

**MISSOURI PUBLIC SERVICE COMMISSION**

**STAFF REPORT**

**NINTH PRUDENCE REVIEW OF COSTS  
RELATED TO THE FUEL ADJUSTMENT CLAUSE  
FOR THE ELECTRIC OPERATIONS  
OF  
EVERGY MISSOURI WEST, INC., d/b/a Evergy  
Missouri West (“Evergy Missouri West”), f/k/a KCP&L  
Greater Missouri Operations Company (“GMO”)**

**CASE NO. EO-2020-0262**

**June 1, 2018 through November 30, 2019**

*Jefferson City, Missouri  
August 28, 2020*

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

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9 **CASE NO. EO-2020-0262**

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EVERGY MISSOURI WEST, INC.**

**June 1, 2018 through November 30, 2019**

**CASE NO. EO-2020-0262**

**I. EXECUTIVE SUMMARY**

The Missouri Public Service Commission (“Commission”) first authorized a Fuel Adjustment Clause (“FAC”) for Aquila, Inc. (“Aquila”) effective July 5, 2007,<sup>1</sup> in Case No. ER-2007-0004. The Commission approved the acquisition of Aquila, by Great Plains Energy, Inc. and subsequently Aquila was renamed KCP&L Greater Missouri Operations Company (“GMO”). The Commission approved the merger of Great Plains Energy, Inc. with Westar Energy, Inc. in Case No. EM-2018-0012 and subsequently, GMO was renamed Evergy Missouri West, Inc., d/b/a Evergy Missouri West (“Evergy Missouri West” or “Company”). Since its initial approval of the FAC in 2007, the Commission has approved continuation of the FAC with modifications in its *Reports and Orders* in the Company’s general rate cases: Case Nos. ER-2009-0090, ER-2010-0356, ER-2012-0175, ER-2016-0156<sup>2</sup> and ER-2018-0146.

Commission Rule 20 CSR 4240-20.090(11)<sup>3</sup> and Missouri Revised Statute Section 386.266.5(4) require that the Commission’s Staff (“Staff”) conduct prudence reviews of an electric utility’s FAC no less frequently than every 18 months. In this prudence review, Staff analyzed items affecting Evergy Missouri West’s fuel costs; purchased power costs; net emission costs; transmission costs; off-system sales revenues; and renewable energy credit revenues for the twenty-third, twenty-fourth and twenty-fifth six-month accumulation periods. The twenty-third accumulation period started June 1, 2018 and ended November 30, 2018. The twenty-fourth accumulation period started December 1, 2018 and ended May 31, 2019. The twenty-fifth accumulation period started June 1, 2019 and ended November 30, 2019. Thus, the Review Period that is documented in this Prudence Review Report is from June 1, 2018 through November 30, 2019

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<sup>1</sup> Item No. 411 in Case No. ER-2007-0004.

<sup>2</sup> GMO’s rate districts MPS and L&P were combined on February 22, 2017 as a result of Case No. ER-2016-0156 into a single combined rate district renamed GMO.

<sup>3</sup> Effective January 30, 2019.

1 (“Review Period”). This is Staff’s ninth Prudence Review Report for Evergy Missouri West’s FAC.  
2 Table 1 identifies Staff’s previous FAC prudence reviews.

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

Review	File Number	Review Period
First	EO-2009-0115	June 1, 2007 through May 31, 2008
Second	EO-2010-0167	June 1, 2008 through May 31, 2009
Third	EO-2011-0390	June 1, 2009 through November 30, 2010
Fourth	EO-2013-0325	December 1, 2010 through May 31, 2012
Fifth	EO-2014-0242	June 1, 2012 through November 30, 2013
Sixth	EO-2016-0053	December 1, 2013 through May 31, 2015
Seventh	EO-2017-0232	June 1, 2015 through November 30, 2016
Eighth	EO-2019-0067	December 1, 2016 through May 31, 2018

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

12 Staff analyzed a variety of items in examining whether Evergy Missouri West was imprudent  
13 when managing its fuel and purchased power costs associated with its FAC. Based on its review, Staff  
14 found that Evergy Missouri West included costs associated with the retirement of the Sibley generating  
15 station during the Review Period. The Company has agreed to remove these costs and seek recovery  
16 through another mechanism. Staff recommends the Commission order an Ordered Adjustment (“OA”)  
17 in the amount of \$1,039,646 as Evergy Missouri West can seek recovery of these costs through another  
18 mechanism, such as its next general rate case. Therefore, based on its review, Staff found no evidence  
19 of imprudence by Evergy Missouri West.<sup>4</sup>

20 *Staff Expert/Witness: Brooke Mastrogiannis*

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<sup>4</sup> Staff would like to note that, in Case No. EO-2020-0228, Staff recommended several disallowances to Evergy Missouri West’s Demand Response programs. Evergy Missouri West 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 West’s motion on August 19, 2020.

