

Issue: Revenue Requirement
Witness: Greg R. Meyer
Type of Exhibit: Rebuttal Testimony
Sponsoring Parties: Midwest Energy Consumers Group
Case Nos.: ER-2022-0129 & ER-2022-0130
Date Testimony Prepared: July 13, 2022

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

_____)
In the Matter of Evergy Metro, Inc. d/b/a)
Evergy Missouri Metro's Request for) **Case No. ER-2022-0129**
Authority to Implement a General Rate)
Increase for Electric Service)
_____)
In the Matter of Evergy Missouri West, Inc.)
d/b/a Evergy Missouri West's Request for) **Case No. ER-2022-0130**
Authority to Implement a General Rate)
Increase for Electric Service)
_____)

Rebuttal Testimony of
Greg R. Meyer

On behalf of
Midwest Energy Consumers Group

July 13, 2022



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_____)

STATE OF MISSOURI)
) SS
COUNTY OF ST. LOUIS)

Affidavit of Greg R. Meyer

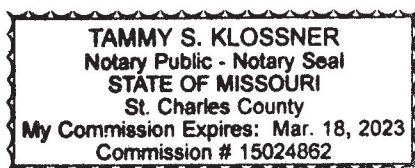
Greg R. Meyer, being first duly sworn, on his oath states:


1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by Midwest Energy Consumers Group in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony which was prepared in written form for introduction into evidence in the Missouri Public Service Commission, Case Nos. ER-2022-0129 & ER-2022-0130.
3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.



Greg R. Meyer

Subscribed and sworn to before me this 13th day of July, 2022.





Notary Public

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<hr/>)	
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Increase for Electric Service)	
)	
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Rebuttal Testimony of Greg R. Meyer

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION?**

5 A I am a consultant in the field of public utility regulation and a Principal at Brubaker &
6 Associates, Inc., energy, economic and regulatory consultants.

7 **Q ARE YOU THE SAME GREG R. MEYER WHO PRESENTED DIRECT TESTIMONY**
8 **ON JUNE 8, 2022 IN THIS PROCEEDING?**

9 A Yes, I am.

10 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

11 A I am appearing on behalf of Midwest Energy Consumers Group (“MECG”).

1 **Q WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

2 A I will respond to the level of Sales for Resale-Bulk revenue (“SFRB revenue”) included
3 in the Staff’s Metro Accounting Schedules.

4 **Q HAVE YOU REVIEWED THE LEVEL OF SFRB REVENUE INCLUDED IN THE**
5 **STAFF’S ACCOUNTING SCHEDULES?**

6 A Yes. From my review, it appears the Staff has included approximately \$49.4 million in
7 SFRB revenue. This level of revenues is achieved from non-firm sales (sometimes
8 referred to as “Off-System Sales”) that Metro operations are able to make above
9 serving its native load requirements.

10 **Q HAVE YOU REVIEWED THE HISTORIC LEVEL OF SFRB REVENUE THAT METRO**
11 **HAS ACHIEVED?**

12 A Yes. I have created Table 1 to show the level of actual SFRB revenue that Metro has
13 recorded in the past.

Time Period	Quarterly	12 Months Rolling	Allocated at 56.46% 12 Months Rolling
	Total Company SFRB Revenue (\$000) ¹	Total Company SFRB Revenues (\$000)	MO Juris SFRB Revenues (\$000)
(A)	(B)	(C)	(D)
Q1 2017	\$29,938		
Q2 2017	43,206		
Q3 2017	29,257		
Q4 2017	20,521	\$122,922	\$69,402
Q1 2018	18,701	111,685	63,057
Q2 2018	24,705	93,184	52,612
Q3 2018	35,371	99,298	56,064
Q4 2018	35,088	113,865	64,288
Q1 2019	36,923	132,087	74,576
Q2 2019	35,285	142,667	80,550
Q3 2019	30,367	137,663	77,725
Q4 2019	27,695	130,270	73,550
Q1 2020	16,769	110,116	62,171
Q2 2020	27,376	102,207	57,706
Q3 2020	30,056	101,896	57,530
Q4 2020	39,094	113,295	63,966
Q1 2021	231,448	327,974	185,174
Q2 2021	33,246	333,844	188,488
Q3 2021	50,468	354,256	200,013
Q4 2021 ²	36,645	351,807	198,630
Q1 2022 ²	52,937	173,296	97,843
Staff's Proposed Level of SFRB Revenue ³			\$49,441
Sources:			
1 - S&P Global IQ - Evergy Metro, Inc. Electric Sales Detail.			
2 - FERC Form 1/FERC Form 3Q			
3 - Staff Accounting Schedules - Income Statement Detail			

