

**MISSOURI PUBLIC SERVICE COMMISSION**

**STAFF REPORT**

**THIRD PRUDENCE REVIEW OF COSTS  
RELATED TO THE FUEL ADJUSTMENT CLAUSE  
FOR THE ELECTRIC OPERATIONS  
OF  
EVERGY METRO, INC.,  
d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”),  
f/k/a Kansas City Power & Light Company (“KCPL”)**

**CASE NO. EO-2020-0263**

**July 1, 2018 through December 31, 2019**

*Jefferson City, Missouri  
August 28, 2020*

**\*\* Denotes Confidential Information \*\***

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**TABLE OF CONTENTS OF**  
**STAFF REPORT**  
**THIRD PRUDENCE REVIEW OF COSTS**  
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**OF**  
**EVERGY METRO, INC.**  
  
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I. EXECUTIVE SUMMARY ..... 1

II. INTRODUCTION ..... 2

    A. GENERAL DESCRIPTION OF EVERGY MISSOURI METRO’S FAC ..... 2

    B. PRUDENCE STANDARD ..... 4

III. FUEL COSTS, PURCHASED POWER COSTS, TRANSMISSION COSTS,  
    NET EMISSION COSTS ..... 5

    A. UTILIZATION OF GENERATION CAPACITY ..... 7

    B. HEAT RATES ..... 10

    C. PLANT OUTAGES ..... 11

    D. SELF-COMMITMENT OF BASELOAD GENERATION FACILITIES INTO SPP ..... 13

    E. NATURAL GAS COSTS ..... 18

    F. COAL AND RAIL TRANSPORTATION COSTS ..... 20

    G. FUEL OIL COSTS ..... 21

    H. TRANSMISSION COSTS ..... 22

    I. NUCLEAR FUEL ..... 24

    J. EMISSION ALLOWANCES ..... 25

    K. OFF-SYSTEM SALES REVENUE ..... 27

    L. RENEWABLE ENERGY CREDIT REVENUES ..... 29

    M. MONTROSE GENERATING UNIT ..... 32

1	N.	CIMARRON 2 WIND FARM PURCHASED POWER AGREEMENT .....	35
2	O.	SLATE CREEK WIND PROJECT PURCHASED POWER AGREEMENT .....	36
3	P.	OSBORN WIND ENERGY PURCHASED POWER AGREEMENT .....	37
4	Q.	SPEARVILLE 3 WIND ENERGY FACILITY PURCHASED POWER AGREEMENT .....	39
5	R.	WAVERLY WIND FARM PURCHASED POWER AGREEMENT .....	40
6	S.	ROCK CREEK WIND PROJECT PURCHASED POWER AGREEMENT .....	41
7	T.	PRAIRIE QUEEN WIND PURCHASED POWER AGREEMENT .....	42
8	U.	PRATT WIND PURCHASED POWER AGREEMENT .....	43
9	V.	PURCHASED POWER COSTS .....	44
10	IV.	INTEREST .....	48

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2 **RELATED TO THE FUEL ADJUSTMENT CLAUSE**  
3 **FOR THE ELECTRIC OPERATIONS**  
4 **OF**  
5 **EVERGY METRO, INC.**

6 **July 1, 2018 through December 31, 2019**

7 **CASE NO. EO-2020-0263**

8 **I. EXECUTIVE SUMMARY**

9 The Missouri Public Service Commission (“Commission”) first authorized a  
10 Fuel Adjustment Clause (“FAC”) for Evergy Metro, Inc., d/b/a Evergy Missouri Metro  
11 (“Evergy Missouri Metro” or “Company”), f/k/a Kansas City Power & Light Company  
12 (“KCPL”) in Case No. ER-2014-0370. Since then, the Commission has approved continuation  
13 of Evergy Missouri Metro’s FAC with modifications in its *Report and Order* in the Company’s  
14 most recent general rate cases: Case Nos. ER-2016-0285 and ER-2018-0145.

15 Commission Rule 20 CSR 4240-20.090(11)<sup>1</sup> and Missouri Revised Statute  
16 Section 386.266.5(4) require that the Commission’s Staff (“Staff”) conduct prudence reviews  
17 of an electric utility’s FAC no less frequently than every 18 months. In this prudence review,  
18 Staff analyzed items affecting Evergy Missouri Metro’s fuel costs; purchased power costs;  
19 net emission allowance costs; transmission costs; off-system sales revenues; and renewable  
20 energy credit (REC) revenues for the seventh, eighth and ninth accumulation periods of  
21 Evergy Missouri Metro’s FAC (“prudence review period”). The seventh accumulation period  
22 started July 1, 2018 and ended December 31, 2018. The eighth accumulation period started  
23 January 1, 2019 and ended June 30, 2019. The ninth accumulation period started July 1, 2019  
24 and ended December 31, 2019. Thus, the 18-month prudence review period is from July 1, 2018  
25 through December 31, 2019 (“Review Period”). This is Staff’s third Prudence Review Report  
26 for Evergy Missouri Metro’s FAC. Table 1 identifies Staff’s previous Evergy Missouri Metro  
27 FAC prudence reviews.

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<sup>1</sup> Effective January 30, 2019.

**Table 1: Completed Evergy Missouri Metro FAC Prudence Reviews**

Review	File Number	Review Period
First	EO-2017-0231	July 1, 2015 through December 31, 2016
Second	EO-2019-0068	January 1, 2017 through June 30, 2018

In evaluating prudence, Staff reviews whether a reasonable person making the same decision would find both the information the decision-maker relied on and the process the decision-maker employed to be reasonable based on the circumstances at the time the decision was made, *i.e.*, without the benefit of hindsight. The decision actually made is disregarded; instead, the review evaluates the reasonableness of the information the decision-maker relied on and the decision-making process the decision-maker employed. If either the information relied upon or the decision-making process employed was imprudent, then Staff examines whether the imprudent decision caused any harm to ratepayers. Only if an imprudent decision resulted in harm to ratepayers, will Staff recommend a refund.

Staff analyzed a variety of items in examining whether Evergy Missouri Metro was imprudent when it incurred the fuel and purchased power costs associated with its FAC. Based on its review, Staff found no evidence of imprudence by Evergy Missouri Metro during the Review Period.<sup>2</sup>

*Staff Expert/Witness: Brooke Mastrogiannis*

## **II. INTRODUCTION**

### **A. General Description of Evergy Missouri Metro’s FAC**

Table 2 identifies Evergy Missouri Metro’s Commission-approved FAC tariff sheets which were applicable for service provided by Evergy Missouri Metro to its customers during the period July 1, 2018 through December 31, 2019:

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<sup>2</sup> Staff would like to note that, in Case No. EO-2020-0227, Staff recommended several disallowances to Evergy Missouri Metro’s Demand Response programs. Evergy Missouri Metro filed a *Motion to Limit Scope of Proceeding* in that case on July 29, 2020, arguing that those disallowances recommended by Staff were best addressed in this docket. The Commission rejected Evergy Missouri Metro’s motion on August 19, 2020.

**Table 2**

**Evergy Missouri Metro’s Commission-approved FAC Tariff Sheets**

July 1, 2018 through December 31, 2019

July 1, 2018 through December 5, 2018	December 6, 2018 through December 31, 2019
Second Revised Sheet No. 50.11	Original Sheet No. 50.21
Second Revised Sheet No. 50.12	Original Sheet No. 50.22
Second Revised Sheet No. 50.13	Original Sheet No. 50.23
Second Revised Sheet No. 50.14	Original Sheet No. 50.24
Second Revised Sheet No. 50.15	Original Sheet No. 50.25
Second Revised Sheet No. 50.16	Original Sheet No. 50.26
Second Revised Sheet No. 50.17	Original Sheet No. 50.27
Second Revised Sheet No. 50.18	Original Sheet No. 50.28
Second Revised Sheet No. 50.19	Original Sheet No. 50.29
	Original Sheet No. 50.30

For each accumulation period (“AP”),<sup>3</sup> Evergy Missouri Metro’s Commission-approved FAC allows Evergy Missouri Metro to recover from (if the actual net energy costs exceed) or refund to (if the actual net energy costs are less than) its ratepayers ninety-five percent (95%) of its Missouri jurisdictional<sup>4</sup> actual net energy costs (“ANEC”)<sup>5</sup> less net base energy cost (“B”)<sup>6</sup> which is identified as  $(ANEC - B) * J$  in Evergy Missouri Metro’s FAC.<sup>7</sup> Evergy Missouri Metro accumulates variable fuel costs, purchased power costs, transmission costs and

<sup>3</sup> Accumulation periods are June through November and December through May.

<sup>4</sup> Missouri jurisdictional factor J is defined on Evergy Missouri Metro’s Original Sheet No. 50.28 as Missouri Retail Energy Ratio =  $(MO \text{ Retail kWh sales} + MO \text{ Losses}) / (MO \text{ Retail kWh Sales} + MO \text{ Losses} + KS \text{ Retail kWh Sales} + KS \text{ Losses} + \text{Sales for Resale, Municipals kWh Sales [including border customers]} + \text{Sales for Resale, Municipals Losses})$ , where MO Losses = 6.32%; KS Losses = 7.52%; Sales for Resale, Municipals Losses = 6.84%.

<sup>5</sup> “Actual Net Energy Costs” are equal to fuel costs (FC) plus net emission costs (E) plus purchased power costs (PP) plus transmission costs (TC) minus off-system sales revenue (OSSR) and renewable energy credit revenue (R) as defined on Evergy Missouri Metro’s Original Sheet No. 50.22.

<sup>6</sup> Net base energy costs (B) is defined on Evergy Missouri Metro’s Original Sheet No. 50.28 as net base energy costs ordered by the Commission in the last general rate case consistent with the costs and revenues included in the calculation of the Fuel and Purchased Power Adjustment (“FPA”). Net base energy costs will be calculated as shown below  $S_{AP} \times \text{Base Factor (“BF”)}$ .

<sup>7</sup> For the seventh, eighth and ninth accumulation periods, the  $(ANEC - B) * J$  amounts are included on line 5 of Evergy Missouri Metro’s 1st Revised Sheet No. 50.31, 2nd Revised Sheet No. 50.31, and 3rd Revised Sheet No. 50.31, respectively.

1 net emissions costs minus off-system sales revenues and renewable energy credit revenues  
2 during six-month accumulation periods. Each six-month accumulation period is followed by a  
3 twelve-month recovery period (“RP”)<sup>8</sup> when 95% of the (ANEC – B)\*J amount (including the  
4 monthly application of interest)<sup>9</sup> is recovered from or returned to ratepayers through an increase  
5 or decrease in the FAC Fuel Adjustment Rates (“FAR”) during the twelve-month RP. Because  
6 the FAR rarely, if ever, will exactly match the required offset, Evergy Missouri Metro’s FAC  
7 is designed to true-up the difference between the revenues billed and the revenues authorized  
8 (including the monthly application of interest) for collection during recovery periods. Any  
9 disallowance the Commission orders as a result of a prudence review shall include interest at  
10 the Company’s short-term interest rate and will be accounted for as an item of cost<sup>10</sup> in a future  
11 filing to adjust the FAR.