1 **II. INTRODUCTION**

2 **A. General Description of Evergy Missouri West’s FAC**

3 Table 2 identifies Evergy Missouri West’s Commission-approved FAC tariff sheets which were  
4 applicable for service provided by Evergy Missouri West to its customers during the period  
5 June 1, 2018, through November 30, 2019:  
6

**Table 2**  
**Evergy Missouri West’s Commission-approved FAC Tariff Sheets**  
**June 1, 2018 through November 30, 2019**

June 1, 2018 through December 5, 2018	December 6, 2018 through November 30, 2019
3rd Revised Sheet No. 127.1	Original Sheet No. 127.13
3rd Revised Sheet No. 127.2	Original Sheet No. 127.14
3rd Revised Sheet No. 127.3	Original Sheet No. 127.15
3rd Revised Sheet No. 127.4	Original Sheet No. 127.16
7th Revised Sheet No. 127.5	Original Sheet No. 127.17
3rd Revised Sheet No. 127.6	Original Sheet No. 127.18
3rd Revised Sheet No. 127.7	Original Sheet No. 127.19
3rd Revised Sheet No. 127.8	Original Sheet No. 127.20
3rd Revised Sheet No. 127.9	Original Sheet No. 127.21
5th Revised Sheet No. 127.10	Original Sheet No. 127.22
1st Revised Sheet No. 127.11	

7 For each accumulation period (“AP”),<sup>5</sup> Evergy Missouri West’s Commission-approved FAC allows  
8 Evergy Missouri West to recover from (if the actual net energy costs exceed) or refund to (if the actual  
9 net energy costs are less than) its ratepayers ninety-five percent (95%) of its Missouri jurisdictional<sup>6</sup>  
10 actual net energy costs (“ANEC”)<sup>7</sup> less net base energy costs (“B”)<sup>8</sup> which is identified as (ANEC-B)\*J

<sup>5</sup> Accumulation periods are June through November and December through May.

<sup>6</sup> J is defined on Original Sheet No. 127.21 as Missouri Retail Energy Ratio = Retail kWh sales/total system kWh, where total system kWh equals retail and full and partial requirement sales associated with Evergy Missouri West.

<sup>7</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 West’s Original Sheet No. 127.14.

<sup>8</sup> Net base energy costs (B) are defined on Evergy Missouri West’s Original Sheet No. 127.21 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 FPA. Net base energy costs will be calculated as shown below  $SAP \times \text{Base Factor}$  (“BF”).

1 in Evergy Missouri West's FAC.<sup>9</sup> Actual net energy costs are defined as the prudently incurred  
2 variable fuel costs, purchased power costs, transmission costs and net emissions costs minus off-system  
3 sales revenues and renewable energy credit revenues. Evergy Missouri West accumulates variable fuel  
4 costs, purchased power costs, transmission costs and net emissions costs minus off-system sales  
5 revenues and renewable energy credit revenues during six-month accumulation periods. Each six-  
6 month accumulation period is followed by a twelve-month recovery period when 95% of the  
7 (ANEC-B)\*J amount (including the monthly application of interest)<sup>10</sup> is recovered from or returned to  
8 ratepayers through an increase or decrease in the FAC Fuel Adjustment Rates ("FAR") during a twelve-  
9 month recovery period ("RP").<sup>11</sup> Because the FAR rarely, if ever, will exactly match the required offset,  
10 Evergy Missouri West's FAC is designed to true-up the difference between the revenues billed and the  
11 revenues authorized (including the monthly application of interest) for collection during recovery  
12 periods. Any disallowance the Commission orders as a result of a prudence review shall include  
13 interest at the Company's short-term interest rate and will be accounted for as an item of cost<sup>12</sup> in a  
14 future filing to adjust the FAR.

## 15 **B. Prudence Standard**

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

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

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

30 954 S.W.2d 520, 528-29 (Mo. App. W.D., 1997) (citations omitted).

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<sup>9</sup> For the twenty-third, twenty-fourth and twenty-fifth accumulation periods, the (ANEC-B)\*J amounts are included on line 5 of Evergy Missouri West's 4th Revised Sheet No. 127.12, 1st Revised Sheet No. 127.23, and 2<sup>nd</sup> Revised Sheet No. 127.23, respectively.

