimony of Staff witnesses Davis and Bolin and OPC witness
22 Murray concerning carrying costs and elements of the quantification of the net
23 present value of customer benefits resulting from securitization of Winter Storm

1 Uri costs compared to the traditional or customary method(s) of recovering such
2 costs. Mr. Klote also proposes to correct paragraph 62 of the Company's proposed
3 financing order concerning the true-up mechanism.

4 ■ Steffen Lunde – Citibank. Mr. Lunde responds to portions of the rebuttal testimony
5 of Staff witness Davis concerning forward US Treasury rates.

6 ■ Brad Lutz – Director, Regulatory Affairs. Mr. Lutz responds to portions of the
7 rebuttal testimony of Staff witness Lange concerning tariff and billing issues in
8 connection with the SUTC and the allocation of the SUTC among EMW's customer
9 classes. Mr. Lutz also responds to the rebuttal testimony of Staff witness Luebbert
10 concerning an adjustment proposed due to alleged impacts resulting to Winter
11 Storm Uri costs from the Company's service to Nucor.

12 ■ John Carlson – Senior Manager, Market Operations. Mr. Carlson responds to
13 portions of the rebuttal testimony of Staff witness Luebbert which proposed
14 disallowances to account for "Customer Event Balancing" which allegedly has
15 been omitted by EMW as an adjustment to reduce the requested securitization of
16 costs.

17 ■ Kayla Messamore – Vice President, Strategy and Long Term Planning. Ms.
18 Messamore responds to portions of the rebuttal testimony of OPC witness Mantle
19 alleging imprudence on the part of EMW.

20 ■ John Reed – Concentric Energy Advisors. Mr. Reed responds to portions of the
21 rebuttal testimony of OPC witness Mantle alleging imprudence on the part of EMW
22 and Staff and OPC witnesses regarding carrying costs and discount rates.

1 **Q: How will your surrebuttal testimony be organized?**

2 A: Following section I (introduction) and section II (purpose of surrebuttal testimony) I will
3 address the following topics:

4 III. Extraordinary Excess Revenues Staff Alleges Resulted due to Winter Storm
5 Uri

6 IV. 95%/5% Adjustment

7 V. Sibley Retirement

8 VI. Post-Financing Order Review

9 VII. Waiver of the Affiliate Transactions Rule

10 VIII. Conclusion

11 **III. EXTRAORDINARY EXCESS REVENUES STAFF ALLEGES RESULTED DUE**
12 **TO WINTER STORM URI**

13 **Q: Please describe your understanding of this adjustment proposed by Staff.**

14 A: On pages 12-13 of her rebuttal testimony, Staff witness Bolin alleges that Winter Storm
15 Uri caused EMW to experience excess revenues in February 2021 of approximately \$8.6
16 million and she proposes to reduce the amount of deferred fuel and purchased power costs
17 to be recovered through securitized bonds by that amount.

18 **Q: Do you agree with this adjustment proposed by Staff?**

19 A: No, it should be rejected by the Commission. Although Staff witness Bolin characterizes
20 the revenues realized by EMW due to Winter Storm Uri as both “extraordinary” and
21 excess”, she fails to demonstrate that either characterization is reasonable. As to her
22 “extraordinary” characterization, Staff witness Bolin seems to simply assume that because
23 Winter Storm Uri was an extraordinary event which had extraordinary, unique and non-
24 recurring impact on the Company’s fuel and purchased power costs, that the same

1 characterization holds true for the revenues experienced by EMW in February 2021. This
2 is a flawed and unreasonable assumption that should be rejected by the Commission.

3 **Q: Why is the revenue impact of Winter Storm Uri on EMW not extraordinary?**

4 A: Whereas Winter Storm Uri caused the Company to incur a typical year’s worth of fuel and
5 purchased power costs in two weeks, the revenue impact of Winter Storm Uri was not
6 nearly as significant. \$8.6 million, the amount of revenue from Winter Storm Uri Staff
7 witness Bolin characterizes as “extraordinary”, represents just 1.1% of the Company’s
8 normal annual base retail revenues. There is simply no basis to characterize Winter Storm
9 Uri’s 1.1% impact on EMW’s annual revenues as being in any way comparable to its
10 approximately 100% impact on the Company’s annual fuel and purchased power costs.

11 **Q: Why did Winter Storm Uri not cause EMW to realize “excess” revenues?**

12 A: First, let me explain my understanding of Staff witness Bolin’s calculation of “excess
13 revenues”. She calculated a three-year average of EMW’s February base retail revenues
14 and characterizes the amount by which February 2021 base retail revenues exceeded this
15 amount, \$8.6 million, as “excess”. Because this is the same way that the Company
16 calculated the amount by which Winter Storm Uri increased its fuel and purchased power
17 costs beyond the normally expected level, she seems to assume that this method is a
18 reasonable way to calculate the amount of “excess” revenues resulting from Winter Storm
19 Uri.