## 12 **B. Prudence Standard**

13 In *State ex rel. Associated Natural Gas Co. v. Public Service Com'n of State of Mo.*, the  
14 Western District Court of Appeals stated the Commission defined its prudence standard  
15 as follows:

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

22 In the same case, the PSC noted that this test of prudence should not be  
23 based upon hindsight, but upon a reasonableness standard: [T]he  
24 company's conduct should be judged by asking whether the conduct was  
25 reasonable at the time, under all the circumstances, considering that the  
26 company had to solve its problem prospectively rather than in reliance  
27 on hindsight. In effect, our responsibility is to determine how reasonable  
28 people would have performed the tasks that confronted the company.<sup>11</sup>

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<sup>8</sup> Recovery periods are: October through September and April through March.

<sup>9</sup> See SECTION IV. INTEREST, of this Prudence Review Report.

<sup>10</sup> See PRUDENCE REVIEWS on Evergy Missouri Metro’s Original Sheet No. 50.30.

<sup>11</sup> 954 S.W.2d 520, 528-29 (Mo. App. W.D., 1997) (citations omitted).

1 In reversing the Commission in that case, the Court did not criticize the Commission's  
2 definition of prudence, but held, in part, that to disallow a utility's recovery of costs from its  
3 customers based on imprudence the Commission must determine the detrimental impact of that  
4 imprudence on the utility's ratepayers.<sup>12</sup> This is the prudence standard Staff has followed in  
5 this review. Staff reviewed for imprudence the areas identified and discussed below for Evergy  
6 Missouri Metro's seventh, eighth, and ninth six-month accumulation periods.

7 *Staff Expert/Witness: Brooke Mastrogiannis*

8 **III. FUEL COSTS, PURCHASED POWER COSTS,**  
9 **TRANSMISSION COSTS, NET EMISSION COSTS**

10 Evergy Missouri Metro's FAC includes four major components of costs: fuel costs,  
11 purchased power costs, net emission costs and transmission costs. It also includes two  
12 components of revenues: off-system sales revenues and renewable energy credit revenues.  
13 Table 3 is a breakdown of Evergy Missouri Metro's fuel costs, purchased power costs, net  
14 emission costs, transmission costs, off-system sales revenues, and renewable energy credit  
15 revenues for the period of July 1, 2018, through December 31, 2019:

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<sup>12</sup> *Id.* at 529-30.







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**Table 5 – Confidential**



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**Table 6 – Confidential**

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**2. Summary of Cost Implications**

In SPP’s Integrated Marketplace (“SPP IM”), the vast majority of generation dispatch decisions are made by SPP via established market requirements and processes. SPP market rules currently must offer requirements both for the Day Ahead Market (“DA”) and the Real Time Balancing Market (“RT”). With respect to the DA, there is a Day Ahead Must Offer requirement which essentially states that Market Participants (“MP”) must offer enough generation to cover that MP’s next day projected peak load, ancillary service obligations and any firm sales the MP has made. In addition, the SPP Market Monitoring Unit monitors for Physical Withholding of generation, which further incentivizes MPs to offer much of their available generation in the DA, even if they have already met their Must Offer requirement. With respect to the RT, SPP requires that all physically available generation be offered to the market. In accordance with SPP rules and requirements, Evergy Missouri Metro submits generation offers in the DA and RT. Once these offers have been submitted, the SPP market co-optimization processes take over from there. SPP market applications consider inputs such as system-wide requirements, generator operating parameters, offers from all MPs, and transmission system topology to arrive at the most cost effective and reliable generation solution possible. Some of these applications include the Security Constrained Unit

1 Commitment (“SCUC”) and Security Constrained Economic Dispatch (“SCED”) tools.  
2 Once the least cost viable solution is arrived at, SPP issues operating instructions to MPs. Under  
3 the SPP market construct, MPs are given the flexibility to let the SPP market decide entirely on  
4 its own when to commit a given unit or to self-commit the generator. A common example of  
5 the latter is if a unit needs to be online for required testing on a given day. Even if a generator  
6 is self-committed, this simply establishes that the unit will be online. SPP will still dispatch the  
7 unit via the SCED tool within its dispatchable range as established through the market  
8 submissions process.

### 9 **3. Conclusion**

10 Staff did not observe any evidence of imprudent utilization of generation resources  
11 during the time period examined in this prudence review.

### 12 **4. Documents Reviewed**

- 13 a. Everygy Missouri Metro’s responses to Staff Data Request Nos. 0002, 0003, 0010,  
14 0011, 0012, 0013, 0015, 0017, 0018, 0021, 0022, 0041, 0043, and 0053.

15 *Staff Expert/Witness: Jordan Hull*

## 16 **B. Heat Rates**

### 17 **1. Description**

18 Heat rates of generating units are an indicator of each unit’s performance. A heat rate is  
19 a calculation of total volume of fuel burned for electric generation multiplied by the average  
20 heat content of that volume of fuel for a given time period divided by the total net generation  
21 of electricity in kilowatt hours (kWh) for that same time period.

### 22 **2. Summary of Cost Implications**

23 Heat rates are inversely related to the operating efficiency of the generating unit.  
24 Increasing heat rates of specific units over time may indicate that a specific unit’s efficiency is  
25 declining. Heat rates can vary greatly depending on operating conditions including but not  
26 limited to load, hours of operation, shutdowns and startups, unit outages, derates, and weather  
27 conditions. Therefore, a good indication of unit performance for frequently used units is an  
28 analysis of the trend of heat rates over time. A permanent increase in monthly heat rates is  
29 commonly the result of a decrease in a generating unit’s operating efficiency. This typically  
30 occurs when additional emissions reduction equipment is added to the exhaust of the  
31 generating unit. Continued utilization of units with sustained elevated heat rates could result in

1 Evergy Missouri Metro incurring higher fuel costs per unit of electricity generated than it would  
2 otherwise have incurred. If Evergy Missouri Metro was imprudent in response to the ongoing  
3 trend of a unit's heat rate, ratepayer harm could result from an increase in the fuel costs that are  
4 collected through Evergy Missouri Metro's FAC charges.

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### 10 **3. Conclusion**

11 In reviewing the monthly heat rates of Evergy Missouri Metro's generating units and  
12 examining the reasons behind the unfavorable trends and sporadic heat rate months, Staff found  
13 no indication that Evergy Missouri Metro acted imprudently during the Review Period.

### 14 **4. Documents Reviewed**

- 15 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0018, and 0065; and
- 16 b. Monthly Outage data in the Monthly Reports submitted by Evergy Missouri Metro  
17 in compliance with Rule 20 CSR 4240-3.190.

18 *Staff Expert/Witness: Jordan Hull*

### 19 **C. Plant Outages**

#### 20 **1. Description**

21 Generating stations' outages generally can be classified as scheduled outages, forced  
22 outages, or partial outages. Scheduled outages consist of either a planned outage or a  
23 maintenance outage. A planned outage is one that is scheduled well in advance, with a  
24 predetermined duration and occurring only once or twice a year. Outages are planned and  
25 scheduled over one year in advance. The exact start date depends on freezing temperatures and  
26 natural gas availability. Turbine and boiler overhauls, inspections, testing, and nuclear refueling  
27 are typical planned outages. A maintenance outage is one that can be deferred beyond the end  
28 of the next weekend but must be taken before the next planned outage. A forced outage is an

<sup>14</sup> Response to Data Request No. 0065.

<sup>15</sup> Capacity factor is defined as the ratio between what a generation unit is capable of generating at maximum output versus the unit's actual generation output over a period of time.

1 outage that cannot be deferred beyond the next weekend, and a partial outage, or derating, is a  
2 condition that requires the unit to be limited to an energy output below maximum capacity.

3 Outages taken at any of the generating units have an impact on how much Evergy  
4 Missouri Metro will pay for fuel and purchased power. Any planned outage during peak load  
5 demand times or a period of high replacement energy prices has the potential result of Evergy  
6 Missouri Metro paying more for fuel and purchased power costs than it would have paid if the  
7 outage were planned during forecasted low load times. Periodic planned outages are required  
8 to maintain each generating unit in peak operating condition to minimize forced or maintenance  
9 outages that could occur during peak load demand or periods of high replacement energy prices,  
10 typically June through August and January through February.

11 Staff examined the planned outages and their timing for imprudence. An example of an  
12 imprudent outage would be scheduling a planned outage of a large base loaded unit during a  
13 time of peak load or a period of high replacement energy prices.

14 Evergy Missouri Metro has little or no control over the timing of unscheduled  
15 maintenance or forced outages of the generating stations it owns and operates when such  
16 outages are the result of unforeseen events. The Company has no control over the timing of  
17 planned outages for generating stations it does not operate. These types of outages are not  
18 included as a part of this prudence review.

## 19 **2. Summary of Cost Implications**

20 An imprudent planned outage could result in an increased cost of purchased power  
21 by Evergy Missouri Metro from the SPP IM as well as a decrease in off-system sales revenues  
22 through the SPP IM.

## 23 **3. Conclusion**

24 Staff did not find any evidence of imprudent planned outages by Evergy Missouri Metro  
25 during the Review Period.

## 26 **4. Documents Reviewed**

- 27 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0004, 0005, 0005.1,  
28 0006 and 0047.

29 *Staff Expert/Witness: Jordan Hull*

1 **D. Self-Commitment of Baseload Generation Facilities into SPP**

2 **1. Description**

3 During this FAC prudence review, Staff conducted a review of commitment status of  
4 Evergy Missouri Metro’s generation facilities into SPP in an effort to determine any negative  
5 impacts that might be occurring because of such actions. Evergy Missouri Metro has large and  
6 varied electric generation facilities that are designed to provide varying types of services to its  
7 customers. These generation facilities include nuclear, coal, natural gas, PV solar, and wind  
8 turbines. Each one of Evergy Missouri Metro’s generation facilities has its own distinct  
9 operating characteristics and requires specific operational guidelines to be followed as to  
10 maintain the reliability of the units as determined by Evergy Missouri Metro’s plant operations  
11 team to determine optimal plant reliability and manufacturer operational guidelines.

12 \*\* \_\_\_\_\_  
13 \_\_\_\_\_  
14 \_\_\_\_\_

15 \_\_\_\_\_ \*\*<sup>16</sup> With these tools the Company can develop a  
16 day-ahead load bidding strategy based on current projections and historical trends.