<sup>10</sup> See Section IV. Interest, of this Prudence Review Report.

<sup>11</sup> Recovery periods are: March through February and September through August.

<sup>12</sup> See definition of variable I on Evergy Missouri West's Original Sheet No. 127.21.

1 In reversing the Commission decision 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 customers  
3 based on imprudence, the Commission must determine the detrimental impact of that imprudence on  
4 the utility's ratepayers. *Id.* at 529-30. This is the prudence standard Staff has followed in this review.  
5 Staff reviewed for prudence the areas identified and discussed below for Evergy Missouri West's  
6 twenty-third, twenty-fourth, and twenty-fifth six-month accumulation periods.

7 *Staff Expert/Witness: Brooke Mastrogiannis*

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

10 Evergy Missouri West's FAC includes four major components of costs: fuel costs, purchased  
11 power costs, transmission costs, and net emission costs. It also includes two components of revenues:  
12 off-system sales revenues and renewable energy credit revenues. Table 3 is a breakdown of Evergy  
13 Missouri West's fuel costs, purchased power costs, transmission costs, net emission costs, off-system  
14 sales revenues, and renewable energy credit revenues for the period of June 1, 2018 through  
15 November 30, 2019:

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**Table 5 – Confidential**

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**Table 6 - Confidential**

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**2. Summary of Cost Implications**

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Everyday Missouri West participates in the Southwest Power Pool Integrated Marketplace (“SPP IM”). In the Integrated Marketplace (“IM”), the vast majority of generation dispatch decisions are made by SPP via established market requirements and processes. SPP market rules establish must

1 offer requirements both for the Day Ahead Market (“DA”) and the Real Time Balancing Market  
2 (“RT”). With respect to the DA, there is a Day Ahead Must Offer requirement which essentially states  
3 that Market Participants (“MPs”) must offer enough generation to cover that MP’s next day projected  
4 peak load, ancillary service obligations and any firm sales it has agreed to make. In addition, the SPP  
5 Market Monitoring Unit monitors for Physical Withholding of generation, which further incentivizes  
6 MPs to offer much of their available generation in the DA, even if they have already met their Must  
7 Offer requirement. With respect to the RT, SPP requires that all physically available generation be  
8 offered to the market. In accordance with SPP rules and requirements, Evergy Missouri West submits  
9 generation offers in the DA and RT. Once these offers have been submitted, they are utilized by SPP  
10 in its market co-optimization processes. SPP market applications consider inputs such as system-wide  
11 requirements, generator operating parameters, offers from all MPs, and transmission system topology  
12 to arrive at the most cost effective and reliable generation solution possible. Some of these applications  
13 include the Security Constrained Unit Commitment (“SCUC”) and Security Constrained Economic  
14 Dispatch (“SCED”) tools. Once the least cost, viable solution is arrived at, SPP issues operating  
15 instructions to MPs. Under the SPP market construct, MPs are given the flexibility to let the SPP  
16 market independently decide when to commit a given unit or to self-commit the generator. A common  
17 example of the latter is if a unit needs to be online for required testing on a given day. Even if a  
18 generator is self-committed, this simply establishes that the unit will be online. SPP will still dispatch  
19 the unit via the SCED tool within its dispatchable range as established through the market submissions  
20 process.

### 21 **3. Conclusion**

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

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

- 25 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0002, 0003, 0010, 0011,  
26 0012, 0013, 0015, 0017, 0018, 0021, 0022, 0041, 0043, and 0053.

27 *Staff Expert/Witness: Jordan Hull*

## 28 **B. Heat Rates**

### 29 **1. Description**

30 Heat rates of generating units are an indicator of unit performance. A heat rate is a calculation  
31 of total volume of fuel burned for electric generation multiplied by the average heat content of that

1 volume of fuel divided by the total net generation of electricity in kilowatt hours (“kWh”) for a given  
2 time period.

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

4 Heat rates are inversely related to the operating efficiency of the generating unit. Increasing  
5 heat rates of specific units over time may be an indication that a specific unit’s efficiency is declining.  
6 Heat rates can vary greatly depending on operating conditions including but not limited to load, hours  
7 of operation, shutdowns and startups, unit outages, derates, and weather conditions. Therefore, a good  
8 indication of unit performance for those units that are utilized frequently is an analysis of the trend of  
9 heat rates over time. A permanent increase in monthly heat rates is commonly the result of a decrease  
10 in a generating unit’s operating efficiency whenever additional emissions reduction equipment is added  
11 to the backend of the generating unit. Continued utilization of units with sustained elevated heat rates  
12 could result in Evergy Missouri West incurring higher fuel costs per unit of electricity generated than  
13 it would otherwise have incurred. If Evergy Missouri West was imprudent in response to the ongoing  
14 trend of a unit’s heat rate, ratepayer harm could result from an increase in the fuel costs that are  
15 collected through Evergy Missouri West’s FAC charges.

