

Exhibit No.:
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of Evergy Missouri West's
Fuel Adjustment Rate
Tariff Filing*
Witness: *Brooke Mastrogiannis*
Sponsoring Party: *MoPSC Staff*
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Case No.: *ER-2023-0210*
Date Testimony Prepared: *May 15, 2023*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

BROOKE MASTROGIANNIS

**EVERGY MISSOURI WEST, INC.,
d/b/a Evergy Missouri West**

CASE NO. ER-2023-0210

*Jefferson City, Missouri
May 2023*

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **BROOKE MASTROGIANNIS**

4 **EVERGY MISSOURI WEST, INC.,**
5 **d/b/a EVERGY MISSOURI WEST**

6 **CASE NO. ER-2023-0210**

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

8 A. I am employed by the Missouri Public Service Commission (“Commission” or
9 “PSC) as an Utility Regulatory Audit Supervisor in the Energy Resources Department.

10 Q. Are you the same Brooke Mastrogiannis who previously provided testimony in
11 this case?

12 A. Yes. I filed direct testimony in the Evergy Missouri West, Inc., d/b/a Evergy
13 Missouri West (“Evergy Missouri West” or “Company”) current fuel adjustment rate (“FAR”)
14 filing case designated as Case No. ER-2023-0210, on April 14, 2023.

15 **EXECUTIVE SUMMARY**

16 Q. What is the purpose of your rebuttal testimony?

17 A. The purpose of my rebuttal testimony is to address Evergy Missouri
18 West’s witness Darrin R. Ives direct testimony, and the Office of the Public Counsel
19 (“OPC”) witness Lena M. Mantle’s direct testimony, in which they both allege the
20 Accumulation Period (“AP”) 31 costs are extraordinary, but recommend different recovery
21 mechanisms.

22 **COST RECOVERY OF FUEL ADJUSTMENT CLAUSE AP31 COSTS**

23 Q. Does Ms. Mantle claim that a portion of the fuel and purchased power costs
24 incurred during AP31 are extraordinary? If so, what does she recommend for recovery?

1 A. Yes. She argues on pages 9 through 11 of her direct testimony that some of these
2 costs are extraordinary. She recommends using an average actual net energy cost (“ANEC”)
3 amount for the June through November APs of the previous three years (2019 – 2021) in order to
4 approximate a portion of Evergy Missouri West’s ANEC for AP31 that was not extraordinary.
5 She recommends an amount of \$18,755,192 be included for AP31 in the current FAR and
6 \$85,420,087 be deferred to an AAO as extraordinary and allow EMW to request recovery of
7 those costs in its next rate case.

8 Q. Does Evergy Missouri West claim that the costs during AP31 are extraordinary?

9 A. Yes. Mr. Ives states in his direct testimony, “Similar to the direct testimony
10 I provided in the previous 30th Accumulation Period in Case No. ER-2023-0011, there are a
11 variety of causes, all of which are extraordinary and the product of external factors beyond
12 the company’s control.” He then provides a Federal Energy Regulatory Commission (“FERC”)
13 report that explains the recent external factors are due to changes in weather, the domestic and
14 international natural gas markets, and coal supply and transportation constraints caused by rail
15 service issues.¹

16 Q. What did Evergy Missouri West request recovery of in this FAR filing?

17 A. The Company removed \$47,898,201 from recovery through the Fuel Adjustment
18 Clause (“FAC”) and has included this amount in a Plant in Service Accounting (“PISA”)
19 regulatory asset for consideration in a future general rate proceeding. This was in accordance
20 with the average overall rate and class average overall rate for the large power customer
21 class as set forth in section 393.1655 RSMo, rate cap limitations. The compound annual
22 growth rate (“CAGR”) cap provisions of section 393.1655 RSMo. applied to this FAR filing

¹ *Direct Testimony of Darrin R. Ives*, page 3, lines 12-18.