20 The problem with Staff witness Bolin’s approach is that it ignores the fact that
21 EMW’s earnings for 2021, an ROE below 7%, fell well short of EMW’s assumed ROE of
22 9.5% from the last rate case. Consequently, the Company did not sufficiently recover its
23 costs to provide service in 2021 in order to provide a sufficient return on capital deployed

1 by investors. In other words, there were no “excess” revenues resulting from Winter Storm
2 Uri or any other source. To portray otherwise, as Staff witness Bolin does in advocating
3 for the adoption of this adjustment, ignores EMW’s actual results and would circumvent
4 customary regulatory practice and reduce EMW’s earnings attributable to 2021 further
5 below an already unreasonably low level.

6 **Q: Do you have any further comments regarding the adjustment Staff witness Bolin**
7 **proposes to reduce the amount of Winter Storm Uri costs EMW recovers through**
8 **securitized bonds on account of alleged “extraordinary excess” revenues?**

9 A: Yes, if the Staff’s revenue adjustment were adopted by the Commission, it would have the
10 effect of disallowing the recovery of extraordinary fuel and purchased power costs incurred
11 by EMW and deemed prudent by Staff, despite the fact that the Securitization Law makes
12 no provision for the disallowance of prudently incurred costs. In fact, section
13 393.1700.1(13), which defines qualified extraordinary costs, in part, as those which have
14 been “incurred prudently” suggests precisely the opposite: that prudently incurred costs
15 should be recovered through securitized bonds if the remaining statutory requirements have
16 been satisfied and the Commission approves the use of securitization financing.

17 In addition, the impact of adopting this adjustment would be akin to deferral of Winter
18 Storm Uri revenues and the Commission has historically been reluctant to grant deferral
19 authority for revenue items.¹

¹ See, In the Matter of the Application of Southern Union Company for the Issuance of an Accounting Authority Order Relating to its Natural Gas Operations and for a Contingent Waiver of the Notice Requirement of 4 CSR 240-4.020(2)), File No. GU-2011-0392, January 25, 2012, p. 26; In the Matter of the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro and Evergy Missouri West, Inc. d/b/a Evergy Missouri West for an Accounting Authority Order Allowing the Companies to Record and Preserve Costs Related to COVID-19 Expenses, EU-2020-0350, January 13, 2021, p. 48.

1 Similarly, in EMW and Evergy Missouri Metro’s (“EMM”) request for a Winter
2 Storm Uri AAO, which preceded this docket, EMW advanced as part of its request that the
3 FAC Rule provides for deferral of extraordinary costs and requested that extraordinary
4 costs and revenues from Winter Storm Uri be deferred and not flowed through the FAC
5 mechanism. In its request, the Company cited the FAC Rule where the utility is required
6 to state: “Extraordinary costs not to be passed through, if any, due to such costs being an
7 insured loss, or subject to reduction due to litigation, or for any other reason;” See 20
8 CSR 4240-2.090(8)(A)2.A(XI). Staff opposed the Company’s request for deferral of
9 extraordinary revenues at EMM indicating that the FAC Rule language cited did not
10 address revenues, thereby requiring EMM to flow the revenues through the FAC.

11 Here, the Securitization Law also makes no mention of revenues in the definition
12 or discussion of qualified extraordinary costs, yet in this proceeding Staff’s position is to
13 reflect the revenues it asserts to be extraordinary in the qualified extraordinary costs. Staff
14 has provided no explanation for this inconsistency and has provided no support for the
15 different treatment. The Commission should take note of this inconsistency and reject
16 Staff’s proposed extraordinary revenue adjustment.

17 **Q: Would you please summarize your opposition to this Staff adjustment?**

18 A: Yes, the revenues realized by EMW due to Winter Storm Uri were neither “extraordinary”
19 nor “excess” and even if they were, the Securitization Law does not provide for the
20 securitization of revenues in its definition of qualified extraordinary costs and Staff’s
21 position is directly contrary to the position it took in EMM’s recent AAO application. It
22 would therefore be unreasonable to offset any Winter Storm Uri fuel and purchased power
23 costs with such revenues.

1 **IV. 95%/5% ADJUSTMENT**

2 **Q: Please explain your understanding of these adjustments proposed by Staff and**
3 **OPC.**

4 A: Staff, in the rebuttal testimony of Staff witness Fortson, and OPC, in the rebuttal testimony
5 of OPC witness Mantle, recommend that the Commission disallow 5% of the total deferred
6 fuel and purchased power costs that each, respectively, deems prudently incurred by EMW
7 during Winter Storm Uri. For the sake of efficiency, I will call this the “95%/5%
8 adjustment”. Because Staff and OPC take different positions regarding the level of
9 prudently incurred costs, the value of their 95%/5% adjustments differ.

10 The rationales advanced by Staff and OPC generally align in certain respects, some
11 significant and others less so. As stated on page 10-14 of his rebuttal testimony, Staff
12 witness Fortson argues that the 95%/5% adjustment is appropriate because: (1) it would be
13 required if these costs were recovered through the FAC; (2) it provides an incentive for
14 EMW to manage its fuel and purchased power costs; and (3) it maintains consistency with
15 the Commission’s treatment of Evergy Missouri Metro.

16 As stated on pages 27-31 of her rebuttal testimony, OPC witness Mantle argues that
17 the 95%/5% adjustment is appropriate because: (4) it provides an incentive for EMW to
18 manage its fuel and purchased power costs prudently; (5) the Company unreasonably failed
19 to mitigate fuel and purchased power costs by shutting of customers’ power during Winter
20 Storm Uri; and (6) it maintains consistency with the Commission’s treatment of Evergy
21 Missouri Metro.

