Exhibit No.:	
Issue:	Fuel Costs and PISA Deferral
Witness:	Darrin R. Ives
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Evergy Missouri West
Case Nos.:	ER-2023-0210
Date Testimony Prepared:	May 15, 2023

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2023-0210

REBUTTAL TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

EVERGY MISSOURI WEST

Kansas City, Missouri

May 2023

REBUTTAL TESTIMONY

OF

DARRIN R. IVES

Case No. ER-2023-0210

Q: Please state your name and business address.

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

Q: Are you the same Darrin R. Ives who submitted direct testimony in this docket on December 30, 2022?

A: Yes.

Q: On whose behalf are you testifying?

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

I. PURPOSE OF TESTIMONY AND RESPONSE TO STAFF AND OPC

Q: What is the purpose of your rebuttal testimony?

A: The purpose of my rebuttal testimony is to respond to the direct testimonies filed on April 14, 2023 by Staff witness Brooke Mastrogiannis and OPC witness Lena Mantle.

A. Response to Staff witness Brooke Mastrogiannis

Q: What is your understanding of the direct testimony of Ms. Mastrogiannis?

A: Ms. Mastrogiannis continues to support the Staff Recommendation filed on January 30, 2023 in this case. In its Staff Recommendation, the Staff concluded that the Company's filing was appropriate and should be approved by the Commission. In particular, the Staff recognized that the FAC charge proposed in this filing exceeds the average overall rate of the compound annual growth rate ("CAGR") cap provisions of section 393.1655 RSMo. by more than 13.3372%. Therefore, the Staff concluded that the Company appropriately removed $47,898,201 from recovery through the FAC and has included this amount in a Plant-in-Service-Accounting ("PISA") regulatory asset for consideration in a future general rate proceeding. In addition, the Staff recognized that the proposed FAC charge applicable to Large Power customers exceeds 8.7474% of the class average overall rate cap, in accordance with section 393.1655.6 RSMo. Therefore, the Staff concluded that it was appropriate for the Company to limit the increase in the FAC charge applicable to Large Power customers to the 2% CAGR of the class average overall rate or $13.7 million. The exceedance of the 2% CAGR cap results in $1,439,335 being redistributed to Non-Large Power customer classes for recovery in this filing. (Staff Recommendation, Appendix A, pp. 1-2).

Q: What was Staff's ultimate recommendation to the Commission?

A: In its Staff Recommendation, the Staff recommended that the Commission issue an order approving the 9th Revised Sheet No. 127. 23, as substituted on January 18, 2023, canceling the 8th Revised Sheet No. 127.23 of the FAC for Evergy Missouri West, to become effective on March 1, 2023. (Staff Recommendation, Appendix A, p. 2).

Q: Does the Company agree with the Staff Recommendation and Ms. Mastrogiannis' testimony in this case?

A: Yes. Staff has recognized that the PISA statutes mandate the treatment of the FAC costs as proposed by the Company. EMW agrees that Sections 393.1400 and 393.1655 control the tariff filing under the circumstances that exist in this case, and therefore the Commission should approve the Company's filing, as recommended by Staff.

B. Response to OPC witness Lena Mantle

Q: Do you have an overall response to the direct testimony of OPC witness Lena Mantle?

A: Yes. In her direct testimony, Ms. Mantle continues to assert Public Counsel's long-standing contention that EMW should have more capacity to offset the risks associated with buying energy from the Southwest Power Pool ("SPP") integrated market. She compares the capacity situation between EMW and its sister company Evergy Missouri Metro ("EMM") which has more capacity relative to its customers' load requirements. While EMW agrees that over the long-term it would be beneficial to add additional capacity to its generation portfolio, this is no reason to ignore the mandates of Section 393.1655 which determines how excess fuel and purchased power costs must be treated under the circumstances of this case when such costs cause the Company to exceed the PISA rate caps. Sections 393.1400 and 393.1655 mandate how the Commission should treat fuel and purchase power costs that would exceed the PISA rate caps. Ms. Mantle, on the other hand, largely ignores the mandates of Sections 393.1400 and 393.1655, and instead argues that the Commission should treat such FPA costs as "extraordinary" and defer them as if the Commission had approved an Accounting Authority Order ("AAO"). EMW is aligned with Staff that Sections 393.1400 and 393.1655 control over the facts presented with this filing. For the reasons stated herein, Ms. Mantle's position should be rejected.