17 “The SPP Integrated Marketplace attempts to minimize the cost to serve load subject to  
18 transmission and generator constraints. The day-ahead market does this by using two main  
19 tools: centralized unit commitment and economic dispatch. Centralized unit commitment sorts  
20 the available generators from least expensive to most expensive and then selects the least  
21 expensive units that can achieve the objective without violating the constraints of the  
22 optimization. Economic dispatch then uses the results of the unit commitment process as inputs  
23 to its own separate optimization. The results of which produce two key, time-based outputs:  
24 the megawatts each generator should produce at the corresponding locational prices.  
25 Centralized unit commitment and economic dispatch processes are designed to work together  
26 to make the market more efficient.”<sup>17</sup> The SPP market allows participants to commit resources  
27 in different ways rather than have the market choose which units to run. SPP utilizes five  
28 resource offer commitment status designations<sup>18</sup> for its market participants (“MP”):

<sup>16</sup> Response to Staff Data Request No. 0055.

<sup>17</sup> SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.

<sup>18</sup> *Id.*, Page 5.



1           **1. Market** – the resource is available for centralized unit commitment through  
2 its price sensitive (merit-based) price quantity offers.

3           **2. Self** – the market participant is committing the resource through price  
4 insensitive offers outside of centralized unit commitment.

5           **3. Reliability** – the resource is off-line and is only available for centralized unit  
6 commitment if there is an anticipated reliability issue.

7           **4. Outage** – the resource is unavailable due to a planned, forced, maintenance,  
8 or other approved outage.

9           **5. Not participating** – the resource is otherwise available but has elected not to  
10 participate in the day-ahead market.

11           \*\*

22           \*\*<sup>19</sup>

23           SPP Market participants have stated the following reasons for self-commitment:<sup>20</sup>

- 24           • Testing – NERC requirement
- 25           • Public Utilities Regulatory Policy Act (PURPA)
- 26           • Federal service exemptions
- 27           • Started by a different market

<sup>19</sup> Response to Staff Data Request No. 0055.

<sup>20</sup> SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Pages 7 and 8.

- 1 • Weather
- 2 • Long lead times
- 3 • Fuel contracts
- 4 • Other contracts
- 5 • Long minimum run times
- 6 • Commitment bridging
- 7 • Desire to reduce thermal damage to the unit due to starts and stops
- 8 • High startup costs

9 Some of these reasons are unavoidable and can require the resource to be offered in  
10 self-commitment status. Testing the output of a plant, as periodically required by regulatory  
11 agencies, is a frequent justification. “Some of the reasons, such as high start-up costs, fuel  
12 contracts, or commitment bridging are economic in nature and can be handled within the market  
13 offer through dollar-based offer parameters. Thermal damage due to start-ups and shutdowns  
14 and resulting major maintenance could be included in mitigated offers starting in April 2019.  
15 SPP has seen a decline in self-committed generation over time and it is possible that perceptions  
16 of economic justifications have changed over time.”<sup>21</sup>

17 Staff analyzed data received from Evergy Missouri Metro to determine the financial  
18 impacts of the self-commit units as offered and cleared into the SPP Day-Ahead and Real-time  
19 market. Table 7 provides the summary of Staff’s review by generating unit for the Review  
20 Period of July 1, 2018 through December 31, 2019. Staff reviewed the hourly transactions that  
21 were deemed self-commitment by taking the hourly real time energy cost and adding it to the  
22 hourly total revenue for that same hour for the individual generating unit that was  
23 self-committed, then Staff compared the number of positive “In the Money” hourly transactions  
24 to the negative “Out the Money” hourly transactions. Results are show below in Table 7. Staff  
25 then decided to take it a step further and show the amount of revenue that corresponded to the  
26 “In vs Out” of money transactions as well as a net settlement (revenue) or total when adding  
27 the “In money” to the “Out money” transactions to show an overall revenue associated with

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<sup>21</sup> *Id.*, Page 8.

self-commitment. Staff is providing Table 7 as actual financial results of Evergy Missouri Metro's current practice of Self-Commit of its baseload generation units as described below.

**Table 7 – Confidential**

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Staff explored this issue in Case No. EW-2019-0370. Some of the findings in that case were that:

... the utility responses indicate that the economic minimum for each unit is based upon the physical limitations of each plant at a given point in time. These physical limitations are highly variable among plants, are affected by a variety of factors, and can vary by hour. Many of the units in question were commissioned as base load units well before the day-ahead markets were formed. These base load coal units were not designed to be cycled frequently and doing so would likely increase the likelihood of outages, increase operations and maintenance expense, and reduce the reliability of the units... Staff maintains that in order

1 to fully understand the economic impact of self-scheduling on a  
2 given unit's profitability, an analysis at the RTO level would  
3 need to be conducted. Due to the highly confidential nature of  
4 utilities' market bidding strategies, it is highly unlikely that any  
5 party other than SPP or MISO have the raw data, modeling  
6 software access, and resources to conduct such an extensive  
7 analysis of market trends.<sup>22</sup>

8 Staff does not have the data to perform a detailed analysis as to what would have been the  
9 additional costs to the units due to high cost of restart, increases in O&M cost and increased  
10 plant outages if Evergy Missouri Metro would have designated these units as "Market" instead  
11 of "Self-Commit." This is the first review of the commitment statuses for Evergy Missouri  
12 Metro in a FAC prudency review, but Staff plans to compare this review to future reviews to  
13 see what trend self-commitment is following for Evergy Missouri Metro. SPP acknowledged  
14 in its Market Report for Winter of 2020 that self-commitment is on a "downward trend"<sup>23</sup>  
15 market wide. Based on the information provided by Evergy Missouri Metro and Staff's  
16 knowledge of general trends in market commitment behavior, Staff is not aware of any  
17 prudency issues related to Evergy Missouri Metro's practice of self-commitment.

## 18 **2. Summary of Cost Implications**

19 Imprudent Unit Generation commitment could result in increased cost of purchased  
20 power by Evergy Missouri Metro from the SPP IM as well as a decrease in off-system sales  
21 revenues through the SPP IM.

## 22 **3. Conclusion**

23 Staff did not find any evidence of imprudent generation unit self-commitment by Evergy  
24 Missouri Metro during the Review Period.

## 25 **4. Documents Reviewed**

- 26 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0055;
- 27 b. File No. EW-2019-0370, Supplemental Reports; and
- 28 c. SPP Documents: Market Report for Winter 2020 and Self-committing in SPP  
29 markets: Overview.

30 *Staff Expert/Witness: Jordan Hull*

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<sup>22</sup> EW-2019-0370, Staff's Second Supplemental Report, Pages 1 and 2.

<sup>23</sup> SPP Market Report for Winter 2020, Generation Scheduling, Published May 18, 2020, Page 21.

1 **E. Natural Gas Costs**

2 **1. Description**

3 For the Review Period, \$\*\* \_\_\_\_\_ \*\* or \*\*      \*\* % of Evergy Missouri Metro's  
4 total fuel costs, purchased power costs, transmission costs, and net emission costs was  
5 associated with the natural gas used in generating electricity. The cost of natural gas includes  
6 various miscellaneous charges such as firm transportation service charges and other fuel  
7 handling expenses. During the Review Period, Evergy Missouri Metro's natural gas price  
8 averaged \$\*\* \_\_\_\_ \*\* per MMBtu, based on \*\* \_\_\_\_\_ \*\* MMBtu of actual natural gas  
9 burned and costs of \$\*\* \_\_\_\_\_ \*\*. Staff reviewed the contract terms and a sampling of  
10 invoices for gas purchased. Evergy Missouri Metro receives natural gas services from 23 gas  
11 supply companies and 5 natural gas transportation companies. The companies are identified in  
12 Table 8:

13 **Table 8 - Confidential**

14 \*\*


15 \*\*

1 Table 9 lists the Gas Transportation Contracts in effect for the Review Period:

2 **Table 9 – Confidential**

3 \*\*


4 \*\*

5 Table 10 identifies Evergy Missouri Metro’s intermediate and peaking generating units that  
6 burn natural gas:

7 **Table 10 – Confidential**

8 \*\*


9 \*\*

10 **2. Summary of Cost Implications**

11 If Evergy Missouri Metro was imprudent in its purchasing decisions relating to natural  
12 gas, ratepayer harm could result from increased FAC charges.

13 **3. Conclusion**

14 Staff found no indication Evergy Missouri Metro’s purchases of natural gas were  
15 imprudent during the Review Period.

1 **4. Documents Reviewed**

- 2 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0024, 0035,
- 3 0035.1, 0045, 0066; and
- 4 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
- 5 AP 7, 8, and 9.

6 *Staff Expert/Witness: Lisa Wildhaber*

7 **F. Coal and Rail Transportation Costs**

8 **1. Description**

9 For the Review Period, \$\*\* \_\_\_\_\_ \*\* or \*\* — \*\* % of Evergy Missouri Metro’s  
 10 total fuel costs, purchased power costs, transmission costs, and net emission allowance costs  
 11 was associated with the coal used in generating electricity. The cost of coal includes various  
 12 miscellaneous charges such as rail and other ground transportation service charges, and other  
 13 fuel handling expenses. Staff reviewed the contract terms of six (6) short and long-term coal  
 14 purchase contracts, as well as a sampling of invoices for coal purchased and delivered.  
 15 The counterparties for the contracts are identified in Table 11:

16 **Table 11 - Confidential**

17 \*\*

_____
_____
_____
_____
_____
_____
_____

18 \*\*

19 The contracts provide coal delivery to Evergy Missouri Metro’s Hawthorn 5, Iatan 1 and 2,  
 20 LaCygne 1 and 2, and Montrose 2 and 3. The price of coal can either be a fixed price for the  
 21 entire contract, a fixed price for each year of the contract, a base price plus an escalation as  
 22 calculated per the contract, a price determined by the Master Purchase & Sales Agreement, or  
 23 a price which is index-based.

1                   **2. Summary of Cost Implications**

2                   If Evergy Missouri Metro was imprudent in its decisions relating to purchasing and  
3 transporting coal, ratepayer harm could result from an increase in FAC charges.

4                   **3. Conclusion**

5                   Staff found no indication that Evergy Missouri Metro’s purchases and transportation of  
6 coal or its coal-related contracts were imprudent during the Review Period.

7                   **4. Documents Reviewed**

- 8                   a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0021, 0023, 0031,  
9                   0035, 0035.1, 0045, 0066; and  
10                   b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for  
11                   AP 7, 8, and 9.