1 are 13.3372% for the average overall rate cap and 8.7474% for the class average overall rate
2 cap for Large Power customers. The FAC charge proposed in this filing exceeds the average
3 overall rate by more than 13.3372% allowed in the cap provisions. Also, in accordance with
4 section 393.1655.6 RSMo., the proposed FAC charge applicable to Large Power customers
5 exceeds 8.7474% of the class average overall rate cap for this rate class. Therefore, the
6 Company has also limited the increase in the FAC charge applicable to Large Power
7 customers to the 2 percent CAGR of the class average overall rate by \$13.7 million. The
8 exceedance of the 2 percent CAGR cap results in \$1,439,335 being redistributed to the Non-Large
9 Power customer classes for recovery in this filing.

10 Q. Has Staff claimed in AP31 or AP30 that any of the costs incurred in those periods
11 are extraordinary?

12 A. No. Staff stated in AP30, “Staff’s position is that these increased fuel costs are,
13 unfortunately, the norm for all utilities for the current time period and not uniquely extraordinary
14 or unusual for Evergy Missouri West.”² Staff also believes the costs for AP31 are not
15 extraordinary. As I will explain further below, even though these costs for AP31 have increased
16 significantly compared to AP29 and AP30, they still have not reached the significant increase we
17 saw during Winter Storm Uri (AP 28), nor was there any apparent underlying extraordinary event
18 driving the level of costs that occurred during AP31. Staff witness Karen Lyons goes into further
19 detail about these costs for AP31 not being extraordinary in her rebuttal testimony.

20 Q. What has Staff recommended for recovery for these AP31 costs?

21 A. Staff recommended approval of Evergy Missouri West’s proposed tariff sheet,
22 which includes deferral of \$47.9 million of non-extraordinary costs to a PISA regulatory asset

² *Rebuttal Testimony of Brooke Mastrogiannis*, page 5, lines 12 through 14 in Case No. ER-2023-0011.

1 account for consideration in a future general rate proceeding. Based on Staff's review, the
2 FAC charge proposed in this filing exceeds the average overall rate of the CAGR cap
3 provisions of section 393.1655 RSMo by more than 13.3372%. Therefore, per the PISA statute,
4 the Company is allowed to defer \$47,898,201 for recovery through the FAC and instead include it
5 in a PISA regulatory asset for consideration in a future general rate proceeding. In addition, the
6 proposed FAC charge applicable to Large Power customers also exceeds the 8.7474% of the class
7 average overall rate cap, in accordance with section 393.1655.6 RSMo. Therefore, the Company
8 is also allowed to limit the increase in the FAC charge applicable to Large Power customers to
9 only \$13.7 million and redistribute \$1,439,335 to Non-Large Power customer classes for recovery
10 in this filing.

11 Q. Did the Commission find the costs from AP30 in Case No. ER-2023-0011 were
12 extraordinary, as Evergy Missouri West alleged?