Q: On p. 14 of her direct testimony, OPC witness Mantle claims that if PISA treatment is used, customers would ultimately pay $296 million for the $213 million Actual Net Energy Costs ("ANEC") that West incurred. Do you agree with her analysis?

A: No. OPC's calculation is not accurate because it fails to reset the PISA regulatory asset amortization that occurs in each general rate case under PISA as was done in both Alternative 1 and Alternative 2 examples provided in workpaper LMM-D-4. In fact, when following the same methodology in the PISA example as OPC performed in both Alternative 1 and Alternative 2 examples, customers would actually pay less under the PISA alternative than under OPC's proposed 20-year AAO. Please refer to the table below that corrects for the error resulting in OPC's significantly over-inflated interest calculation under the PISA scenario.

Total Cost of PISA Treatment		
	PISA	
	(OPC As Filed)	**(Corrected)**
ANEC	**$213,325,427**	**$213,325,427**
Collected in Base Rates	$106,268,999	$106,268,999
Collected through FAC	$56,279,046	$56,279,046
Amortized Amount	$47,898,201	$47,898,201
Interest Until Next Rate Case	$8,229,210	$8,229,210
Interest Over Amortization Period	$77,792,592	$55,566,137
Total Interest	$86,021,802	$63,795,347
Total Cost	$296,468,048	$274,241,593
Variance		($22,226,455)

Q: Do you agree with OPC's implication (p. 13 Mantle Direct) that the Company's proposed PISA deferral was designed to benefit shareholders?

A: No. The Company's proposed PISA deferral was made under the requirements of the PISA statute and as shown above results in less interest paid by customers than one of OPC's suggested AAO alternatives.

Q: Would you explain why the Company disagrees with OPC's position that the Commission should ignore the mandates of Sections 393.1400 and 393.1655, and instead defer a significant portion of the fuel and purchased power expense occurred during this accumulation period as if these costs were subject to an AAO?

A: The PISA statutes (i.e. Sections 393.1400 and 393.1655) were adopted by the General Assembly to incent regulated electric corporations to make certain types of investments into their electric grid and related infrastructure. In addition to including rate moratoriums and rate caps, the PISA statute incentivizes electric corporations to replace, modernize and secure its infrastructure, with the exception of investments in designated types of power plants. Such investments may include investments designated in Subsection 4 of the statute, including grid modernization projects, distributed resources and generation, including renewable resources, demand response, demand-side resources, and energy-efficiency resources, smart appliances and devices, smart meters, advanced electricity storage and peak-shaving technologies, including plug-in electric and hybrid electric vehicles, and thermal storage air conditioning.

In order to incentivize electric corporations to make these investments, the General Assembly adopted statutory provisions that mandate more favorable treatment for the electrical corporations that elected PISA accounting rather than the traditional ratemaking treatment of such investments and costs. For example, the statute states that "electrical corporations shall defer to a regulatory asset eighty-five percent of all depreciation expense and return associated with all qualifying electric plant recorded to plant-in-service on the utility's books commencing on or after August 28, 2018." Section 393.1400(2).

Q: Is there another incentive in the PISA statute related to the treatment of fuel and purchased power expenses?

A: Yes. Another statutory incentive included by the General Assembly which is particularly relevant to this case relates to increases in fuel and purchase power costs that exceed the PISA rate caps. Section 393.1655 specifies the treatment of fuel and purchase power costs that exceed the PISA rate caps as follows:

> If a change in any rates charged under a rate adjustment mechanism approved by the commission under sections 386.266 and 393.1030 would cause an electrical corporation's average overall rate to exceed the compound annual growth rate limitation set forth in subsection 3 or 4 of this section, the electrical corporation shall reduce the rates charged under that rate adjustment mechanism in an amount sufficient to ensure that the compound annual growth rate limitation set forth in subsection 3 or 4 of this section is not exceeded due to the application of the rate charged under such mechanism and the performance penalties under such subsections are not triggered. Sums not recovered under any such mechanism because of any reduction in rates under such a mechanism pursuant to this subsection shall be deferred to and included in the regulatory asset arising under section 393.1400 or, if applicable, under the regulatory and ratemaking treatment ordered by the commission under section 393.1400, and recovered through an amortization in base rates in the same manner as deferrals under that section or order are recovered in base rates.