1 As can be seen from Table 1, the level of SFRB revenue Staff has included in
2 the Accounting Schedules is lower than any previous 12-month period (Column D
3 shows 12 months of jurisdictional revenues at the end of each quarter reported). In
4 fact, from at least the end of 2017, SFRB revenue has never been as low as the level
5 proposed by the Staff. In addition, the last 12 months of SFRB revenue actually
6 achieved by Metro (\$97.8 million) is almost double what Staff has proposed.

1 **Q IN TABLE 1, I SEE WHERE YOU HAVE HIGHLIGHTED THE Q1 2021 TOTAL.**
2 **PLEASE EXPLAIN WHY YOU HIGHLIGHTED THIS QUARTER'S RESULTS?**

3 A This level of SFRB revenue reflects the effects of Winter Storm Uri. As a result of that
4 storm, Metro was able to record an extraordinary level of SFRB revenue. The inflated
5 revenues were the direct result of high market prices.

6 **Q DO YOU PROPOSE TO ADJUST THE LEVEL OF SFRB REVENUE FOR THAT 2021**
7 **QUARTER RESULTS?**

8 A Yes. I would propose that the level of Q1 2021 SFRB revenue be adjusted to include
9 the three-year average of Q1 revenue for 2019, 2020 and 2022. This new level of
10 SFRB revenue would be approximately \$35.5 million for Q1 2021.

11 **Q WHAT WOULD THE IMPACT OF THIS NORMALIZATION ADJUSTMENT BE?**

12 A I have prepared Table 2 below to show the impact of this adjustment. This table
13 restates the historical SFRB revenue recorded but includes the adjusted Q1 2021
14 (highlighted). After accounting for the Winter Storm Uri excessive SFRB revenue, I
15 propose that the reasonable amount of SFRB revenue to be included in Evergy Metro's
16 revenue requirement would be \$71.8 million.

TABLE 2

Evergy Metro SFRB Revenue 2017 - Q1 2022

Time Period	Quarterly	12 Months Rolling	Allocated at 56.46% 12 Months Rolling
	Total Company SFRB Revenue (\$000) ¹	Total Company SFRB Revenues (\$000)	MO Juris SFRB Revenues (\$000)
(A)	(B)	(C)	(D)
Q1 2017	\$29,938		
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Q2 2019	35,285	142,667	80,550
Q3 2019	30,367	137,663	77,725
Q4 2019	27,695	130,270	73,550
Q1 2020	16,769	110,116	62,171
Q2 2020	27,376	102,207	57,706
Q3 2020	30,056	101,896	57,530
Q4 2020	39,094	113,295	63,966
Q1 2021 ²	35,543	132,069	74,566
Q2 2021	33,246	137,939	77,880
Q3 2021	50,468	158,351	89,405
Q4 2021 ³	36,645	155,902	88,022
Q1 2022 ³	52,937	173,296	97,843
Staff's Proposed Level of SFRB Revenue ⁴			\$49,441
Average Year End SFRB Revenue 2017-2021 (adj) ⁵			\$71,846
Adjustment to Staff SFRB Revenue			\$22,405

Sources:

- 1 - S&P Global IQ - Evergy Metro, Inc. Electric Sales Detail.
- 2 - Substituting the average SFRB revenue for Q1 2019, 2020, and 2022 in order to remove the impact of Winter Storm Uri.
- 3 - FERC Form 1/FERC Form 3Q.
- 4 - Staff Accounting Schedules - Income Statement Detail.
- 5 - Average SFR for Q4 2017, 2018, 2019, 2020, and 2021.

1 **Q PLEASE DESCRIBE HOW YOU ARRIVED AT THIS LEVEL OF SFRB REVENUE.**

2 A The \$71.8 million of SFRB revenue was developed by averaging the Q4 totals for
3 2017-2021,¹ reflecting the adjustment for Winter Storm Uri. This level of revenue is
4 conservative when comparing to the Q1 2022 SFRB revenue of \$97.8 million, and has
5 not been this low dating back to Q4 2020 after accounting for Winter Storm Uri.