12 *Staff Expert/Witness: Lisa Wildhaber*

13                   **G. Fuel Oil Costs**

14                   **1. Description**

15                   For the Review Period, \$\*\* \_\_\_\_\_ \*\* or \*\*  $\frac{\quad}{\quad}$  \*\* % of Evergy Missouri Metro’s  
16 total fuel costs, purchased power costs, transmission costs, and net emission allowance costs  
17 was associated with the fuel oil used in generating electricity. The cost of fuel oil includes  
18 various miscellaneous charges, such as rail and/or ground transportation service charges and  
19 other miscellaneous fuel handling expenses. Staff reviewed the contract terms of Evergy  
20 Missouri Metro’s two (2) oil contracts that were in place during the Review Period, as well as  
21 a sampling of invoices for fuel oil purchased. The contracts provide a primary delivery location  
22 and agreement on the price. The price is based on the market price at the time Evergy Missouri  
23 Metro purchases the fuel oil. The counterparties for the fuel oil contracts are identified in  
24 Table 12:

25                   **Table 12 - Confidential**

26 \*\*

_____
_____
_____

27 \*\*

28                   The fuel oil contracts provide delivery of fuel oil to various generating units.



1                   **2. Summary of Cost Implications**

2                   If Evergy Missouri Metro imprudently purchased fuel oil, ratepayer harm could result  
3 from increased FAC charges.

4                   **3. Conclusion**

5                   Staff found no indication Evergy Missouri Metro’s costs associated with its fuel oil  
6 contracts in place were imprudent during the Review Period.

7                   **4. Documents Reviewed**

- 8                   a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0025, 0035,
- 9                   0035.1, 0045, 0066; and
- 10                  b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
- 11                   AP 7, 8, and 9.

12 *Staff Expert/Witness: Lisa Wildhaber*

13                  **H. Transmission Costs**

14                   **1. Description**

15                  For the Review Period, \$\*\* \_\_\_\_\_ \*\* or \*\*  $\frac{\quad}{\quad}$  \*\* % of Evergy Missouri Metro’s  
16 total fuel cost, purchased power costs, transmission costs and net emission costs was associated  
17 with transmission costs. There were two tariff sheets that were in effect during this Review  
18 Period. Evergy Missouri Metro’s FAC Second Revised Sheet No. 50.14 (Applicable to Service  
19 Provided July 1, 2018 through December 6, 2018), defines the “TC” component as:

20                   Transmission Costs:

21                   The following costs reflected in FERC Account Number 565:

22                   Subaccount 565000: non-SPP transmission used to serve off system sales  
23 or to make purchases for load and 20.91% of the SPP transmission  
24 service costs which includes the schedules listed below as well as any  
25 adjustments to the charges in the schedules below:  
26

- 27                   Schedule 7 – Long-term Firm and Short-term Point to Point
- 28                   Transmission Service
- 29                   Schedule 8 – Non Firm Point to Point Transmission Service
- 30                   Schedule 9 – Network Integration Transmission Service
- 31                   Schedule 10 – Wholesale Distribution Service
- 32                   Schedule 11 – Base Plan Zonal Charge and Region Wide Charge

33                   Subaccount 565020: the allocation of the allowed costs in the 565000  
34 account attributed to native load;  
35  
36  
37

1  
2 Subaccount 565027: the allocation of the allowed costs in the 565000  
3 account attributed to transmission demand charges;

4  
5 Subaccount 565030: the allocation of the allowed costs in account  
6 565000 attributed to off-system sales.

7 Everygy Missouri Metro's FAC Original Sheet No. 50.24 (Applicable to Service Provided  
8 December 6, 2018 through December 31, 2019), defines the "TC" component as:

9 Transmission Costs:

10  
11 The following costs reflected in FERC Account Number 565:

12  
13 Subaccount 565000: non-SPP transmission used to serve off system sales  
14 or to make purchases for load and 26.40% of the SPP transmission  
15 service costs which includes the schedules listed below as well as any  
16 adjustments to the charges in the schedules below:

17  
18 Schedule 7 – Long-term Firm and Short-term Point to Point  
19 Transmission Service

20 Schedule 8 – Non Firm Point to Point Transmission Service

21 Schedule 9 – Network Integration Transmission Service

22 Schedule 10 – Wholesale Distribution Service

23 Schedule 11 – Base Plan Zonal Charge and Region Wide Charge

24  
25 Excluding amounts associated with portions of purchased power agreements  
26 dedicated to specific customers under the Renewable Energy Rider tariff.

27  
28 Subaccount 565020: the allocation of the allowed costs in the 565000  
29 account attributed to native load;

30  
31 Subaccount 565027: the allocation of the allowed costs in the 565000  
32 account attributed to transmission demand charges;

33  
34 Subaccount 565030: the allocation of the allowed costs in account  
35 565000 attributed to off-system sales.

36 For calculating TC, Everygy Missouri Metro implemented a process whereby total transmission  
37 expenses were tabulated and then costs not allowed in the FAC were removed. Staff reviewed  
38 the transmission costs over the Review Period to verify only 20.91% of the SPP transmission  
39 service costs are included (from the beginning of the Review Period through December 5, 2018)  
40 and only 26.40% of the SPP transmission service costs are included (from December 6, 2018

1 through the end of the Review Period).<sup>24</sup> Evergy Missouri Metro’s transmission costs during  
2 the Review Period are \$\*\* \_\_\_\_\_ \*\*.

3 **2. Summary of Cost Implications**

4 If Evergy Missouri Metro imprudently included transmission costs in the FAC,  
5 ratepayer harm could result from increased FAC charges.

6 **3. Conclusion**

7 Staff found no indication that Evergy Missouri Metro’s transmission costs were  
8 imprudent during the Review Period.

9 **4. Documents Reviewed**

- 10 a. Evergy Missouri Metro’s General Ledger;
- 11 b. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0023,  
12 0040, 0045, and 0046; and
- 13 c. AP 7, 8 and 9 FAR and other supporting work papers.

14 *Staff Expert/Witness: Brooke Mastrogiannis*

15 **I. Nuclear Fuel**

16 **1. Description**

17 For the Review Period \$\*\* \_\_\_\_\_ \*\* or \*\* \_\_\_ \*\* % of Evergy Missouri Metro’s  
18 fuel costs, purchased power costs, transmission costs, and net emission allowance costs is  
19 associated with nuclear fuel used in the generation of electricity at the Wolf Creek Nuclear  
20 Operating Corporation’s generating unit. Evergy Missouri Metro owns 47% of Wolf Creek  
21 Nuclear Operating Corporation.

22 **2. Summary of Cost Implications**

23 If Evergy Missouri Metro was imprudent in its purchasing decisions relating to nuclear  
24 fuel, ratepayer harm could result from increased FAC charges.

25 **3. Conclusion**

26 Staff found no indication that Evergy Missouri Metro nuclear fuel costs were imprudent  
27 during the Review Period.

---

<sup>24</sup> During the last general rate case, Case No. ER-2018-0145, the Commission, in its *Order Approving Stipulations and Agreements* issued on October 31, 2018, approved the change of the FAC transmission percentage from 20.91% to 26.40%.

1                   **4. Documents Reviewed**

- 2           a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0035, 0045,  
3           0066; and  
4           b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for  
5           AP 7, 8, and 9.

6   *Staff Expert/Witness: Lisa Wildhaber*

7                   **J. Emission Allowances**

8                   **1. Description**

9           The Cross-State Air Pollution Rule (“CSAPR”) is a ruling by the United States  
10          Environmental Protection Agency (“EPA”) that requires a number of states, including Missouri,  
11          to reduce power plant emissions that contribute to ozone and/or fine particle pollution in other  
12          states. The CSAPR replaced EPA’s 2005 Clean Air Interstate Rule (“CAIR”), following the  
13          direction of a 2008 court decision that required EPA to issue a replacement regulation. CSAPR  
14          implementation began on January 1, 2015.

15          The CSAPR requires Missouri to reduce its annual emissions of sulfur dioxide (SO<sub>2</sub>)  
16          and nitrous oxides (NO<sub>x</sub>) to help downwind states attain the 24-hour National Ambient Air  
17          Quality Standards (“NAAQS”). The CSAPR also requires Missouri to reduce ozone season  
18          emissions of NO<sub>x</sub> to help downwind states attain the 8-hour NAAQS.

19          On September 7, 2016, the EPA revised the CSAPR ozone season NO<sub>x</sub> program by  
20          finalizing an update to CSAPR for the 2008 ozone NAAQS, known as the CSAPR Update. The  
21          CSAPR Update ozone season NO<sub>x</sub> program largely replaced the original CSAPR ozone season  
22          NO<sub>x</sub> program starting on May 1, 2017. The CSAPR Update further reduced summertime NO<sub>x</sub>  
23          emissions from power plants in the eastern U.S. According to Evergy Missouri Metro, there  
24          were no operational adjustments needed to comply with the CSAPR requirements.

25          The primary mechanism of CSAPR is a cap-and-trade program that allows a  
26          major source of NO<sub>x</sub> and/or SO<sub>2</sub> to trade excess allowances when its emissions of a  
27          specific pollutant fall below its cap for that pollutant. Originally, the EPA issued a model  
28          cap-and-trade program for power plants, which could have been used by states as the  
29          primary control mechanism under CAIR. This model, with modifications, had continued  
30          under CSAPR.

1 To comply with CSAPR, Evergy Missouri Metro established an inventory for SO<sub>2</sub> and  
2 NO<sub>x</sub>. Evergy Missouri Metro currently plans to maintain this SO<sub>2</sub> and NO<sub>x</sub> allowance inventory  
3 sufficient to offset expected emissions. This inventory is tracked in Company account 158100  
4 for Emissions Allowance Inventory and accounts 158200, 158201 and 158500 for Emission  
5 Allowance REC inventories. The Evergy Missouri Metro SO<sub>2</sub> and NO<sub>x</sub> allowance inventories  
6 are valued at average cost, and the cost for SO<sub>2</sub> and NO<sub>x</sub> allowances is tracked in FERC Account  
7 Number 509000. For the Review Period, the SO<sub>2</sub> total balance in the emission inventory  
8 accounts as of December 31, 2019 was \$\*\* \_\_\_\_ \*\*. The Company annually balances  
9 account 509000 when the EPA yearly awards the additional allowances.

10 For the Review Period, Evergy Missouri Metro's total net emission allowance cost was  
11 \$\*\* \_\_\_\_\_ \*\*. <sup>25</sup>

## 12 2. Summary of Cost Implications

13 If Evergy Missouri Metro imprudently used, purchased or banked its SO<sub>2</sub> and NO<sub>x</sub>  
14 allowances, ratepayer harm could result from an increase in Evergy Missouri Metro's  
15 FAC charges.

## 16 3. Conclusion

17 Staff found no indication that Evergy Missouri Metro was imprudent in its purchases,  
18 banking, or usage of CSAPR NO<sub>x</sub> and SO<sub>2</sub> allowances.