22 I will respond to these arguments in the following sections.

1 **1. *FAC does not govern amount of costs to be recovered through securitized bonds***
2 ***(response to Staff)***

3 **Q: Do you agree with Staff witness Fortson, as stated on pages 10-12 of his rebuttal**
4 **testimony, that the provision of EMW’s FAC limiting recovery to 95% of prudently**
5 **incurred fuel and purchased power costs should be applied by the Commission to**
6 **determine the level of deferred Winter Storm Uri costs that should be recovered**
7 **through securitized bonds?**

8 A: No. The Company is currently recovering a “baseline” level of fuel and purchased power
9 costs incurred during Winter Storm Uri through its FAC and this recovery appropriately
10 reflects application of the 95% recovery provision in EMW’s FAC tariff. As such, EMW
11 has already complied with this provision of its FAC tariff regarding fuel and purchased
12 power costs incurred during Winter Storm Uri. The balance of the Company’s Winter
13 Storm Uri fuel and purchased power costs have been deferred and neither Staff nor the
14 Company propose to recover them through the FAC. As such, the FAC does not govern
15 in this situation.

16 **2. *Economic incentives are useless during extraordinary weather events (response to Staff***
17 ***and OPC)***

18 **Q: Staff witness Fortson argues, on page 13 of his rebuttal testimony, that allowing EMW**
19 **to recover 100% of its fuel and purchased power costs result from Winter Storm Uri**
20 **would create a “perverse incentive”. How do you respond?**

21 A: First, in making this statement, Staff witness Fortson mistakenly ignores the fact that EMW
22 has already absorbed 5% of the “baseline” level of fuel and purchased power costs it
23 incurred during Winter Storm Uri. Requiring EMW to absorb additional prudently
24 incurred fuel and purchased power costs it incurred to meet the demand of its customers
25 during Winter Storm Uri moves past the purpose of an incentive and would simply penalize

1 the Company for serving the needs of its customers in the midst of an extreme weather
2 event that resulted in extraordinary costs to serve customers safely and reliably. In this
3 regard it is notable that Staff witness Fortson expressly acknowledges on page 7 of his
4 rebuttal testimony that his 95%/5% adjustment to disallow recovery of approximately
5 \$14.8 million is not based on any allegation of imprudence by the Company. In my
6 opinion, the \$14.8 million disallowance of prudently incurred costs he proposes is the
7 epitome of a “perverse incentive.”

8 Second, Staff witness Fortson asserts on page 13 of his rebuttal testimony that
9 allowing 100% recovery would incentivize the Company to move as much fuel and
10 purchased power cost as possible out of the FAC and into securitization for recovery but
11 wholly fails to recognize that the Company itself does not control recovery through either
12 the FAC or securitization. Moreover, section 393.1700.1(13) of the Securitization Law
13 expressly requires that only “prudently incurred” qualified extraordinary costs are eligible
14 for securitization. As the Commission itself has the final say on the levels of recovery
15 through both methods – the FAC and securitization – this argument by Staff witness
16 Fortson provides no reasonable basis to adopt his proposed 95%/5% adjustment.

17 Third, Staff witness Fortson asserts, on page 13 of his rebuttal testimony, that if the
18 95%/5% adjustment is not adopted and there is another extraordinary weather event like
19 Winter Storm Uri, then the Company no longer has significant incentive to take all
20 reasonable actions to keep fuel and purchased power costs as low as possible. This aspect
21 of Staff witness Fortson’s argument also ignores the fact that section 393.1700.1(13) of the
22 Securitization Law expressly limits securitization of qualified extraordinary costs to those
23 which have been “incurred prudently.” Because the 95%/5% adjustment Staff witness

1 Fortson advocates would disallow recovery of \$14.8 million in Winter Storm Uri costs that
2 Staff has deemed prudent, and because any future securitization proposed to recover
3 qualified extraordinary costs from an extreme weather event will be required to undergo a
4 prudence review to meet the requirements of the Securitization Law, the “incentive”
5 argument advanced by Staff should be rejected by the Commission along with Staff’s
6 95%/5% adjustment.

7 **Q: On page 27 of her rebuttal testimony, OPC witness Mantle argues that allowing the**
8 **Company to recover, through securitization, 100% of its prudently incurred**
9 **extraordinary fuel and purchased power costs resulting from Winter Storm Uri**
10 **would remove “. . . any incentive for Evergy Missouri West to plan for and efficiently**
11 **manage extraordinary events that impact its biggest cost – fuel and purchased**
12 **power.” How do you respond?**

13 A: OPC witness Mantle completely neglects to discuss how EMW, or any utility for that
14 matter, can plan for an extreme weather event like Winter Storm Uri. The reason for this
15 is simple and beyond doubt – developing plans for extraordinary events like Winter Storm
16 Uri are simply not possible. Ms. Mantle seems to acknowledge this when she testifies that
17 “There is no way to plan for all extreme circumstances” on page 10 of her rebuttal
18 testimony. As discussed in the surrebuttal testimony of Company witnesses Messamore
19 and Reed, resource plans are developed on the basis of numerous plausible scenarios, and
20 they are stress tested to assess performance under extreme conditions, but the reality is that
21 extraordinary events like Winter Storm Uri cannot be anticipated. As such, developing
22 plans for such events cannot be achieved regardless of the economic incentives that are in
23 place.