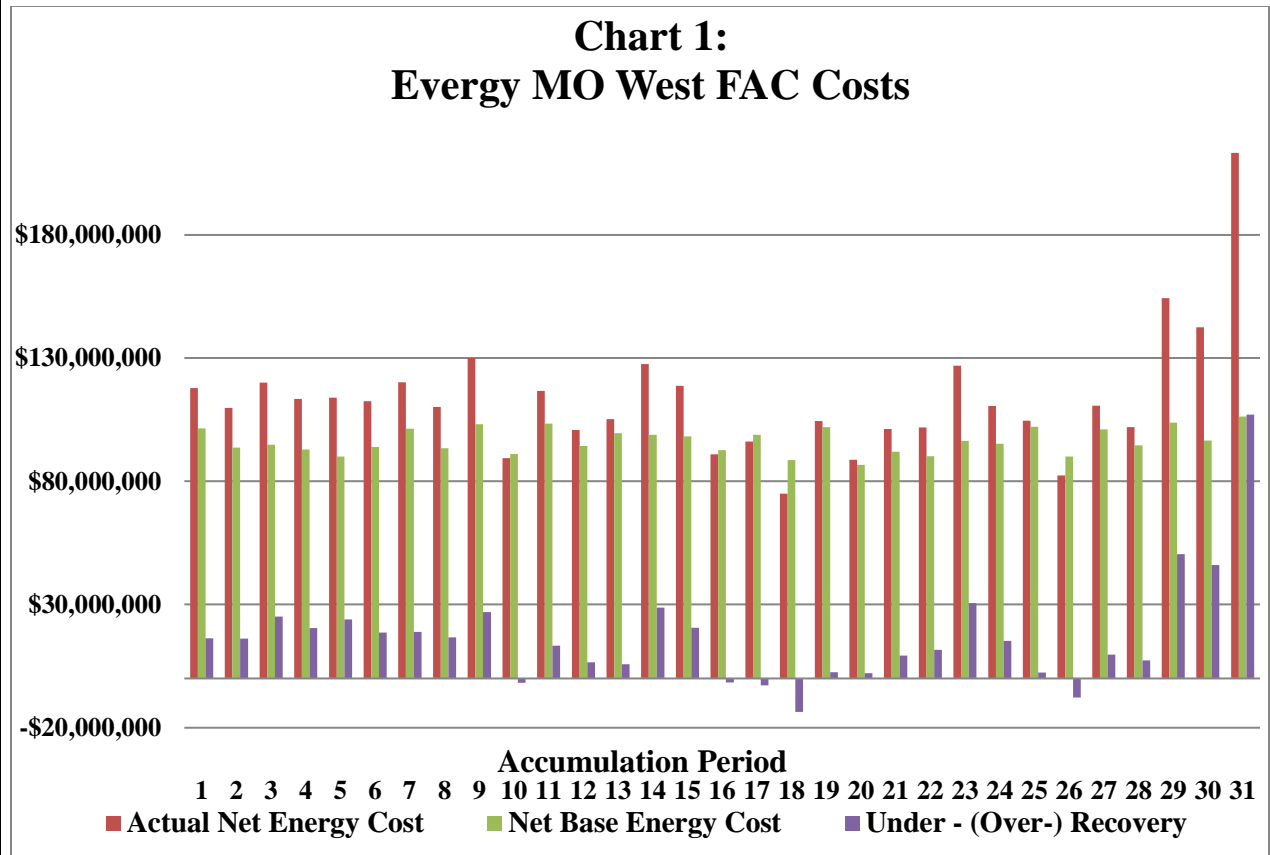
13 A. No. The Commission's decision in the Report and Order filed on
14 November 9, 2022, did not speak to Evergy Missouri West's claim that \$31 million was
15 extraordinary. The Commission ordered Evergy Missouri West to file a substitute tariff to include
16 the full fuel and purchased power adjustment ("FPA") amount of \$44.6 million. Staff interprets
17 the Commission's decision to be that none of the costs in AP30 were extraordinary.

18 Q. Can you provide a chart illustrating the level of the AP29, AP30, and AP31 actual
19 net energy costs that you are referring to throughout this testimony?

20 A. Yes. In Chart 1 below is Evergy Missouri West's actual net energy cost, net base
21 energy cost and under- (over) recovery amounts for each of the thirty-one accumulation periods³.

³ In the Chart 1 below, AP28 does not reflect the actual net energy costs for Winter Storm Uri, it only reflects a three year average (February average of 2018, 2019, and 2020) that was used for recovery through the FAC.

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Q. What is the FERC Uniform System of Accounts (“USoA”) guideline that the

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Commission typically uses in determining whether a cost is extraordinary?

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A. Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future. (In determining significance, items should be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable even tor plan of action should be considered in the aggregate. To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See accounts 4343 and 435.)

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1 Q. So why does Staff think that none of the costs in AP31 are extraordinary?

2 A. The guidelines state that, “Those items related to the effects of events and
3 transactions which have occurred during the current period and which are of unusual nature and
4 infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events
5 and transactions of significant effect which are abnormal and significantly different from the
6 ordinary and typical activities of the company, and which **would not reasonably be expected to**
7 **recur in the foreseeable future**.” If you look at the trend of costs from AP29 through AP31, it is
8 unclear why the current level of costs would not be expected to recur in the foreseeable future.
9 Staff agrees with Ms. Mantle that the costs for AP31 are significantly higher than the previous
10 two accumulation periods; however, they did not reach the elevated levels that we saw during
11 Winter Storm Uri, which all parties agreed was an extraordinary event. And Ms. Mantle also states,
12 “as long as market prices remain high and Evergy West continues to rely on the SPP market to
13 meet its customers’ energy needs, it is likely to reoccur.”