## 19 4. Documents Reviewed

- 20 a. Evergy Missouri Metro's response to Staff's Data Request Nos. 0032, 0034, 0039,  
21 0045, 0059, 0060, 0061 and 0062;
- 22 b. Evergy Missouri Metro's monthly reports for the time period July 1, 2018 through  
23 December 31, 2019 required by 20 CSR 4240-20.090(5); and
- 24 c. Section 8 Filings – 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> Accumulation Periods (ending December 2018,  
25 June 2019, December 2019 respectively).

26 *Staff Expert/Witness: Cynthia M. Tandy*

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25 \*\*

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1           **K. Off-System Sales Revenue**

2                   **1. Description**

3           Off-system sales revenues (“OSSR”) is a component in the calculation of Evergy  
4 Missouri Metro’s FAR used to charge or refund fuel and purchased power costs to its customers.  
5 There were two tariff sheets that were in effect during this Review Period. The following  
6 language was in effect during the Review Period includes:

7           Evergy Missouri Metro’s FAC P.S.C. MO No. 7, Second Revised Sheet No. 50.14,  
8 applicable to service provided from June 8, 2017 through December 6, 2018, defines  
9 the “OSSR” component as:

- 10           • OSSR = Revenues from Off-System Sales:
  - 11                   ○ The following revenues or costs reflected in FERC Account Number
  - 12                               447:

13  
14                               Subaccount 447020: all revenues from off-system sales.  
15                               This includes charges and credits related to the SPP IM  
16                               including, energy, ancillary services, revenue sufficiency  
17                               (such as make whole payments and out of merit payments  
18                               and distributions), revenue neutrality payments and  
19                               distributions, over collected losses payments and  
20                               distributions, TCR and ARR settlements, demand  
21                               reductions, virtual energy costs and revenues and related  
22                               fees where the virtual energy transaction is a hedge in  
23                               support of physical operations related to a generating  
24                               resource or load, generation/export charges, ancillary  
25                               services including non-performance and distribution  
26                               payments and SPP uplift revenues or credits. Off-system  
27                               sales revenues from full and partial requirements sales to  
28                               municipalities that are served through bilateral contracts  
29                               in excess of one year shall be excluded from OSSR  
30                               component;

31  
32                               Subaccount 447012: capacity charges for capacity sales  
33                               one year or less in duration;

34  
35                               Subaccount 447030: the allocation of the includable sales  
36                               in account 447020 not attributed to retail sales.  
37

1 Evergy Missouri Metro’s FAC P.S.C. MO No. 7, Original Sheet No. 50.24, applicable to  
2 service provided from December 6, 2018 through December 31, 2019 defines the  
3 “OSSR” component as:

- 4 • OSSR = Revenues from Off-System Sales:
  - 5 ○ The following revenues or costs reflected in FERC Account Number
  - 6 447:

7  
8 Subaccount 447020: all revenues from off-system sales.  
9 This includes charges and credits related to the SPP IM,  
10 or other IMs, including, energy, ancillary services,  
11 revenue sufficiency (such as make whole payments and  
12 out of merit payments and distributions), revenue  
13 neutrality payments and distributions, over collected  
14 losses payments and distributions, TCR and ARR  
15 settlements, demand reductions, virtual energy costs and  
16 revenues and related fees where the virtual energy  
17 transaction is a hedge in support of physical operations  
18 related to a generating resource or load, generation/export  
19 charges, ancillary services including non-performance  
20 and distribution payments and SPP uplift revenues or  
21 credits, but excluding (1) off-system sales revenues from  
22 full and partial requirements sales to municipalities that  
23 are served through bilateral contracts in excess of one  
24 year and (2) the amounts associated with purchased  
25 power agreements associated with the Renewable Energy  
26 Rider tariff. Additional revenue will be added at an  
27 inputted 75% of the unsubscribed portion associated with  
28 the Solar Subscription Rider valued at market prices;

29  
30 Subaccount 447012: capacity charges for capacity sales  
31 one year or less in duration;

32  
33 Subaccount 447030: the allocation of the includable sales  
34 in account 447020 not attributed to retail sales.

35 Staff reviewed the off-system sales quantities and revenues over the Review Period, and  
36 Evergy Missouri Metro’s off-system sales revenue recoverable under the FAC was in the  
37 amount of \$\*\* \_\_\_\_\_ \*\*.

## 38 2. Summary of Cost Implications

39 Evergy Missouri Metro’s revenues from off-system sales are an offset against total  
40 fuel and purchased power costs, transmission costs and net emission costs. This is because  
41 Evergy Missouri Metro’s ratepayers pay for the resources used to produce any energy that

1 Evergy Missouri Metro sells. Since implementing the IM, SPP has controlled the economic  
2 dispatch of Evergy Missouri Metro's generation. During times that Evergy Missouri Metro's  
3 generation exceeds Evergy Missouri Metro's retail customers' needs, Evergy Missouri Metro  
4 becomes a net seller in the SPP IM. If Evergy Missouri Metro did not make available its  
5 generating units in the SPP IM for off-system sales to be made, ratepayers could be harmed by  
6 such imprudence by an increase in Evergy Missouri Metro's FAC charges.

### 7 **3. Conclusion**

8 Staff found no indication that Evergy Missouri Metro imprudently withheld availability  
9 of its generating units in the SPP for off-system sales to be made.

### 10 **4. Documents Reviewed**

- 11 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0023, 0045 and  
12 0056;
- 13 b. Evergy Missouri Metro's FAC tariff sheet during the Review Period; and
- 14 c. Evergy Missouri Metro's monthly reports and FAR filing work sheets.

15 *Staff Expert/Witness: Cynthia M. Tandy*

## 16 **L. Renewable Energy Credit Revenues**

### 17 **1. Description**

18 The Missouri Renewable Energy Standard ("RES")<sup>26</sup> requires all investor-owned  
19 electric utilities in Missouri to provide at least two percent (2%) of their retail electricity sales  
20 using renewable energy resources in each calendar year 2011 through 2013, and to increase that  
21 percentage over time to at least fifteen percent (15%) by 2021. Commission rule 20 CSR 4240-  
22 20.100, Electric Utility Renewable Energy Standard Requirements, which first became  
23 effective September 30, 2010, contains the definitions, structure, operations, and procedures for  
24 implementing the RES.

25 The RES rule creates two categories of energy-generating resources: non-renewable  
26 energy resources (including purchased power from non-renewable energy sources) and  
27 renewable energy resources (including purchased power from renewable energy sources).<sup>27</sup>  
28 Renewable energy resources produce electrical energy and are wind, solar sources, thermal

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<sup>26</sup> Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.

<sup>27</sup> 20 CSR 4240-20.100(5)(B).



1 sources, hydroelectric sources, photovoltaic cells and panels, fuel cells using hydrogen  
2 produced by one (1) of the above named electrical energy sources, and other sources of energy  
3 that become available after August 28, 2007, and are certified as renewable by the Missouri  
4 Department of Natural Resources – Division of Energy (“Division of Energy”)<sup>28</sup>. Once an  
5 energy resource is certified, it begins producing RECs, with one (1) REC representing one (1)  
6 megawatt-hour of electricity that has been generated from the renewable energy resource.  
7 These RECs can be sold and/or traded in the market place bundled with or without the energy  
8 that generated the REC.<sup>29</sup> The cost of a REC (as a RES compliance cost) cannot be recovered  
9 through the FAC.<sup>30</sup> Revenues from the sale of RECs are recovered through the FAC as an  
10 off-set to fuel costs. During the Review Period, the RES rule required Evergy Missouri Metro  
11 to serve at least 10% of its retail load using renewable energy resources.

12 In Staff Data Request No. 0058, Staff asked, “Did Evergy Missouri Metro sell any RECs  
13 (wind, solar, etc.) during the review period of July 1, 2018 through December 31, 2019? If yes,  
14 a list of data was requested. “If no, please provide the reason why no RECS were sold.”  
15 Evergy Missouri Metro responded, “Evergy Missouri Metro did not sell any RECs during the  
16 review period of July 1, 2018 through December 31, 2019... Evergy RECs are expired rather  
17 than sold to ensure our customers receive as much renewable energy as possible since we cannot  
18 double count sold RECs as renewable energy delivered to customers.”

19 Review of Data Request No. 0042 in this case along with review of this issue in Case  
20 Nos. EO-2020-0280<sup>31</sup> and EO-2020-0331<sup>32</sup>, suggests the number of RECs will increase  
21 significantly in the coming years with more production of renewable energy. Even when the  
22 maximum level of the RES rule requirement of 15% is reached in 2021, the Company’s excess  
23 RECs are forecasted to increase significantly in the coming years. The following table is  
24 information on this issue from 2018 to 2019:

---

<sup>28</sup> Prior Department of Economic Development – Division of Energy.

<sup>29</sup> 20 CSR 4240-20.100(6)(B)(5)(J).

<sup>30</sup> 20 CSR 4240-20.100(6)(A)(16).

<sup>31</sup> The 2020 Integrated Resource Plan Annual Update for Evergy Missouri Metro.

<sup>32</sup> The 2020 Renewable Energy Standard Compliance Plan for Evergy Missouri Metro.

**Table 13 - Confidential**

\*\*


\*\*

Staff raised this concern in its previous Evergy Missouri Metro FAC Prudence Review<sup>33</sup> and recommended a disallowance for the expired RECs. However, in its *Report and Order* in that case, the Commission denied Staff’s recommended disallowance. Staff remains concerned with the continued growth of expired RECs in this Review Period and the likelihood of even more significant growth of expired RECs in subsequent years following this Review Period due to the additional wind PPAs discussed in the PPA section of this Staff Report. According to Staff calculations, the Missouri jurisdictional annual generation is expected to be well in excess of the projected 2022 RES compliance. The Company has indicated that this is being monitored, but the concern still exists. Staff too will continue to monitor this issue and reserves the right to bring this issue, and any ratepayer implications due to this issue, up in future prudence reviews.

Evergy Missouri Metro’s annual REC production/acquired from existing non-solar resources for the Review Period was \*\* \_\_\_\_\_ \*\* RECs, well in excess of the actual requirements of \*\* \_\_\_\_\_ \*\*, with \*\* \_\_\_\_\_ \*\* RECs that expired.

**2. Summary of Cost Implications**

If Staff found that Evergy Missouri Metro was imprudent in its management of RECs, by including the cost of RECs in calculating its FAC charges, ratepayer harm could result from increased costs or decreased revenues in its FAC charges. Potential ratepayer harm could result if excess RECs are continued to be allowed to expire rather than be sold.

<sup>33</sup> Case No. EO-2019-0068 consolidated into Case No. EO-2019-0067.