This provision was intended to ensure that fuel and purchased power costs which are largely beyond the control of the public utility would not be used to exceed the PISA rate caps and trigger a performance penalty. The General Assembly required in Subsection 5 of Section 393.1655 that "an electrical corporation shall reduce the rates charged under a rate adjustment mechanism" in an amount to "ensure" that (a) the CAGR limit "is not exceeded due to the application of the rate charged under such mechanism" and (b) "the performance penalties under such subsections are not triggered." This requirement is based on the fundamental principle that fuel and purchased power costs approved under the rate mechanisms of Section 386.266 (i.e. Fuel Adjustment Clause) are subject to unregulated market prices that rise and fall, and other factors like economic inflation that cannot be controlled by the utility. Thus, they should be treated differently than other costs, such as investments in qualified electric plant that PISA serves as an incentive to make, that could result in a performance penalty under Subsection 3 if the 3% CAGR cap is exceeded.

Q: For sums not recovered under the FAC mechanism due to the PISA rate caps, what is the mandated regulatory and ratemaking treatment required by the PISA statutes?

A: Section 393.1400.2(3) mandates the regulatory and ratemaking treatment for any deferred FAC costs that exceed the PISA rate caps:

> (3) Parts of regulatory asset balances created under this section that are not yet being recovered through rates shall **include carrying costs at the electrical corporation's weighted average cost of capital, plus applicable federal, state, and local income or excise taxes. Regulatory asset balances arising under this section and included in rate base shall be recovered in rates through a twenty-year amortization beginning on the date new rates reflecting such amortization take effect**. (emphasis added.)

Q: Has the EMW made substantial investments in PISA-eligible plant since the General Assembly passed this legislation?

A: Yes. Since the PISA statutes became effective in August 28, 2018 and through December 2022, EMW has invested over $975 million in PISA-eligible plant. These investments include grid modernization projects throughout Evergy's distribution system, distributed resources and generation, smart meters and other PISA eligible plant capital expenditures.

Q: Has the Company followed this statutory mandate in its tariff filing in this case?

A: Yes. As discussed in the direct testimony of Company witness Lisa A. Starkebaum, after performing the PISA cap tests, the FPA of $104.2 million causes EMW to exceed the 3 percent Compound Annual Growth Rate ("CAGR") cap under section 393.1655.5. When considering the impacts from the most recent general rate case (Case No. ER-2022-0130) and update to base revenues in addition to the impacts from this FAC accumulation period as well as the immediately preceding FAC accumulation period, the average overall rate computed is $0.11161 compared to the 2018 baseline of $0.09367, a 19.15% increase. This increase exceeds the Average Overall Rate Cap of 13.3372% at March 1, 2023. The deferred amounts will be treated as required by Section 393.1400.3(2), and included in a regulatory asset including carrying costs at EMW's weighted cost of capital, plus applicable federal, state, and local income taxes or excise taxes.

Q: Does Ms. Mantle understand that this regulatory and ratemaking treatment is required by the PISA statutes?

A: Apparently so. On page 13, lines 15-22 of Ms. Mantle's direct testimony, she states: "The PISA statute requires that any costs that would normally be recovered through the FAC that would drive Evergy's average overall rate above the cap are deferred and are recorded in a regulatory asset account that ultimately receives rate base treatment. Beginning with the next rate case, the prudently incurred amount would be included in rates over the next twenty years earning a return on the unamortized balance over that same twenty-year period. Statute requires the return to be Evergy West's weighted average cost of capital and the amortization period to be twenty years." She cites to Section 393.1400.2(3).

Q: Does Ms. Mantle recommend that the Commission follow the statutory mandate contained in Section 393.1400.2(3)?