1 As discussed above in response to Staff witness Fortson, OPC witness Mantle's
2 95%/5% adjustment would disallow recovery of fuel and purchased power costs incurred
3 by EMW to serve customer needs during Winter Storm Uri that she herself has deemed
4 prudent even though the Company has already absorbed disallowance of 5% of the
5 “baseline” fuel and purchased power costs incurred during Uri. In light of this and
6 recognizing that only qualified extraordinary costs that have been incurred prudently” are
7 eligible for securitization under section 393.1700.1(13), OPC witness Mantle's incentive-
8 based argument for adoption of the 95%/5% adjustment must be rejected.

9 As a result, the Commission should reject the 95%/5% adjustment recommended
10 by OPC witness Mantle.

11 **Q: Do you have any further comments regarding the 95%/5% adjustment advocated by**
12 **Staff and OPC?**

13 A: Yes, Staff and OPC's unfounded and unsupported 95%/5% adjustment, if adopted by the
14 Commission, would serve to disallow fuel and purchased power costs incurred by EMW
15 to serve customers during Winter Storm Uri even though neither Staff nor OPC deems
16 those particular costs imprudent even though the Securitization Law makes no provision
17 for the disallowance of prudently incurred costs. In fact, section 393.1700.1(13), which
18 defines qualified extraordinary costs, in part, as those which have been “incurred
19 prudently,” suggests precisely the opposite: that prudently incurred costs should be
20 recovered through securitization financing if the remaining statutory requirements have
21 been met and the Commission approves its use.

1 3. *Case No. ER 2022-0025 is not relevant (response to Staff and OPC)*

2 **Q: Do you agree with Staff witness Fortson (on pages 13-14 of his rebuttal testimony)**
3 **and OPC witness Mantle (on pages 27-28 and 31 of her rebuttal testimony) that**
4 **adoption of the 95%/5% adjustment in this securitization proceeding for EMW is**
5 **necessary to maintain consistency with the treatment of Winter Storm Uri-related**
6 **revenues in Case No. ER-2022-0025?**

7 A: No. Case No. ER-2022-0025 involving EMM was an FAC filing. As such, application of
8 the 95%/5% mechanism in EMM's FAC was required. Ironically, as I noted earlier in my
9 testimony, EMM initially requested an AAO to defer the extraordinary revenues EMM
10 recorded from Winter Storm Uri, not 95% but 100%. EMM in part referred to the FAC
11 Rule which allows for the deferral of extraordinary costs. Staff opposed the Company's
12 position on the basis that the FAC Rule did not address revenues in its discussion of
13 extraordinary costs. As a result, the revenues were addressed in the FAC filing, which
14 required application of the 95%/5% mechanism. This is a securitization proceeding and,
15 if approved, recovery of the deferred fuel and purchased power costs will not occur through
16 the FAC. As such, the FAC does not apply and Case No. ER-2022-0025 is inapplicable.

17 4. *OPC's recommendation to shut off customers' power during Winter Storm Uri for*
18 *purely economic reasons is reckless and irresponsible (response to OPC)*

19 **Q: On pages 29-30 of her rebuttal testimony, OPC witness Mantle argues that the**
20 **Company should have shut off service to customers during Winter Storm Uri to**
21 **mitigate its fuel and purchased power costs and EMW's failure to do so warrants**
22 **disallowance of 5% of those costs. How do you respond?**

23 A: OPC witness Mantle's suggestion that we could **and should** have interrupted electric
24 service customers during the coldest weather experienced in our service territory for

1 decades solely to mitigate economic impacts demonstrates a grave misunderstanding by
2 OPC witness Mantle of the regulatory compact and the utility's obligation to serve. We
3 understand that customers depend on us to provide essential electric service, especially
4 during extreme weather events, and we take our obligation to provide safe and adequate
5 service to our customers seriously. I do not believe any reasonable person would have
6 considered voluntarily shutting off customers' power during Winter Storm Uri as a means
7 of mitigating fuel and purchased power costs. Moreover, as discussed in more detail by
8 Company witness Reed, it is unlikely that the Company would have been able to mitigate
9 fuel and purchased power costs to any meaningful extent by following the irresponsible
10 and reckless practice she suggests. OPC witness Mantle's suggestion is irresponsible and
11 reckless and calls into question the credibility of her testimony in its entirety.

12 **5. Conclusion**

13 **Q: Please summarize your conclusions.**

14 **A:** Staff's and OPC's respective proposed 95%/5% adjustments are not supportable by the
15 evidence or by the plain language of the Securitization Law, are unreasonable and should
16 be rejected. The FAC does not govern amount of costs to be recovered through securitized
17 bonds. In fact, the Securitization Law states specifically that prudently incurred costs
18 should be recovered through securitization financing if the remaining statutory
19 requirements have been met and the Commission approves its use. Economic incentives
20 are useless during extraordinary weather events. EMM Case No. ER-2022-0025 is not
21 relevant to this securitization proceeding. OPC's recommendation to shut off customers'
22 power during Winter Storm Uri for purely economic reasons is reckless and irresponsible
23 and should be given no consideration by the Commission.