1                                   **3. Conclusion**

2                   With regards to FAC prudence, Staff did not find evidence that Evergy Missouri  
3 Metro’s management of its RECs during the Review Period was imprudent. However, this is  
4 an issue that needs to be closely monitored and Staff will continue to address this issue in future  
5 prudence reviews.

6                                   **4. Documents Reviewed**

- 7                   a. Staff Data Request Nos. 0042, 0042.1 0057 and 0058;  
8                   b. The 2020 Integrated Resource Plan Annual Update for Evergy Missouri Metro;  
9                   c. The 2020 Renewable Energy Standard Compliance Plan for Evergy Missouri Metro; and  
10                  d. Case Nos. EO-2019-0068 and EO-2019-0067.

11 *Staff Expert/Witness: Cynthia M. Tandy*

12                                   **M. Montrose Generating Unit**

13                                   **1. Description**

14                   In Case No. ER-2020-0221, FAR filing for AP9, which covers the AP months of  
15 July 2019 through December 2019, Evergy Missouri Metro agreed to remove all fuel residuals  
16 costs subsequent to the retirement of the Montrose generating station at the end of December  
17 2018 in their substitute tariff filing filed on February 25, 2019. AP9 was the first filing in which  
18 the Company agreed to exclude any Montrose costs in future FAC filings. This resulted in a  
19 total reduction of \$122,874. These costs were described in detail as ash cleanup and landfill  
20 work at the Montrose generating station.<sup>34</sup> Evergy Missouri Metro also stated in this substitute  
21 tariff filing that “Finally, the Company included fuel residual costs totaling \$122,874 for  
22 recovery in this filing. These expenses consist of ash disposal costs, contractor costs, materials  
23 and landfill work that continues at the Montrose generating station in order to appropriately  
24 dispose of the residuals. Based on internal discussions following MPSC Staff’s review of the  
25 filing, the Company will remove the costs for recovery through the FAC.”<sup>35</sup> There were two  
26 remaining adjustments amounting to \$9,397 that the Company discussed with Staff. These two  
27 components were: \$7,723 for an invoice that was coded incorrectly to Montrose, which was

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<sup>34</sup> Lisa A. Starkebaum’s supplemental testimony filed on 2/25/2020, in Case No. ER-2020-0221 Page 2, Lines 3 and 4.

<sup>35</sup> *Ibid.*

1 corrected in February 2020 and will be included in the next FAR filing for AP10; and \$1,674  
2 for severance and Ad-Valorem Tax True-up adjustments for 2017 coal shipments received from  
3 a supplier in 2019. The discussion satisfied Staff's concerns, and Staff recommended approval  
4 of the substitute tariff filing in Staff's Recommendation filed on February 28, 2020.

5 In Case No. ER-2020-0025, FAR filing for AP8, which covers the AP months of  
6 January 2019 through June 2019, Evergy Missouri Metro included Montrose costs netted to a  
7 credit of (\$16,185) included for recovery in the FAR filing. Staff conducted its review of the  
8 filing and recommended approval in Staff's Recommendation filed on August 29, 2019.

9 This Review Period also encompasses the FAR filing for AP7, Case No. ER-2019-0223,  
10 for the AP months of July 2018 through December 2018. Even though the Montrose generation  
11 facility did not retire until December 2018, it remains Staff's due diligence to review the costs  
12 associated with Montrose to ensure there was no inclusion of costs/revenues related to the  
13 retirement of the Montrose generation facility similar to those that the Company previously  
14 agreed to remove during those accumulation period months as well.

15 During Staff's investigation, Staff found that the Company included costs totaling  
16 \$1,159,839 for recovery in November and December 2018 associated with Montrose. This  
17 \$1,159,839 is comprised of \$723,237 for the cost of coal PRB, \$76,303 for the cost of oil PRB,  
18 \$332,603 for the cost of coal PRB physical inventory adjustment, \$8,420 for fuel additives, and  
19 \$19,276 for fuel residuals.<sup>36</sup> The Company states that it does not consider the expenses  
20 recorded in November and December 2018 to be retirement or decommissioning costs. It also  
21 states these costs were recorded in the appropriate expense accounts that are allowed to flow  
22 through the FAC as set forth in the Evergy Missouri Metro FAC tariff with specific language  
23 under fuel costs, subaccount 501000:

- 24 • Coal commodity and transportation
- 25 • Unit train maintenance, leases, taxes and depreciation
- 26 • Fuel quality adjustments
- 27 • Oil costs for commodity
- 28 • Coal and oil inventory adjustments

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<sup>36</sup> Response to Staff Data Request Nos. 0064.1 and 0064.2.

1 The Company also states:

2 Montrose did generate MWh's in December 2018 even though it  
3 was retired later that month. The Montrose retirement does not  
4 follow the same fact pattern as Sibley, so yes, those costs incurred  
5 during November-December 2018 timeframe are indeed different  
6 than costs incurred for Sibley in November 2018. Fuel expense  
7 was incurred at Montrose during December 2018 because  
8 Montrose unit 3 burned both coal and oil and generated electricity  
9 in early December until a forced outage on December 10, 2018 and  
10 therefore are recoverable through the FAC.<sup>37</sup>

11 Staff has reviewed the Company's workpapers to verify that Evergy Missouri Metro did  
12 have 11,887 tons of coal and 851 barrels of oil burned during December 2018, along with  
13 generating \$14,571 net MWhs that created the cost of coal and oil included in fuel expense for  
14 December 2018.

15 Staff also reviewed workpapers the Company provided to support the costs associated  
16 with coal PRB and oil PRB, as these are costs related to Fuelworx ("FWX"), which is a software  
17 package interface to the general ledger. FWX tracks fuel receipts and inventory levels and  
18 calculates fuel expenses based on the average inventory cost and the amount of fuel burned as  
19 reported by the generating stations. Evergy Missouri Metro has used the FWX software since  
20 the FAC has been in place, and FWX is the primary source of Evergy Missouri Metro's fuel  
21 expense calculations that are recorded to the general ledger each month. Evergy Missouri Metro  
22 also provided additional information supporting the physical inventory adjustment.  
23 As described in response to Data Request No. 0064.2, Evergy Missouri Metro states,  
24 "there were no remaining tons of usable coal available for use at Montrose. Once all usable coal  
25 had been burned, a physical inventory adjustment of 6,611 tons was recorded to reduce the book  
26 inventory to zero. The process of measuring the amount of coal burned is not a precise process  
27 and therefore physical inventories are performed annually to ensure that the inventory amount  
28 recorded on the books and the inventory amount physically on the ground stay in a reasonably  
29 close relationship to each other. The physical inventory adjustment of 6,611 tons and \$332,603  
30 in expense was the difference in the amount of inventory recorded on the books and the physical  
31 inventory at the plant, which was zero."<sup>38</sup> Staff agrees with the cost of coal PRB physical

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<sup>37</sup> Response to Staff Data Request No. 0064.2.

<sup>38</sup> Response to Staff Data Request No. 0064.3.

1 inventory adjustment because it was a physical inventory accounting adjustment necessary to  
2 get the books to zero once all the coal had been burned. In addition, the Evergy Missouri Metro  
3 tariff sheet specifically states that coal and oil inventory adjustments are allowable under  
4 account 501000.

## 5 **2. Summary of Cost Implications**

6 If Evergy Missouri Metro’s use of the FAC to recover Montrose generation plant costs  
7 was imprudent, ratepayer harm could result from an increase in FAC charges.

## 8 **3. Conclusion**

9 Staff found no indication that Evergy Missouri Metro imprudently included costs  
10 associated with the retirement of Montrose during the Review Period.

## 11 **4. Documents Reviewed**

- 12 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0064, 0064.1,  
13 0064.2, 0064.3, and 0064.4;
- 14 b. Evergy Missouri Metro’s General Ledger; and
- 15 c. FAR supporting workpapers in Case Nos. ER-2019-0221, ER-2020-0025, and  
16 ER-2020-0221.

17 *Staff Expert/Witness: Brooke Mastrogiannis*

## 18 **N. Cimarron 2 Wind Farm Purchased Power Agreement**

### 19 **1. Description**

20 Evergy Missouri Metro has a long-term (20-year) PPA with CPV Cimarron II  
21 Renewable Energy Company, LLC for energy and RECs generated by the Cimarron 2 Wind  
22 Farm located in Kansas. The contract is based on \*\* \_\_\_\_ \*\* MW of capacity that Evergy  
23 Missouri Metro began receiving on June 1, 2012 at a fixed price of \$\*\* \_\_\_\_ \*\* per MWh. The  
24 contract is a “take-or pay” contract (i.e., Evergy Missouri Metro has to receive and pay for the  
25 energy whether it needs the energy or not), which is a standard feature of many wind PPAs.  
26 The contract is for the energy and RECs generated by the wind farm. In its response to Staff  
27 Data Request No. 0058 Evergy Missouri Metro stated, “Evergy MO Metro did not sell any  
28 RECs during the Review Period of July 1, 2018 through December 31, 2019.” Total costs of  
29 electricity under the Cimarron 2 PPA was \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales  
30 of \$\*\* \_\_\_\_\_ \*\* which resulted in a net loss of \$\*\* \_\_\_\_\_ \*\* for the Review Period.

1                                   **2. Summary of Cost Implications**

2           If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a  
3 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm  
4 could result from that imprudence through an increase in FAC charges. Commission Rule 20  
5 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power  
6 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found  
7 no indication that Evergy Missouri Metro imprudently included the Cimarron Wind Farm PPA  
8 costs in the FAC.

9                                   **3. Conclusions**

10           Staff has identified that the Cimarron Wind Farm PPA is creating a significant amount  
11 of additional costs compared to the revenue received. Staff notes this is a long-term PPA and  
12 the performance of this contract should be viewed on a long-term basis and not just from the  
13 results during this Review Period. Staff is not recommending a disallowance related to this issue  
14 at this time.

15                                   **4. Documents Reviewed**

- 16           a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,  
17           0023, 0043, 0045, 0046, 0053, and 0058;
- 18           b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 19           c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 20           d. Staff Report in Case No. EO-2018-0290; and
- 21           e. Staff Report in Case No. EO-2019-0317.

22   *Staff Expert/Witness: Brooke Mastrogiannis*

23                                   **O. Slate Creek Wind Project Purchased Power Agreement**

24                                   **1. Description**

25           Evergy Missouri Metro has a long-term (20-year) PPA with Slate Creek Wind  
26 Project, LLC for energy and RECs generated by the Slate Creek Wind Project beginning in  
27 November 2015. The contract is also a “take-or pay” contract for renewable wind energy and  
28 RECs (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs the  
29 energy or not), and is based on a fixed energy price of \$\*\* \_\_\_\_ \*\* per MWh and a capacity  
30 of \*\* \_\_\_\_ \*\* MW. In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated,  
31 “Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through

1 December 31, 2019". Cost of electricity under the Slate Creek Wind Project PPA was  
2 \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which resulted in a  
3 net loss of \$\*\* \_\_\_\_\_ \*\* for the Review Period.