A: No. On page 2 and footnote 1 of her direct testimony, Ms. Mantle recommends the Commission order EMW to defer an amount that she considers "extraordinary" (i.e. $85,420,087) to a regulatory asset account. However, she recommends that the Commission would make a determination of the amount of recovery, the length of the amortization period, and the interest rate that would be applied in the next rate case. Her recommendation contravenes the provisions of Section 393.1400.2(3), and should be rejected.

Q: Do you agree with Ms. Mantle that more than $85 million of FAC costs should be considered "extraordinary" and deferred?

A: No. These are costs that the Company incurred during AP31 and while they were higher than historical levels, they were not unusual in nature or infrequent in occurrence In fact, the costs were driven by the exact macroeconomic market conditions that the FAC is designed to address. Section 386.266 RSMo allows for periodic rate adjustments outside of general rate proceedings to reflect increases (and decreases) in prudently incurred fuel and purchased power costs. These costs are subject to prudence reviews no less frequently than at eighteen-month intervals.

As shown in the attached Exhibit A, the Company is currently recovering a Fuel and Purchased Power Adjustment (FPA) of approximately $44.6 million through the FAC for AP30. In AP29 the Company is recovering a FPA of approximately $47.5 million. In neither of these immediately preceding two FAR cases, did OPC claim that these amounts were extraordinary and should not be recovered through the FAC. In its filing to create this docket, the Company proposed recovery in AP31 of an FPA of approximately $56.3 million, which is about $8.8 million higher than is the $47.5 million being recovered in AP29. Note that each semi-annual FAR filing consists of recovery of two AP's. Therefore, AP29 will roll off and be replaced with AP31 in this docket. In its Recommendation filed on January 30, 2023, Staff agreed with this amount of recovery.

Ms. Mantle, however, rejected the Company's proposed FPA amount of $56.3 million and proposed instead an interim amount of $18.7 million. This amount is far less than half of the accumulation period amounts ($47.5 and $44.6 million) that are currently being recovered from customers. Ms. Mantle calculated this artificially low "non-extraordinary" amount of FPA by taking an average of the Actual Net Energy Costs (ANEC) for the same six-month accumulation periods of May through November for years 2019, 2020 and 2021. (Mantle Direct, pp. 10-11) The resulting FPA's in these three AP's amount to $3 million, $9.8 million and $47.5 million, respectively. Clearly, two of the periods used by Ms. Mantle in their 3-year average do not reflect the increased fuel and purchased power levels that the Company has experienced over the last three AP's that span an 18-month period of increasing cost levels. As shown in Exhibit A, the Actual Net Energy Costs for AP31 and the two immediately preceding AP's have been as follows:

ER-2022-0174, AP29 — $154,378,423
ER-2023-0011, AP30 — $142,587,458
ER-2023-0210, AP31 — $213,325,427

Natural gas prices which are highly correlated with electric prices have been increasing during this period. The average natural gas prices for the applicable AP's are as follows:

ER-2022-0174, AP29 — $4.51
ER-2023-0011, AP30 — $5.48
ER-2023-0210, AP31 — $7.59

It is unreasonable for OPC to ignore the recent trends in the increasing FPA's by artificially using an average of costs from previous periods which occurred before the recent spike in fuel and purchased power costs began to become apparent. Specifically, it is not appropriate to use AP25 and AP27 in an average to calculate the non-extraordinary amount, and then defer a total of $85.4 million, as Ms. Mantle recommends. This amounts to $37.5 million more than the Company's proposed PISA deferral.

Q: On pages 5-9 of her direct testimony, Ms. Mantle compares the ANEC's of EMW and EMM to suggest that EMW's ANEC's are "extraordinary". Do you agree with this comparison?