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### 20 **3. Conclusion**

21 In reviewing the monthly heat rates of the Evergy Missouri West’s generating units and  
22 examining the reasons behind the unfavorable trends and sporadic heat rates, Staff found no indication  
23 that Evergy Missouri West acted imprudently during the Review Period.

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

- 25 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0018, and 0065; and
- 26 b. Monthly Outage data in the Monthly Reports submitted by Evergy West in compliance with  
27 Rule 20 CSR 4240-3.190.

28 *Staff Expert/Witness: Jordan Hull*

<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 **C. Plant Outages**

2 **1. Description**

3 Generating stations' outages generally can be classified as scheduled outages, forced outages,  
4 or partial outages ("derating"). Scheduled outages consist of either a planned outage or a maintenance  
5 outage. A planned outage is one that is scheduled well in advance, with a predetermined duration and  
6 occurring only once or twice a year. Due to significant resources required such as contractors and  
7 scheduling, planned outages are scheduled more than a year in advance. Turbine and boiler overhauls,  
8 inspections, testing, and nuclear refueling are typical planned outages. A maintenance outage is one  
9 that can be deferred beyond the end of the next weekend but must be taken before the next planned  
10 outage. A forced outage is an outage that cannot be deferred beyond the next weekend and a partial  
11 outage or derating is a condition that exists that requires the unit to be limited to an energy output below  
12 maximum capacity.

13 Outages taken at any of the generating units have an impact on how much Evergy Missouri  
14 West will pay for fuel and purchased power and, if planned during peak load demand times, has the  
15 potential result of Evergy Missouri West paying more for fuel and purchased power cost than it would  
16 have paid if the outage was planned during forecasted low load times. Periodic planned outages are  
17 required to maintain each generating unit in peak operating condition to minimize forced or  
18 maintenance outages that could occur during peak load demand or periods of high replacement energy  
19 costs, typically June through August and January through February.

20 Staff examined the planned outages and their timing for imprudence. An example of an  
21 imprudent outage would be scheduling a planned outage of a large base load unit during a time of peak  
22 load. Evergy Missouri West has little or no control over the timing of unscheduled maintenance or  
23 forced outages of the generating stations it owns and operates when such outages are the result of  
24 unforeseen events causing fuel and/or purchase power costs that are collected from customers through  
25 Evergy Missouri West's FAC to increase. The Company has no control over the timing of planned  
26 outages for generating stations it does not operate.

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**2. Summary of Cost Implications**

An imprudent outage could result in an increase in purchased power costs as well as a decrease in off-system sales revenues through the SPP IM and ratepayer harm could result from an increase in FAC charges.

**3. Conclusion**

Staff did not find any evidence of imprudent planned outages by Evergy Missouri West during the time period examined in this review.

**4. Documents Reviewed**

- a. Evergy Missouri West’s responses to Staff Data Request Nos. 0004, 0005, 0005.1, 0006 and 0047.

*Staff Expert/Witness: Jordan Hull*

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

**1. Description**

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

\_\_\_\_\_ <sup>17\*\*</sup> With these tools, the Company can develop a day-ahead load bidding strategy based on current projections and historical trends.

“The SPP Integrated Marketplace attempts to minimize the cost to serve load subject to transmission and generator constraints. The day-ahead market does this by using two main tools:

<sup>16</sup> Response to Data Request No. 0005.1.

<sup>17</sup> Response to Staff Data Request No. 0055.

1 centralized unit commitment and economic dispatch. Centralized unit commitment sorts the available  
2 generators from least expensive to most expensive and then selects the least expensive units that can  
3 achieve the objective without violating the constraints of the optimization. Economic dispatch then  
4 uses the results of the unit commitment process as inputs to its own separate optimization. The results  
5 of which produce two key, time-based outputs: the megawatts each generator should produce at the  
6 corresponding locational prices. Centralized unit commitment and economic dispatch processes are  
7 designed to work together to make the market more efficient.”<sup>18</sup> The SPP market allows participants  
8 to commit resources different ways rather than have the market choose which units to run. SPP utilizes  
9 five resource offer commitment status designations<sup>19</sup> for its market participants (“MP”):

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

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

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

16 **4. Outage** – the resource is unavailable due to a planned, forced, maintenance, or another  
17 approved outage.