## 4 **2. Summary of Cost Implications**

5 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a  
6 cost that exceeded Evergy Missouri Metro's cost to generate that energy itself, ratepayer harm  
7 could result from that imprudence through an increase in FAC charges. Commission Rule  
8 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro's FAC allow purchased power  
9 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found  
10 no indication that Evergy Missouri Metro imprudently included the Slate Creek Wind Farm  
11 PPA costs in the FAC.

## 12 **3. Conclusions**

13 Staff has identified that the Slate Creek Wind Farm PPA is creating a significant amount  
14 of additional costs compared to the revenue received. Staff notes this is a long-term PPA and  
15 the performance of this contract should be viewed on a long-term basis and not just from the  
16 results during this Review Period. Staff is not recommending a disallowance related to this issue  
17 at this time.

## 18 **4. Documents Reviewed**

- 19 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0020,  
20 0023, 0043, 0045, 0046, 0053, and 0058;
- 21 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 22 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 23 d. Staff Report in Case No. EO-2018-0290; and
- 24 e. Staff Report in Case No. EO-2019-0317.

25 *Staff Expert/Witness: Brooke Mastrogiannis*

## 26 **P. Osborn Wind Energy Purchased Power Agreement**

### 27 **1. Description**

28 Evergy Missouri Metro has a long-term (20-year) PPA with NextEra Energy Resources  
29 for energy and RECs generated by the Osborn Wind Energy Center located in Missouri.  
30 The contract is based on a fixed price of \$\*\* \_\_\_\_ \*\* per MWh and \*\* \_\_\_\_ \*\* MW of capacity  
31 that Evergy Missouri Metro began receiving in December 2016. In its response to Staff Data



1 Request No. 0058 Evergy Missouri Metro stated, “Evergy MO Metro did not sell any RECs  
2 during the Review Period of July 1, 2018 through December 31, 2019”. The contract is a  
3 “take-or pay” contract (i.e., Evergy Missouri Metro has to receive and pay for the energy  
4 whether it needs the energy or not), which is a standard feature of many wind PPAs.  
5 The contract is for the energy and RECs generated by the wind farm. Cost of electricity under  
6 the Osborn Wind Energy PPA was \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales of  
7 \$\*\* \_\_\_\_\_ \*\* which resulted in a net loss of \$\*\* \_\_\_\_\_ \*\* for the Review Period.

## 8 **2. Summary of Cost Implications**

9 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a  
10 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm  
11 could result from that imprudence through an increase in FAC charges. Commission Rule  
12 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power  
13 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found  
14 no indication that Evergy Missouri Metro imprudently included the Osborn Wind Farm PPA  
15 costs in the FAC.

## 16 **3. Conclusions**

17 Staff has identified that the Osborn Wind Farm PPA is creating a significant amount of  
18 additional costs compared to the revenue received. Staff notes this is a long-term PPA and  
19 the performance of this contract should be viewed on a long-term basis and not just from the  
20 results during this Review Period. Staff is not recommending a disallowance related to this issue  
21 at this time.

## 22 **4. Documents Reviewed**

- 23 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,  
24 0023, 0043, 0045, 0046, 0053, and 0058;
- 25 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 26 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 27 d. Staff Report in Case No. EO-2018-0290; and
- 28 e. Staff Report in Case No. EO-2019-0317.

29 *Staff Expert/Witness: Brooke Mastrogiannis*

1 **Q. Spearville 3 Wind Energy Facility Purchased Power Agreement**

2 **1. Description**

3 Evergy Missouri Metro has a long-term (20-year) PPA with Spearville 3, LLC for  
4 energy and RECs generated by the Spearville 3 Wind Energy Facility located in Kansas. The  
5 contract is based on a fixed price of \$\*\* \_\_\_\_ \*\* per MWh and \*\* \_\_\_\_ \*\* MW of capacity that  
6 Evergy Missouri Metro began receiving in October 2012. The contract is a “take-or pay”  
7 contract (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs the  
8 energy or not), which is a standard feature of many wind PPAs. The contract is for the energy  
9 and RECs generated by the wind farm. In its response to Staff Data Request No. 0058 Evergy  
10 Missouri Metro stated, “Evergy MO Metro did not sell any RECs during the Review Period of  
11 July 1, 2018 through December 31, 2019”. Cost of electricity under the Spearville 3 PPA was  
12 \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which resulted in  
13 a net loss of \$\*\* \_\_\_\_\_ \*\* for the Review Period.

14 **2. Summary of Cost Implications**

15 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a  
16 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm  
17 could result from that imprudence through an increase in FAC charges. Commission Rule  
18 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power  
19 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found  
20 no indication that Evergy Missouri Metro imprudently included the Spearville 3 Wind Energy  
21 PPA costs in the FAC.

22 **3. Conclusions**

23 Staff has identified that the Spearville 3 Wind Energy PPA is creating a significant  
24 amount of additional costs compared to the revenue received. Staff notes this is a long-term  
25 PPA and the performance of this contract should be viewed on a long-term basis and not just  
26 from the results during this Review Period. Staff is not recommending a disallowance related  
27 to this issue at this time.

1                   **4. Documents Reviewed**

- 2           a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,  
3                   0023, 0043, 0045, 0046, 0053, and 0058;  
4           b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;  
5           c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;  
6           d. Staff Report in Case No. EO-2018-0290; and  
7           e. Staff Report in Case No. EO-2019-0317.

8   *Staff Expert/Witness: Brooke Mastrogiannis*

9                   **R. Waverly Wind Farm Purchased Power Agreement**

10                   **1. Description**

11           Evergy Missouri Metro has a long-term (20-year) PPA with Waverly Wind Farm, LLC  
12   for energy and RECs generated by the Waverly Wind Farm beginning in November 2015.  
13   The contract is also a “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy  
14   Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and  
15   is based on a fixed energy price of \$\*\* \_\_\_\_\_ \*\* per MWh and a capacity of \*\* \_\_\_\_ \*\* MW.  
16   In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated, “Evergy MO  
17   Metro did not sell any RECs during the Review Period of July 1, 2018 through December 31,  
18   2019”. Cost of electricity under the Waverly Wind Farm PPA was \$\*\* \_\_\_\_\_ \*\*  
19   with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which resulted in a net loss of  
20   \$\*\* \_\_\_\_\_ \*\* for the Review Period.

21                   **2. Summary of Cost Implications**

22           If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a  
23   cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm  
24   could result from that imprudence through an increase in FAC charges. Commission Rule  
25   20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power  
26   costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found  
27   no indication that Evergy Missouri Metro imprudently included the Waverly Wind Farm PPA  
28   costs in the FAC.

29                   **3. Conclusions**

30           Staff has identified that the Waverly Wind Farm PPA is creating a significant amount  
31   of additional costs compared to the revenue received. Staff notes this is a long-term PPA and

1 the performance of this contract should be viewed on a long-term basis and not just from the  
2 results during this Review Period. Staff is not recommending a disallowance related to this issue  
3 at this time.

#### 4 **4. Documents Reviewed**

- 5 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,  
6 0023, 0043, 0045, 0046, 0053, and 0058;
- 7 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 8 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 9 d. Staff Report in Case No. EO-2018-0290; and
- 10 e. Staff Report in Case No. EO-2019-0317.

11 *Staff Expert/Witness: Brooke Mastrogiannis*

### 12 **S. Rock Creek Wind Project Purchased Power Agreement**

#### 13 **1. Description**

14 Evergy Missouri Metro has a long-term (20-year) PPA with Rock Creek Wind Project,  
15 LLC for energy and RECs generated by the Rock Creek Wind Farm located in Missouri.  
16 The contract is also a “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy  
17 Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and  
18 is based on a fixed energy price of \$\*\* \_\_\_\_ \*\* per MWh and a capacity of \*\* \_\_\_\_ \*\* MW,  
19 beginning August 2017. In its response to Staff Data Request No. 0058 Evergy Missouri Metro  
20 stated, “Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018  
21 through December 31, 2019”. Cost of electricity under the Rock Creek Wind Project was  
22 \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which resulted in  
23 a net loss of \$\*\* \_\_\_\_\_ \*\* for the Review Period.

#### 24 **2. Summary of Cost Implications**

25 If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a  
26 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm  
27 could result from that imprudence through an increase in FAC charges. Commission Rule  
28 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power  
29 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found  
30 no indication that Evergy Missouri Metro imprudently included the Rock Creek Wind Project  
31 PPA costs in the FAC.

1                   **3. Conclusions**

2                   Staff has identified that the Rock Creek Wind Project PPA is creating a significant  
3 amount of additional costs compared to the revenue received. Staff notes this is a long-term  
4 PPA and the performance of this contract should be viewed on a long-term basis and not just  
5 from the results during this Review Period. Staff is not recommending a disallowance related  
6 to this issue at this time.

7                   **4. Documents Reviewed**

- 8                   a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,  
9                   0023, 0043, 0045, 0046, 0053, and 0058;
- 10                  b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 11                  c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 12                  d. Staff Report in Case No. EO-2018-0290; and
- 13                  e. Staff Report in Case No. EO-2019-0317.

14 *Staff Expert/Witness: Brooke Mastrogiannis*

15                  **T. Prairie Queen Wind Purchased Power Agreement**

16                   **1. Description**

17                  Evergy Missouri Metro has a long-term (20-year) PPA with Prairie Queen Wind Farm,  
18 LLC for energy and RECs generated by the Prairie Queen Wind Farm located in Kansas.  
19 The contract is also a “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy  
20 Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and  
21 is based on a fixed energy price of \$\*\* \_\_\_\_ \*\* per MWh and a capacity of \*\* \_\_\_\_ \*\* MW,  
22 beginning May 2019. In its response to Staff Data Request No. 0058 Evergy Missouri Metro  
23 stated, “Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018  
24 through December 31, 2019”. Cost of electricity under the Prairie Queen Wind Project was  
25 \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which resulted in a  
26 net gain of \$\*\* \_\_\_\_ \*\* for the Review Period.

27                   **2. Summary of Cost Implications**

28                  If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a  
29 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm  
30 could result from that imprudence through an increase in FAC charges. Commission Rule

1 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power  
2 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found  
3 no indication that Evergy Missouri Metro imprudently included the Prairie Queen Wind PPA  
4 costs in the FAC.