A: No. Obviously, the capacity situations between EMW and EMM differ, and EMW has relied upon more on the SPP integrated market for its purchases of power. While the Company is attempting to add additional capacity to EMW's generation portfolio, the Commission should not use this case to evaluate the prudence of EMW's resource planning. In fact, the Commission has recently reviewed the resource planning of EMW in File No. ER-2022-0130 and found that the Sierra Club did not raise a serious doubt regarding its resource planning. See *Amended Report and Order*, pp. 76-85, File No. ER-2022-0130 (December 8, 2022). The Commission has *previously* reviewed EMW's resource planning and found it was prudent. See *Amended Report and Order*, pp. 29-34, <u>Re: Application of Evergy Missouri West, Inc. d/b/a Evergy Missouri West for a Financing Order Authorizing Financing of Extraordinary Storm Costs Through an Issuance of Securitized Utility Tariff Bonds</u>, File No EF-2022-0155 (November 17, 2022). The Commission should utilize the actual fuel and purchased power costs incurred during the AP 31 accumulation period of June 2022 through November 2022 as the basis for its ratemaking in this docket. It should not adopt Ms. Mantle's recommended approach as a penalty for EMW's alleged (by OPC) imprudence in its resource planning, a question which has already been presented to and answered by this Commission.

Q: On page 11 of Ms. Mantle's direct testimony, she points to the General Instruction No. 7 of the Uniform System of Accounts as the basis for determining that $85 Million of EMW's costs are "extraordinary". Has the Commission used General Instruction No. 7 to conclude that fuel and purchase power costs are extraordinary and should be deferred?

A: No. To my knowledge, the Commission has never relied upon General Instruction No. 7 in any case involving Evergy's public utilities as the basis for deferring fuel and purchased power costs in the context of a rate case or an FAR proceeding. During the June 2011 through September 2011 Missouri river flooding, EMW had to replace coal generated power with more expensive sources but this increase in fuel costs was included for recovery in the FAR. Staff reviewed this increase and found no imprudence in their review in Case No. EO-2013-0325. While the 2011 flood was of unusual nature and infrequent occurrence which is the definition of extraordinary, it was not treated as extraordinary and was included in FAR recovery.

Significantly, General Instruction No. 7 requires that the items must be "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." EMW's fuel and purchased power costs in this case do not qualify under this definition since they are not abnormal and significantly different from the ordinary and typical activities of the company. Even Ms. Mantle admits that such costs are likely to recur in the future. (Mantle

Direct, p. 12). I would assert that the type of volatility experienced for fuel and purchased power by EMW in the recent 18 months, while extreme in the escalation of prices, is the type of volatility that can be expected to occur due to market impacts on these costs which are largely outside the control of the Company. This is precisely the reasoning used by the legislature in making the FAC available to Missouri electric utilities.

Q: On page 12 of her direct testimony, Ms. Mantle references your testimony in File No. ER-2022-0011 in which you testified that the fuel costs in AP 29 and AP 30 could be considered "extraordinary" and should be deferred. Did the Commission treat those costs as extraordinary and defer them to a future period?

A: No. As a result of the persistence of the high market prices being incurred by EMW in AP 29 and AP 30, I did suggest that if the Commission did not apply the PISA statute to address the higher costs, they could consider the extraordinary provisions within the FAC rules. In its order in the proceeding, the Commission did not accept the Company's position in File No. ER-2022-0011 to defer those fuel and purchased power costs. In that case, the Company was initially concerned that EMW's fuel and purchased power costs would cause the Company to exceed the PISA rate caps and trigger a performance penalty, which the company argued would be in conflict with Sections 393.1400 and 393.1655.

Q: What did you mean by the term "extraordinary" in your testimony in that case?

A: The Company was concerned that the fuel and purchased power costs recovered under the FAC would cause it to exceed the PISA rate caps unless they were deferred under the provisions of the PISA statute. If the rate caps were exceeded the Company would have been subject to a performance penalty and such a penalty would have been inappropriate as it would not have been the result of EMW's performance but rather because of the market conditions which were beyond the Company's control. Therefore, I described the conditions facing the Company as extraordinary so that some of the fuel and purchased power costs could be deferred so that the PISA rate caps would not be breached. As explained above, the Commission did not agree with the Company's request to defer the fuel and purchased power costs.

Q: Is the Company being inconsistent by not describing the fuel and purchased power costs in this case as "extraordinary"?