14 Q. During AP28 there was not a difference of opinion among the parties that
15 Winter Storm Uri and its costs were extraordinary. Is there a difference of opinion now?

16 A. Yes. Evergy Missouri West claims AP30 and AP31 costs are extraordinary but
17 not AP29. As you can see in Chart 1, AP29 costs were higher than AP30 costs. OPC is only
18 claiming AP31 costs are extraordinary. Staff has not claimed any of AP29, AP30, or AP31 costs
19 are extraordinary.

20 **STAFF’S RECOMMENDATION AND CONCLUSION**

21 Q. What is Staff’s recommendation for these AP31 costs?

1 A. Staff recommends approval of Evergy Missouri West’s proposed tariff sheet, which
2 includes deferral of \$47.9 million of non-extraordinary costs to a PISA regulatory asset account
3 for consideration in a future general rate proceeding.

4 Q. If the Commission determines that some portion of these AP31 costs are
5 extraordinary, what would be an alternative recommendation?

6 A. In the alternative, if the Commission determines some portion of the AP31 costs
7 are extraordinary, it would be reasonable to defer those costs to an AAO as Ms. Mantle has
8 recommended. One of the main reasons is because if these costs are deferred to a PISA regulatory
9 asset, they have to be amortized over a twenty-year period, with an 8.25% interest rate⁴, so
10 customers will be paying over \$63⁵ million in just interest over twenty years. But, if the costs can
11 be deferred to an AAO, they could be amortized over a shorter period, perhaps ten years, with the
12 interest rate just being near 5.16%⁶, and only \$42 million in interest.

13 Q. Would Staff suggest any changes to Ms. Mantle’s quantification of costs if the
14 Commission determines any of these costs are extraordinary?

15 A. Yes. Ms. Mantle suggested recovery through the FAC in an amount of
16 \$18,755,192, which as you can see by looking at Chart 1, is not near the level of any of
17 the AP29, AP30, or AP31 costs. The average of those three accumulation periods (actual
18 net energy costs minus the net base energy costs) is \$67,877,062. However, per PISA statute
19 section 393.1655 RSMo, the Company is only allowed to recover \$56,277,078 in the
20 FAC, therefore Staff suggests \$56,277,078 be recovered through the FAC, with the remainder

⁴ The 8.25% is the weighted average cost of capital from the *Stipulation and Agreement* approved by the Commission on September 22, 2022 in ER-2022-0130.

⁵ This is Staff’s calculation with a correcting adjustment to Lena M. Mantle’s schedule lmm-d-4, based off future rate case filing assumptions.

⁶ The 5.16% came from the *Direct Testimony of Lena M. Mantle*, page 15, in Table 4.

1 of \$47,898,201 being deferred to an AAO in the event the Commission finds some of the costs
2 incurred in AP31 to be extraordinary.

3 Q. If the Commission determines these costs are not extraordinary, then what would
4 be the appropriate form of recovery?

5 A. If these costs are not determined extraordinary, then the Company is allowed to
6 defer \$47,898,201 to a PISA regulatory asset, per statute section 393.1655 RSMo and then
7 include \$56,277,078 for recovery through the FAC.

8 Q. Does this conclude your prepared rebuttal testimony in this proceeding?

9 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) Case No. ER-2023-0210
Missouri West for Authority to Implement)
Rate Adjustments Required by 20 CSR)
4240-20.090(8) and the Company's)
Approved Fuel and Purchased Power Cost)
Recovery Mechanism)

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 *Rebuttal Testimony of Brooke Mastrogiannis*; and that the same is true and correct according to her best knowledge and belief.

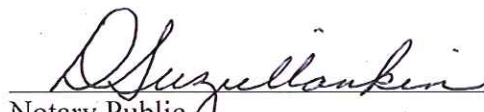
Further the Affiant sayeth not.


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 10th day of May 2023.

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