5 **3. Conclusions**

6 Staff has identified that the Prairie Queen Wind PPA is creating more revenue received  
7 than additional costs. Staff notes this is a long-term PPA and the performance of this contract  
8 should be viewed on a long-term basis and not just from the results during this Review Period.  
9 Staff is not recommending a disallowance related to this issue at this time.

10 **4. Documents Reviewed**

- 11 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,  
12 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, and 0070;
- 13 b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 14 c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 15 d. Staff Report in Case No. EO-2018-0290; and
- 16 e. Staff Report in Case No. EO-2019-0317.

17 *Staff Expert/Witness: Brooke Mastrogiannis*

18 **U. Pratt Wind Purchased Power Agreement**

19 **1. Description**

20 Evergy Missouri Metro has a long-term (30-year) PPA with Pratt Wind, LLC for energy  
21 and RECs generated by the Pratt Wind Farm located in Kansas. The contract is also a  
22 “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy Missouri Metro has  
23 to receive and pay for the energy whether it needs the energy or not), and is based on a fixed  
24 energy price of \$\*\* \_\_\_\_ \*\* per MWh and a capacity of \*\* \_\_\_\_ \*\* MW, beginning November  
25 2018. In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated,  
26 “Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through  
27 December 31, 2019”. Cost of electricity under the Pratt Wind Project was \$\*\* \_\_\_\_\_ \*\*  
28 with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which resulted in a net loss of  
29 \$\*\* \_\_\_\_\_ \*\* for the Review Period.

1                                   **2. Summary of Cost Implications**

2           If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a  
3 cost that exceeded Evergy Missouri Metro’s cost to generate that energy itself, ratepayer harm  
4 could result from that imprudence through an increase in FAC charges. Commission Rule  
5 20 CSR 4240-20.090(1)(B) and (C) and Evergy Missouri Metro’s FAC allow purchased power  
6 costs and revenues in FERC Account Number 555 to be recovered through the FAC. Staff found  
7 no indication that Evergy Missouri Metro imprudently included the Pratt Wind PPA costs in  
8 the FAC.

9                                   **3. Conclusion**

10           Staff has identified that the Prairie Queen Wind PPA is creating more additional costs  
11 compared to the revenue received. Staff notes this is a long-term PPA and the performance of  
12 this contract should be viewed on a long-term basis and not just from the results during this  
13 Review Period. Staff is not recommending a disallowance related to this issue at this time.

14                                   **4. Documents Reviewed**

- 15           a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020,  
16           0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;
- 17           b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
- 18           c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
- 19           d. Staff Report in Case No. EO-2018-0290; and
- 20           e. Staff Report in Case No. EO-2019-0317.

21 *Staff Expert/Witness: Brooke Mastrogiannis*

22                                   **V. Purchased Power Costs**

23                                   **1. Description**

24           Evergy Missouri Metro’s FAC Second Revised Sheet No. 50.13, applicable to service  
25 provided from July 1, 2018 through December 6, 2018, and Original Sheet No. 50.23,  
26 applicable to service provided from December 6, 2018 through the effective date of this tariff  
27 sheet and thereafter, define the Purchased Power Costs (“PP”) components, which are purchases  
28 of power through the SPP IM and not electric generated by the Company.

29           Staff has determined that Evergy Missouri Metro’s total purchased power expense for  
30 the prudence Review Period is \$\*\* \_\_\_\_\_ \*\*, as shown previously in Table 3. More detail  
31 for the cost of PP is shown in Table 14.





1 **Cimarron 2, Slate Creek, Osborn, Spearville 3, Waverly,**  
2 **Rock Creek, Prairie Queen and Pratt**

3 Evergy Missouri Metro had long-term purchased power contracts with eight wind farms  
4 during the Review Period. A further description of these contracts can be found in  
5 Sections III. N, O, P, Q, R, S, T, and U of this report. Not included in these sections of Staff's  
6 Report is the new purchased power wind contracts that Evergy Missouri Metro has recently  
7 signed into since the associated costs and revenues have not yet been sought for recovery  
8 through the FAC. However, Staff is aware of these additional purchased power wind contracts  
9 and provided as part of its Staff Report in the most recent Evergy Missouri Metro 2020 IRP  
10 Annual Update<sup>39</sup> concerns with these additional purchased power wind contracts. Given that a  
11 majority of Evergy Missouri Metro's current wind PPAs are creating more costs for ratepayers  
12 than revenues and additional purchased power wind contracts could put ratepayers at greater  
13 risk, Staff notes in its Staff Report in Case No. EO-2020-0280 "that this risk could be addressed  
14 fairly through risk mitigation or risk sharing in the Commission-approved fuel adjustment  
15 clauses of the Companies."<sup>40</sup>

16 **CNPPID Hydro Power Purchase Agreement**

17 Evergy Missouri Metro has a long-term (10-year) purchase power agreement with  
18 Central Nebraska Public Power and Irrigation District ("CNPPID") ending December 31, 2023,  
19 for energy generated by several hydroelectric facilities (Jeffery Hydro 1, Jeffery Hydro 2,  
20 Johnson Hydro 11, Johnson Hydro 12, and Johnson Hydro 21) located in Nebraska. The  
21 contract is based on a fixed energy price of \$\*\* \_\_\_\_ \*\* per MWh and \*\*\_\_ \*\* MW of capacity  
22 and is a "take-or pay" contract. Costs of electricity under the CNPPID purchase power  
23 agreement are \$\*\* \_\_\_\_\_ \*\* for July 1, 2018 through November 30, 2018.<sup>41</sup> CNPPID is not  
24 a Division of Energy certified renewable energy resource.

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<sup>39</sup> Case No. EO-2020-0280.

<sup>40</sup> Case No. EO-2020-0280, Staff Report, Page 7.

<sup>41</sup> During the last general rate case, Case No. ER-2018-0145, the Commission, in its *Order Approving Stipulations and Agreements* issued on October 31, 2018, approved an agreement that the CNPPID contract would no longer be recoverable through Evergy Missouri Metro's FAC as of December 6, 2018.

1 **Non-firm Short-term Energy**

2 Evergy Missouri Metro purchases hourly energy in the SPP IM. Since implementing the  
3 SPP IM, SPP has controlled the economic dispatch of Evergy Missouri Metro’s generation.  
4 During times that Evergy Missouri Metro’s load exceeds Evergy Missouri Metro’s generation,  
5 Evergy Missouri Metro becomes a net purchaser in the SPP market. These SPP market  
6 purchases are from other electric suppliers to help meet Evergy Missouri Metro’s load during  
7 times of forced or planned plant outages and during times when the market price is below the  
8 marginal cost of providing that energy from Evergy Missouri Metro’s generating units. Under  
9 the SPP IM, Evergy Missouri Metro’s generation is offered to the SPP IM and energy needed  
10 for native load requirements is purchased from the SPP market. “Spot purchases and sales are  
11 made based upon SPP market and operating conditions for the entire SPP footprint.” Costs for  
12 the SPP IM purchases are included as “Non-Firm Short-term Energy” in Table 3 and Table 14  
13 of this report. Further discussion of Evergy Missouri Metro’s participation in these markets can  
14 be found in Section III.A. of this report.

15 **Short-term Demand**

16 There were no capacity charges for capacity purchases less than 12 months in duration  
17 during the Review Period.

18 **2. Summary of Cost Implication**

19 If Evergy Missouri Metro erred when it booked costs from purchased power contracts  
20 or if Evergy Missouri Metro imprudently participated in the SPP IM, ratepayer harm could  
21 result from an increase in costs collected through the FAC.

22 **3. Conclusion**

23 Staff found no indication of imprudence by Evergy Missouri Metro related to its  
24 purchasing short-term capacity, booking long-term purchased power contracts, or purchasing  
25 non-firm short-term energy.

1                   **4. Documents Reviewed**

- 2           a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0019,  
3           0020, 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;  
4           b. PPA Contracts;  
5           c. Staff Report in EO-2020-0280; and  
6           d. Section III.A. of this report.

7   *Staff Expert/Witness: Brooke Mastrogiannis*

8   **IV. INTEREST**

9                   **1. Description**

10           During each accumulation period, Evergy Missouri Metro is required to calculate a  
11           monthly interest amount based on Evergy Missouri Metro’s short-term debt borrowing rate that  
12           is applied to the under-recovered or over-recovered fuel and purchased power costs. Evergy  
13           Missouri Metro’s short-term debt rate is calculated using the daily one-month United States  
14           Dollar London Interbank Offered Rate (“LIBOR”), using the last previous actual rate for  
15           weekends and holidays or dates without an available LIBOR, and the Applicable Margin for  
16           Eurodollar Advances. A simple mathematical average of all the daily rates for the month is then  
17           computed. For the Review Period, Evergy Missouri Metro’s average monthly interest rate from  
18           July 1, 2018 through December 31, 2019 was \*\* \_\_\_\_ \*\* with the total amount of interest  
19           accumulated for the period of \$\*\* \_\_\_\_\_ \*\*. The interest amount is component “I” of  
20           Evergy Missouri Metro’s FAC.

21                   **2. Summary of Interest Implications**

22           If Evergy Missouri Metro imprudently calculated the monthly interest amounts or used  
23           short-term debt borrowing rates that did not fairly represent the actual cost of Evergy Missouri  
24           Metro’s short-term debt, ratepayers could be harmed by FAC charges that are too high.

25                   **3. Conclusion**

26           Staff found no evidence Evergy Missouri Metro imprudently determined the monthly  
27           interest amount that was applied to the under-recovered or over-recovered fuel and purchased  
28           power costs.

1                   **4. Documents Reviewed**

- 2           a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001 and 0044;
- 3           b. Evergy Missouri Metro’s monthly interest calculation work papers in support of the
- 4           interest calculation amount on the under-recovered or over-recovered balance; and
- 5           c. Company Files: q0001 conf Metro section 8 filing – 7<sup>th</sup> accum – dec 2018; q0001
- 6           conf Metro section 8 filing – 8<sup>th</sup> accum – jun 2019; and, q0001 conf Metro section 8
- 7           filing – 9<sup>th</sup> accum – dec 2019.

8   *Staff Expert/Witness: Cynthia M. Tandy*

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

In the Matter of the Third Prudence Review )  
of Costs Subject to the Commission- ) Case No. EO-2020-0263  
Approved Fuel Adjustment Clause of Evergy )  
Metro, Inc. d/b/a Evergy Missouri Metro )

**AFFIDAVIT OF JORDAN HULL,  
CYNTHIA M. TANDY, LISA WILDHABER**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COME NOW** Jordan Hull, Cynthia M. Tandy, Lisa Wildhaber, and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing *Direct Report*; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Jordan Hull  
Jordan Hull

/s/ Cynthia M. Tandy  
Cynthia M. Tandy

/s/ Lisa Wildhaber  
Lisa Wildhaber