A: No. The PISA statute drove the Company's position in both cases. OPC recognized in the 0011 case that EMW's deferral argument was not based on the contention that the costs were extraordinary but instead were based on the deferral mechanism of section 393.1655.5 RSMo. [1] The Company has been consistent in both cases since that the PISA statute requires a deferral of fuel and purchased power costs over certain rate caps. Rather it is OPC that is being inconsistent by claiming that comparable levels of fuel and purchased power costs are extraordinary in this case and not extraordinary in previous cases.

As shown on Exhibit A and explained above, the Company is currently recovering a FPA of approximately $44.6 million through the FAC for AP30. In AP29 the Company is recovering a FPA of approximately $47.5 million. In neither of these FAR cases, did OPC claim that these amounts were extraordinary and should not be recovered through the FAC. In its filing to create this docket, the Company proposed recovery in AP31 of an FPA of approximately $56.3 million, which is about $8.8 million higher than is the $47.5 million being recovered in AP29. Yet, OPC claims that this amount is extraordinary and an AAO

[11] Mantle Rebuttal, ER-2023-0011, p. 4, lines 13-14.

must be employed to defer the majority of fuel and purchased power costs until the Company's next rate case.

Q: What standard has the Commission historically applied when approving deferrals of costs or other trackers?

A: The Commission has held that deferrals and trackers should be infrequently approved and rarely utilized. The Commission has generally held that trackers should apply to only extraordinary items and not routine costs. The Company's fuel and purchased power costs do not meet any of these requirements. These costs are not extraordinary, unusual, or infrequent.

Q: Please explain your understanding of the standard that has been utilized by the Commission to review requests for trackers, AAOs, or deferral of operating expenses.

A: The Commission previously decided – and it has been affirmed by the Missouri Court of Appeals – the "use of trackers should be limited because they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentives a utility has to operate efficiently and productively under the rate regulation approach employed in Missouri."[2] As the Commission explained in its 2019 decision involving a request for an AAO by Spire Missouri[3], the Commission has evaluated requests for AAOs to determine if they are "extraordinary events." The USOA General Instruction No. 7, which informs the Commission's consideration of extraordinary items, defines "extraordinary items" as follows:

> *Extraordinary items*. It is the intent that net income shall reflect all items of profit and loss during the period with the exception of prior period

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[2] Re Kansas City Power & Light v. Missouri Public Service Commission, 509 S.W.3d 757, 769 (Mo. App. 2016). Re Kansas City Power & Light Company, *Report and Order*, pp. 50-51, Case No. ER-2014-0370 (September 2, 2015).
[3] Re Application of Spire Missouri, Inc. for an Accounting Authority Order Concerning Its Commission Assessment for the 2019 Fiscal Year, Report and Order, pp. 14 (March 20, 2019).

> adjustments . . . . 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 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 event or 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.[4]

The Commission has applied the foregoing standard in several recent decisions. For example, in In the Matter of the Application of Spire Missouri Inc. for an Accounting Authority Order Concerning Its Commission Assessment for the 2019 Fiscal Year, File No. GU-2019-0011, the Commission reviewed Spire's request for an AAO related to its 2019 PSC Assessment. The Commission stated that "Extraordinary events are events that are unusual, unique, and not-recurring. The classic example of any extraordinary event impacting utility operations and costs are the occurrence of natural disasters, or so-called 'acts of God,' such as severe wind and ice storms, and major flooding."[5] In its Decision portion of the *Report and Order*, the Commission reaffirmed that "the Commission has previously found (and the Court has agreed) that the use of these deferral accounting mechanisms 'should be limited because they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentives a utility has to operate efficiency and productively under the rate regulation employed in Missouri."[6] Rejecting

[4] 18 C.F.R. § Pt. 201, General Instruction No. 7. (Emphasis added.)
[5] *Report and Order,* pp. 10-11, Re Application of Spire Missouri, Inc. for an Accounting Authority Order Concerning Its Commission Assessment for the 2019 Fiscal Year, (March 20, 2019).
[6] Id. at 16.