1 **V. SIBLEY RETIREMENT**

2 **Q: How does the Sibley retirement factor into OPC’s allegations of imprudence?**

3 A: As discussed by Company witnesses Messamore, Kennedy and Reed, it is not clear.
4 However, Ms. Mantle alleges that EMW “has been playing games with the resource plans”
5 and refers to the retirement of Sibley Unit 3 and the retirement of coal generation
6 generically and the subsequent procurement of capacity from Evergy Missouri Metro as
7 examples of supposedly “imprudent” resource planning contributing to the costs incurred
8 during Winter Storm Uri.

9 **Q: Was the Company’s decision to retire Sibley Station imprudent?**

10 A: No. As discussed by Company witnesses Mr. Reed and Mr. Kennedy, Ms. Mantle does
11 not even consider let alone apply the prudence standard and instead simply makes baseless
12 accusations. As discussed by Ms. Messamore, the decision to retire Sibley Station was the
13 product of prudent resource planning. Importantly, the events leading up to EMW’s
14 decision to retire the plant are clear, well-documented, and well-communicated with the
15 Commission and interested parties. The following is a brief summary.

- 16 ▪ Sibley station was constructed by Missouri Public Service Company (“MoPub”),
17 the predecessor of KCP&L Greater Missouri Operation Company (“GMO”) which
18 is EMW’s predecessor, with in-service dates of 1960 for Unit 1, 1962 for Unit 2,
19 and 1969 for Unit 3. MoPub had expected to retire Sibley Unit 1 and Unit 2 in
20 1990, but instead initiated a life extension project to extend the life of all three units
21 for about 20 years.²
- 22 ▪ In GMO’s Integrated Resource Plan (“IRP”) filed in April 2012, GMO identified
23 Sibley Units 1 and 2 for retirement in 2017 driven by anticipated environmental
24 rules which GMO would continue to monitor. Every IRP updated that was filed
25 between April 2012 and June 2017 had Sibley Unit 1 and 2 retiring.

² Order Approving Tariffs, In re Kansas City Power & Light Co. Request for Authority to Implement a General Rate Increase, No. ER-2018-0145, and In re KCP&L Greater Missouri Operations Co. Request for Authority to Implement a General Rate Increase, No. ER-2018-0146 (Nov. 26, 2018).

- 1 ▪ On January 15, 2015, GMO announced that Sibley Unit 1 and Unit 2 would stop
2 burning coal by the end of 2019. The Company stated that during the coming years
3 it would make the final decision whether to retire the units or convert them to an
4 alternative fuel source.
- 5 ▪ On June 1, 2017 the Company filed its IRP 2017 Annual Update, as required by
6 Commission Rule 20 CSR 4240-22.080(3).³ The Company presented its Preferred
7 Plan that reflected the lowest cost plan from a net present value of revenue
8 requirement (“NPVRR”) perspective. The IRP analysis determined that the
9 retirement of Sibley Units 2 and 3 (including the Unit 1 boiler and common plant)
10 “by 2019” and the Lake Road 4/6 Unit (97 MW) “by 2020” should occur because
11 it resulted in an NPVRR savings of \$282 million over the 2015 Triennial IRP
12 Preferred Plan, making it the lowest cost alternative.⁴
- 13 ▪ As a result of this analysis and the economic factors that it considered, the Company
14 announced in a press release on June 2, 2017 that Sibley Units 2 and 3 (as well as
15 the Sibley Unit 1 boiler and common plant) would be retired by the end of 2018.
16 As stated in the Company’s announcement of June 2, 2017, the factors contributing
17 to Sibley’s retirement included: (1) the reduction in wholesale electricity market
18 prices, (2) a reduction in the required reserve generating capacity, (3) a decline in
19 near-term capacity needs, (4) the age of the Sibley plants, and (5) expected
20 environmental compliance costs.
- 21 ▪ In response to the filed 2017 IRP Annual Update, as well as the Company’s
22 subsequent 2018 Triennial IRP, OPC provided numerous comments regarding the
23 plan to retire Sibley by the end of 2018.⁵
- 24 ▪ The Company filed general rate cases with the Commission on January 30, 2018
25 which were subsequently consolidated. The Commission ordered the parties to use
26 a test year ending June 30, 2017, updated through December 31, 2017, and a true-
27 up period to end on June 30, 2018.⁶
- 28 ▪ Four stipulations and agreements that ultimately resolved all the issues in both rate
29 cases were negotiated and filed with the Commission. The parties to the First
30 Stipulation, which included MECG, agreed to defer the depreciation expense of
31 three generating stations whose plants were approaching retirement. This included
32 Sibley’s three units and common plant.⁷ While OPC was not a party to this

³ Order Directing Notice and Acknowledging Automatic Parties, In re 2017 Integrated Resource Plan Annual Update for KCP&L Greater Mo. Operations Co., No. EO-2017-0230 (June 2, 2017)

⁴ See IRP 2017 Annual Update, § 7.1.5 at 68-69.