6 **Q IS IT YOUR PROPOSAL TO ADJUST THE SFRB REVENUE IN THE STAFF'S**
7 **ACCOUNTING SCHEDULES TO REFLECT THE \$71.8 LEVEL OF NON-FIRM**
8 **SALES REVENUES?**

9 A Yes, that is my proposal. As a result of my proposal, the Metro revenue requirement
10 would decrease by approximately \$22.4 million.

11 **Q DO YOU HAVE ANY COMMENTS ON THE STAFF'S LEVEL OF SFRB REVENUE**
12 **(\$49.4 MILLION), AND HOW IT WAS DETERMINED?**

13 A Yes. As I stated previously, the level of sales revenues is too small when compared to
14 historic levels. It is my understanding that the level proposed by the Staff is directly
15 attributable to an exercise that the Staff performs for net sales/purchases from the SPP
16 market using hourly load and generator prices. As a result of that calculation, the Staff
17 determined that the net difference between the load and generator revenues resulted
18 in the generators receiving approximately \$73.2 million (Total Company), or \$41.3
19 million jurisdictional in SFRB revenue. However, this total does not reflect the fuel
20 recovery needed to generate those additional sales, it only reflects the amount of

¹\$71.8 million equals the average of \$69.4 million (Q4 2017), \$64.2 million (Q4 2018), \$73.6 million (Q4 2019), \$64.0 million (Q4 2020), and \$88 million (Q4 2021 as adjusted).

1 revenue above the cost of fuel. It is my contention that the fuel recovery to make those
2 sales is what is missing from the Staff's proposed level of SFRB revenue.

3 **Q WHAT LEVEL OF SALES DID THE STAFF IDENTIFY FROM THE**
4 **SALES/PURCHASE WORKSHEET?**

5 A The Staff identified that the level of non-firm sales would be approximately 6.6 million
6 MWh.

7 **Q WHAT WOULD BE THE SALES MARGINS FROM A NON-FIRM SALES LEVEL OF**
8 **6.6 MILLION MWH AND TOTAL COMPANY SFRB REVENUE OF \$73.2 MILLION?**

9 A The sales margin would be approximately \$11.15/MWh.

10 **Q DO YOU BELIEVE THE SALES MARGIN IS TOO LOW?**

11 A Yes. When comparing that sales margin level to the fuel expense summary worksheet
12 contained in Staff witness Shawn Lange's workpapers, this margin level is lower than
13 the average net cost to produce energy from Metro's owned generation of
14 \$12.096/MWh. The \$11.15/MWh margin is also less than the purchases Metro makes
15 on its own behalf from Purchase Power Agreements ("PPA") of \$29.96/MWh. Both of
16 these totals would suggest that, on total, Metro engages in non-firm sales that
17 continuously loses money when considering the fuel expense needed to make those
18 sales. This is simply an unreasonable result.

1 **Q HAS THE STAFF INCLUDED FUEL EXPENSE TO MAKE NON-FIRM SALES AND**
2 **SERVE ITS NATIVE LOAD CUSTOMERS' ENERGY REQUIREMENTS?**

3 A Yes. Staff witness Shawn Lange calculated fuel expense necessary to make non-firm
4 sales and native load energy requirements. Total Company fuel expense, as
5 calculated by Mr. Lange, totaled \$326.4 million.

6 **Q PLEASE SUMMARIZE YOUR POSITION.**

7 A The level of SFRB revenue included in the Staff's Accounting Schedules is understated
8 when compared to historic results. The margin from the level of non-firm sales
9 (6.6 million MWh) divided by the SFRB revenue identified by the Staff (\$73.2 million)
10 results in an average sale price of \$11.15/MWh. The \$11.15/MWh average sale price
11 is below the average Metro generating fleet costs of \$12.096/MWh and the Metro PPA's
12 cost of \$29.96/MWh. In other words, the SFRB revenue supported by the Staff could
13 not recover the fuel expense to make those sales. This is an unreasonable conclusion
14 given the historic results of SFRB revenue for Metro operations.

15 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

16 A Yes, it does.

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