Spire's request for an AAO, the Commission stated: "The evidence showed that the Commission assessments are not extraordinary, unusual and unique, or nonrecurring."[7] In Re Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service, Case No. ER-2014-0370 et al. 12, Kansas City Power & Light Company ("KCP&L") and GMO sought trackers for transmission fee expense, property tax expense, and CIP/cyber-security expense. Regarding the Company's transmission fee tracker request, on page 51 of its *Report and Order* in that case, the Commission found that the "broad use of trackers should be limited because they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentives a utility has to operate efficiently and productively under the rate regulation approach employed in Missouri," and even though KCP&L's transmission costs had increased over the past several years, found that "KCPL's transmission costs are normal, ordinary and recurring operating costs, and not extraordinary." On page 54 of the same *Report and Order*, under its Conclusions of Law and Decision, the Commission found that:

> "[t]he evidence presented in this case showed that KCPL's transmission costs, while having increased in recent years, are normal, ordinary and recurring operation costs. These recurring costs are not abnormal or significantly different from the ordinary and typical activities of the company, so they are not extraordinary and, therefore, not subject to deferral under the USoA [Uniform System of Accounts]." Using similar analysis, the Commission also denied the Company's request for trackers related to property tax expense and CIP/cyber-security expense.[8]

KCP&L and GMO appealed the Commission's Report and Order to the Western District of the Missouri Court of Appeals, which affirmed the Commission's decisions on all of the tracker issues.[9] In its opinion, the court stated as follows:

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[7] Id.
[8] Id.
[9] Kansas City Power & Light Co. v. PSC, 509 S.W.3d 575, 770 (Mo.App. W.D. 2016).

> The PSC denied KCPL's request to use tracking mechanisms as to each of these categories of expenses. This is the subject of KCPL's Point Three on appeal, considered first, in which KCPL claims the PSC erred in denying its request for a "tracker" accounting deferral mechanism because the legal conclusion by the PSC that only "extraordinary" items could be deferred as regulatory assets is unlawful and unreasonable because it is contrary to the Uniform System of Accounts ("USOA"), adopted by the PSC, because the USOA does not require that revenues, expenses, gains or losses be "extraordinary" in order to be deferred as a regulatory asset or liability.
>
> The PSC has the power, pursuant to section 393.140(4), to prescribe uniform methods of keeping accounts. The PSC has adopted a rule that requires utilities to use the USOA to maintain their books and records. See 4 CSR 240–20.030. KCPL's arguments regarding the USOA and its alleged right to use a tracking accounting deferral mechanism completely ignore that the PSC's decision that only extraordinary expenses should be allowed such treatment is a policy decision that has been made by the PSC and is not dictated by whether, in the abstract, the USOA provides a mechanism to defer costs, whatever the type. **The PSC has decided that the "use of trackers should be limited because they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentives a utility has to operate efficiently and productively under the rate regulation approach employed in Missouri."** The manager of the PSC's auditing unit testified that the PSC will issue accounting authority orders ("AAOs"), which serve to allow a utility to deviate the normal method of accounting for certain expenses, most often associated with "extraordinary" events. The request by KCPL for the "tracking" accounting mechanism is the same as a request for an AAO, as it seeks to book a particular cost, normally charged as an expense on a utility's income statement in the current period, to the utility's balance sheet as a regulatory asset or regulatory liability. The manager testified that the PSC:
>
> in prior cases has stated that the standards for granting the authority to a utility to defer costs incurred outside of a test year as a regulatory asset are: 1) that the costs pertain to an event that is extraordinary, unusual and unique, and not recurring; and 2) that the costs associated with the event are material.

In affirming the Commission's decision to deny KCP&L's requests to use deferral accounting, the Court deferred to the Commission, holding that it "will not second-guess the PSC's reasoned decision that only extraordinary items may qualify for deferral treatment."[10]

Q: On pages 14-16 of the direct testimony of Ms. Mantle, she discusses the differences in treatment of costs deferred under an Accounting Authority Order ("AAO") versus the treatment of such deferred costs under the PISA statutes. Do you have any comments?

A: Yes. The PISA statutes mandate the treatment of any fuel and purchased power costs that exceed the PISA rate caps. The Commission does not have the discretion to treat them contrary to the statute. No party, including the Office of the Public Counsel, requested an AAO prior to the AP31 which is the subject of this proceeding. It would be unreasonable and perhaps unlawful for the Commission to now disregard the PISA statutes and treat these costs as if the Commission had previously issued an AAO to cause the costs to be deferred into a regulatory asset with lower carrying costs since the fuel and purchased power costs that exceed the PISA rate caps must be treated under the provisions of Section 393.1400 and 393.1655.