⁵ See Comments of OPC, In re 2017 IRP Annual Update for KCP&L Greater Mo. Operations Co., No. EO-2017-0230 (July 28, 2017), Ex. 14, Marke Surrebuttal; Comments of OPC, In re KCP&L Greater Mo. Operations Co.’s 2018 Triennial Compliance Filing Pursuant to 4 CSR 240-22, No. EO-2018-0269 (Aug. 30, 2018).

⁶ See Order Granting Motion to Consolidate, Nos. ER-2018-0145 & -0146 (Mar. 13, 2018).

⁷ See Non-Unanimous Partial Stipulation & Agreement at 1-2, In re Kansas City Power & Light Co. Request to Implement a Gen’l Rate Increase, No. ER-2018-0145, and In re KCP&L Greater Mo. Operations Co. Request to Implement a Gen’l Rate Increase, No. ER-2018-0146 (“2018 GMO Rate Case”) (Sept. 19, 2018), at 8-9.

1 stipulation, it failed to request a hearing or otherwise object to the First Stipulation
2 which was, therefore, treated by the Commission as unanimous.⁸

3 ▪ Throughout this time period, the Company continued to plan for the retirement of
4 Sibley by the end of 2018 until a turbine vibration tripped Unit 3 on September 5,
5 2018. Staff was informed of this event via an EFIS filing on September 6. A follow-
6 up EFIS filing occurred on September 12 as cost alternatives were analyzed.

7 ▪ Various options were considered by Company management from repairing the
8 turbine to decommissioning Sibley ahead of the scheduled retirement at the end of
9 the year. After a comprehensive evaluation of these options the Vice President of
10 Generation Operations Duane Anstaett advised senior management that the safest
11 and most economical solution is to cease burning coal at Sibley. The
12 recommendation was taken by Chief Operating Officer Kevin Bryant to review
13 with senior management over the next several weeks, including a briefing to the
14 Evergy Board of Directors. After further consideration, the Company determined
15 that Sibley 3 and the other units should be retired, and decommissioning activities
16 began on November 14, 2018.

17 ▪ During this period of time, the Company met with Staff and OPC on November 1
18 and November 20 to provide reports on the ultimate resolution of the forced outage
19 and the decision to retire Sibley.

20 This is no “game” as Ms. Mantle suggests. The Company engaged in a deliberate,
21 transparent and prudent planning process which it carefully communicated to the
22 Commission and interested parties, including OPC.

23 VI. POST-FINANCING ORDER REVIEW

24 **Q: What is your overall impression of Staff witness Davis’s suggestion for a post-**
25 **financing order Commission review and involvement?**

26 A: Before I respond to this question, I would like to emphasize that RSMo. §393.1700 (the
27 “Missouri Securitization Statute”) prescribes a specific post financing order process. In
28 connection with the Issuance Advice Letter process, the Commission has the authority to
29 designate a representative or representatives from Commission Staff (a “Designated
30 Representative”), who may be advised by a financial advisor or advisors contracted with

⁸ See Order Approving Stipulations & Agreements at 3, 2018 GMO Rate Case (Oct. 31, 2018).

1 the Commission (the “Financial Advisor”), *to provide input to the electrical corporation*
2 *and collaborate with the electrical corporation in all facets of the process undertaken by*
3 *the electrical corporation to place the securitized utility tariff bonds to market so the*
4 Designated Representative can *provide the Commission with an opinion on the*
5 *reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds*
6 *on an expedited basis. Neither the Designated Representative nor the Financial Advisor*
7 *shall have authority to direct how the electrical corporation places the bonds to market*
8 although they shall be permitted to attend all meetings convened by the electrical
9 corporation to address placement of the bonds to market. *See RSMo §393.1700.2(3)(h)*
10 (emphasis added).

11 On page 9 of his testimony, Mr. Davis accurately described EMW’s proposed post
12 financing order process which is consistent with the Missouri Securitization Statute. The
13 only difference I can identify between Evergy’s proposal and Mr. Davis’s suggestion is for
14 the Designated Representative and its Financial Advisor to have input and collaborate with
15 Evergy in the hiring of underwriters and other deal participants. While the hiring of
16 underwriters may not be specifically part of the process Evergy will undertake to place the
17 bonds to market, Evergy looks forward to the input and collaboration with the Designated
18 Representative and Financial Advisor in all facets of the process. However, consistent with
19 the Missouri Securitization Statute, final decision-making remains with Evergy. *See*
20 *393.1700.2(3)(h).*

1 **Q: Is Mr. Davis’s suggestion with respect to involvement of the Designated**
2 **Representative and Financial Advisor consistent with the Missouri Securitization**
3 **Statute?**

4 A: It’s not entirely consistent with the Missouri Securitization Statute. Regardless, ultimately
5 Evergy’s proposal would provide the Designated Representative (from Commission Staff)
6 and Financial Advisor the ability to provide input and collaborate with Evergy and its
7 underwriters in real time and throughout structuring, marketing and pricing process so that
8 the Designated Representative will be able to deliver the opinion required by the Missouri
9 Securitization Statute on an expedited basis.

10 Mr. Davis suggests on page 10 that ratepayers are not protected by Evergy’s
11 proposal because Staff and its advisor would not be “actively involved”. I disagree with
12 his assessment. Consistent with the requirements of the statute, after the financing order
13 becomes final and non-appealable, Evergy proposes that the Designated Representative
14 and Financial Advisor would be able to provide input and collaborate on all facets of the
15 process undertaken by Evergy to place the bonds to market. This includes participation on
16 calls and in meetings between Evergy and the underwriters that discuss the structuring,
17 marketing and pricing of the bonds so that input can be provided in real time and throughout
18 the process. Evergy views this as a collaborative process whereby the Designated
19 Representative and Financial Advisor will be free to provide their input. Importantly,
20 however, pursuant to the Missouri Securitization Statute, Evergy will maintain all decision-
21 making authority over the placement of the bonds to market.

1 **Q: Do you understand what Mr. Davis means on page 10 of his testimony when he**
2 **references “the savings standard and other statutory requirements”?**

3 A: No. The Missouri Securitization Statute requires that (i) the proposed issuance of bonds
4 and the imposition and collection of a securitized utility tariff charge are just and
5 reasonable and in the public interest and are expected to provide quantifiable net present
6 value benefits to customers as compared to recovery of the components of securitized
7 utility tariff costs that would have been incurred absent the issuance of securitized utility
8 tariff bonds, and (ii) the proposed structuring and pricing of the securitized utility tariff
9 bonds are reasonably expected to result in the lowest securitized utility tariff charges
10 consistent with market conditions at the time the securitized utility tariff bonds are priced
11 and the terms of the financing order. These are the “statutory requirements” in the form of
12 financing order and Evergy will not move forward with a transaction unless such
13 requirements have been met. Furthermore, as proposed in the form of Issuance Advice
14 Letter, included in Evergy’s proposed form of financing order, Evergy will certify that
15 based upon information reasonably available to the officers, agents, and employees of
16 Evergy, that the structuring, marketing and pricing of the bonds, as described in the
17 Issuance Advice Letter, will result in the lowest securitized utility tariff charges consistent
18 with market conditions at the time the bonds were priced and the terms of the financing
19 order (including the amortization structure, if any, ordered by the Commission), all within
20 the meaning of Sections 393.1700.2.(3)(b) and (c).

1 **Q: How will ratepayers be protected after the financing order is final and non-**
2 **appealable?**

3 A: I take great offense at the insinuation made by Mr. Davis that Evergy may not have a natural
4 incentive to protect the interest of our customers. We take our obligation to provide safe
5 and adequate service at just and reasonable rates seriously. In proposing to recover the
6 costs associated with Winter Storm Uri through securitization, Evergy has estimated that
7 customers will save over \$45 million. Furthermore, the Missouri Securitization Statute
8 requires that the bond issuance is reasonably expected to result in the lowest securitized
9 utility tariff charges consistent with market conditions at the time the securitized utility
10 tariff bonds are priced and the terms of the financing order. Evergy has committed to
11 certify beyond the statutory requirement that the bond issuance will result in the lowest
12 securitized utility tariff charges consistent with market conditions at the time the
13 securitized utility tariff bonds are priced and the terms of the financing order. Evergy takes
14 this certification responsibility very seriously and will not issue such a certification unless
15 it is satisfied that such a standard has been met.

16 **Q: Will the Financial Advisor have the opportunity to provide input and collaborate on**
17 **the marketing and pricing process?**

18 A: Yes, consistent with the Missouri Securitization Statute and, as noted above, the Financial
19 Advisor, along with the Designated Representative, will be able to provide input and
20 collaborate with Evergy in all facets of the placing of the bonds to market and that includes
21 the marketing and pricing process so that the Designated Representative will be able to
22 deliver an opinion on the reasonableness of the pricing, terms and conditions. Evergy

1 welcomes their input and looks forward to collaborating with them, but consistent with the
2 statute, Evergy will make the final decisions with respect to marketing and pricing process.

3 **Q: Have you reviewed the proposed financing order submitted by Commission Staff in**
4 **connection with the securitization docket for Liberty Utilities (Case Nos. EO 2022-**
5 **0040 and 2022-0193)?**

6 A: Yes.

7 **Q: What is your initial reaction to the proposed finance team suggested by the**
8 **Commission Staff?**

9 A: My initial reaction is that their proposal seems to have been adopted from a financing order
10 from another state. Paragraphs 12 and 13 and ordering paragraph 26 describe a process
11 whereby the Commission will designate a Finance Team to provide oversight and review
12 and approve the material terms of Liberty's proposed transaction. This oversight and
13 approval role is not contemplated by the Missouri Securitization Statute. The Missouri
14 Securitization Statute instead permits the Designated Representative to provide input and
15 collaborate with the electric corporation so that it may deliver an opinion on the
16 reasonableness of the pricing, terms and conditions of the bonds on an expedited basis.