Q: What would be the effect upon the Company if the Commission adopted Public Counsel's recommendations in this case?

A: OPC's proposal to defer $85 million of the costs to an AAO will increase the regulatory lag experienced by the Company since it will have to wait until its next rate case to recover the AP 31 costs. This lag is on top of the $297.3 million in Winter Storm Uri costs that are currently deferred. These costs were approved for securitization by the Commission in

[10] Id. at 8.

2022 (EF-2022-0155), but due to OPC's appeal of the Commission's order,[11] the Company cannot proceed with securitization and the benefits it will provide to customers until, most likely, the fall of 2023 when the appeal is expected to be concluded with the Court of Appeals affirming the Commission's decision. OPC's position that only $18.7 million in costs be recovered in the interim only makes the Company's lag problem worse during a period of increasing fuel and purchase power costs. Having almost $400 million of incurred but unrecovered fuel and power costs is a substantial financial burden and financing cost for EMW. This continued delay in funding costs should not be condoned, given that these costs have been incurred to serve customers. The facts in this case clearly reflect the types of costs and market conditions for which the FAC was implemented and, in the case of AP31, have been recommended be recovered by Staff consistent with EMW's request. Any further delay is unreasonable and must be appropriately dealt with by the Commission denying OPCs request.

Q: What is the Company requesting the Commission do in this case?

A: Yes. The Commission should accept the recommendation of its Staff which supported the Company's request for a FAC recovery of $56.3 million. Staff concluded that the Company appropriately removed $47,898,201 from recovery through the FAC and included this amount in a PISA regulatory asset for consideration in a future general rate proceeding.

Q: Does this conclude your testimony?

A: Yes.

[11] Notice of Appeal, Missouri Office of the Public Counsel v. Public Service Comm'n, No. WD85958 (Mo. App. W.D., Jan. 6, 2023).

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

In the Matter of the Application of Evergy 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	))))))	Case No. ER-2023-0210

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 as Vice President – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri West consisting of twenty (20) 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 15th day of May 2023.

Notary Public

My commission expires: 4/26/2025

ANTHONY R. WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2025
PLATTE COUNTY
COMMISSION #17279952

Evergy Missouri West

				costs before base					recovered in FAC		accum period NYMEX
	Case No.	Accumulation Period	6-months ending	Actual Net Energy Cost (ANEC)	base rate	95% *((ANEC-B)*J)	Prior AP True-Up, Interest, Prudence Adjustment	PISA deferral	Fuel and Purchased Power Adjustment (FPA)		Average Natural Gas Price
	ER-2020-0189	AP25	11/30/2019	104,627,314	$0.02240	2,316,614	696,980	0	3,013,594		$2.39
	ER-2020-0421	AP26	5/31/2020	82,423,213	$0.02240	-7,292,009	4,101,442	0	-3,190,567		$1.96
	ER-2021-0185	AP27	11/30/2020	110,662,965	$0.02240	9,108,397	784,758	0	9,893,155		$2.12
less Winter Storm Uri	ER-2022-0005	AP28	5/31/2021	102,054,285	$0.02240	6,988,633	-400,518	0	6,588,116		$2.75
	ER-2022-0174	AP29	11/30/2021	154,378,423	$0.02240	47,858,952	-370,234	0	47,488,718		$4.51
	ER-2023-0011	AP30	5/31/2022	142,587,458	$0.02240	43,690,267	913,752	0	44,604,020		$5.48
Evergy proposed	ER-2023-0210	AP31	11/30/2022	213,325,427	$0.02240	101,492,930	2,682,349	-47,898,201	56,277,077		$7.59
									104,175,279	*AP31 prior to PISA deferral*	
									$65,422,672	*Avg of AP29, AP30 and AP31*	
OPC proposed 3-yr avg (AP25, AP27, AP29)	ER-2023-0210	AP31	11/30/2022	123,222,901					$18,755,192	*OPC's proposed FPA*	