17 **Q: Do you have any specific concerns with Commission's Staff's proposed financing**
18 **order in the Liberty Utilities proceeding?**

19 A: The Missouri Securitization Statute permits the Designated Representative to attend all
20 meetings convened by the electrical corporation to address placement of the bonds to
21 market. Evergy agrees this includes both telephonic and in person meetings. Evergy
22 further agrees to provide the Designated Representative with information in real time so
23 that it can provide input and collaborate with Evergy on the placement of the bonds to

1 market. Commission Staff’s proposal, however, goes further insisting that it receive e-
2 mails and participate in other communications (see paragraph 14 and ordering paragraph
3 26). In addition to being inconsistent with the Missouri Securitization Statute, it is
4 inappropriate. Evergy must be able to have communications with its own advisors and
5 solicit their advice maintaining appropriate privileges and confidentiality. Therefore, while
6 Evergy is committed to an open and collaborative process, a financing order that requires
7 all email communications be shared with a finance team is too broad.

8 VII. WAIVER OF AFFILIATE TRANSACTIONS RULE

9 **Q: Please describe your understanding of Staff’s position regarding the waiver of the**
10 **affiliate transactions rule (20 CSR 4240-20.015) for transactions between EMW and**
11 **the special purpose entity (“SPE”) that will be created to issue the securitized bonds.**

12 A: On page 14 of her rebuttal testimony, Staff witness Bolin states that “Staff is not sure a
13 waiver of the affiliate transactions rules is appropriate or even necessary in the context of
14 a securitization. Staff will update its position later as appropriate.”

15 **Q: How do you respond?**

16 A: This lack of a Staff position on this request at this stage of the proceeding is unsatisfactory.
17 EMW is seeking Commission authorization to issue securitized bonds to recover deferred
18 Winter Storm Uri costs in order to provide quantifiable net benefits to its customers. The
19 formation of an SPE to issue the bonds is an essential element of the securitization
20 transaction because it will protect the securitized utility tariff property of the SPE in the
21 event of an EMW bankruptcy. The services that EMW will provide to the SPE consist of
22 typical corporate support services, primarily in the form of treasury functions. Given all
23 of these facts, there is simply no reasonable basis to require application of the asymmetric

1 pricing rules under the affiliate transactions rule to transactions between EMW and the
2 SPE. Applying the asymmetric pricing rules would simply increase the administrative
3 burden, and associated cost, attendant to creation of the SPE. The uncertainty created by
4 Staff's "take-no-position" at this time" position is untenable. The Commission should
5 resolve that uncertainty by granting the affiliate transactions waiver that EMW has
6 requested.

7 VIII. CONCLUSION

8 **Q: Please summarize your key conclusions.**

9 **A:** My key conclusions include:

- 10 ▪ Staff witness Bolin's characterization of the revenues realized by EMW due to
11 Winter Storm Uri as "extraordinary" and "excess" is unfounded and beyond the
12 scope of the Securitization Law. It would therefore be unreasonable to offset any
13 Winter Storm Uri fuel and purchased power costs on the basis of such revenues.
- 14 ▪ Staff's and OPC's respective proposed 95%/5% adjustments are entirely
15 unreasonable and also beyond the scope of the Securitization Law and therefore
16 should be rejected. FAC does not govern any amount of costs to be recovered
17 through securitized bonds. Economic incentives are useless during extraordinary
18 weather events. Case No. ER 2022-0025 is not relevant to a Commission order to
19 issue securitized bonds. OPC's recommendation to shut off customers' power
20 during Winter Storm Uri for purely economic reasons is reckless and irresponsible.
- 21 ▪ OPC witness Mantle's references to Sibley Station and the retirement of coal fired
22 generation are just that, references, that come with no analysis supporting
23 imprudence and the characterization of EMW's resource planning as a "game" is

1 ridiculous. The Company engaged in a deliberate, transparent and prudent planning
2 process which it carefully communicated to the Commission and interested parties,
3 including OPC.

4 ■ Staff's proposed post-financing order review is unnecessary and beyond the scope
5 of the Securitization Law. Evergy will not move forward with a securitization
6 transaction unless the statutory requirements in the form of a financing order have
7 been met. Consistent with the requirements of the Securitization Law, after the
8 financing order becomes final and non-appealable, Evergy proposes that the
9 Designated Representative and Financial Advisor would be able to provide input
10 and collaborate on all facets of the process undertaken by Evergy to place the bonds
11 to market. Importantly, however, pursuant to the Missouri Securitization Statute,
12 Evergy will maintain all decision-making authority over the placement of the bonds
13 to market.

14 ■ The uncertainty created by Staff's "take-no-position" at this time" regarding
15 granting the affiliate transactions waiver requested by EMW is untenable. The
16 formation of an SPE to issue the bonds is an essential element of the securitization
17 transaction and the services that EMW will provide to the SPE consist of typical
18 corporate support services. The Commission should grant the affiliate transactions
19 waiver.

20 **Q: Does that conclude your testimony?**

21 **A:** Yes, it does.

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


In the Matter of the Application of Evergy)
Missouri West, Inc. d/b/a Evergy Missouri)
West for a Financing Order Authorizing the) Case No. EF-2022-0155
Financing of Extraordinary Storm Costs)
Through an Issuance of Securitized Utility)
Tariff Bonds.)

AFFIDAVIT OF DARRIN R. IVES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)


Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Vice President – Regulatory Affairs.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Evergy Missouri West consisting of twenty-five (25) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Darrin R. Ives

Subscribed and sworn before me this 22nd day of July 2022.



Notary Public

My commission expires: 4/26/2025