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

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<sup>20</sup>\*\*

<sup>18</sup> SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.  
<sup>19</sup> SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 5.  
<sup>20</sup> Response to Staff Data Request No. 0055.



1 SPP Market participants have stated the following reasons for self-commitment:<sup>21</sup>

- 2 • Testing – NERC requirement
- 3 • Public Utilities Regulatory Policy Act (PURPA)
- 4 • Federal service exemptions
- 5 • Started by a different market
- 6 • Weather
- 7 • Long lead times
- 8 • Fuel contracts
- 9 • Other contracts
- 10 • Long minimum run times
- 11 • Commitment bridging
- 12 • Desire to reduce thermal damage to the unit due to starts and stops
- 13 • High startup costs

14 Some of these reasons are unavoidable and can require the resource to be offered in  
15 self-commitment status. Testing the output of a plant, as periodically required by regulatory agencies,  
16 is a frequent justification. “Some of the reasons, such as high start-up costs, fuel contracts, or  
17 commitment bridging are economic in nature and can be handled within the market offer through  
18 dollar-based offer parameters. Thermal damage due to start-ups and shutdowns and resulting major  
19 maintenance could be included in mitigated offers starting in April 2019. SPP has seen a decline in  
20 self-committed generation over time and it is possible that perceptions of economic justifications have  
21 changed over time.”<sup>22</sup>

22 Staff analyzed data received from Evergy Missouri West to determine the financial impacts of the  
23 self-commit units as offered and cleared into the SPP DA and RT markets. Table 7 provides the  
24 summary of Staff’s review by generating unit for the Review Period of June 1, 2018 through November  
25 30, 2019. Staff reviewed the hourly transactions that were deemed self-commitment by taking the  
26 hourly real time energy cost and adding it to the hourly total revenue for that same hour for the  
27 individual generating unit that was self-committed, then compared the number of positive “In the  
28 Money” hourly transactions to the negative “Out the Money” hourly transactions. Results are shown

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<sup>21</sup> SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Pages 7&8.

<sup>22</sup> SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 8.

below in Table 7. Staff then decided to take it a step further and show the amount of revenue that corresponded to the “In vs Out” of money transactions, as well as a net settlement (revenue) or total when adding the “In money” to the “Out money” transactions, to show an overall revenue associated with self-commitment. Staff is providing Table 7 as actual financial results of Evergy Missouri West’s current practice of Self-Commit of its baseload generation units.

**Table 7 – Confidential**

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Staff further 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 to fully understand the economic impact of self-scheduling on a given unit’s profitability, an analysis at the RTO level would need to be conducted. Due to the highly confidential nature of utilities’ market bidding strategies, it is highly unlikely that any party other than SPP or MISO have the raw data, modeling software access, and resources to conduct such an extensive analysis of

1 market trends.”<sup>23</sup> Staff does not have the data to perform a detailed analysis as to what would have  
2 been the additional costs to the units due to high cost of restart, increases in O&M cost and increased  
3 plant outages if Evergy Missouri West would have designated these units as “Market” instead of  
4 “Self-Commit”. This is the first review of the commitment statuses for Evergy Missouri West in a FAC  
5 prudence review, but Staff plans to compare this review to future reviews to see what trend  
6 self-commitment is following for Evergy Missouri West. SPP acknowledged in its Market Report for  
7 Winter of 2020 that self-commitment is on a “downward trend<sup>24</sup>” market wide. Based on the  
8 information provided by Evergy Missouri West and Staff’s knowledge of general trends in market  
9 commitment behavior, at this time, Staff is not aware of any prudence issues related to Evergy Missouri  
10 West’s practice of self-commitment.

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

12 Imprudent Unit Generation commitment could result in increased cost of purchased power  
13 by Evergy Missouri West from the SPP IM as well as a decrease in off-system sales revenues through  
14 the SPP IM.

## 15 **3. Conclusion**

16 Staff did not find any evidence of imprudent generation unit self-commitment by Evergy  
17 Missouri West during the Review Period.

## 18 **4. Documents Reviewed**

- 19 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0055.
- 20 b. File No. EW-2019-0370, Supplemental Reports.
- 21 c. SPP Documents: Market Report for Winter 2020 and Self-committing in SPP markets:  
22 Overview.

23 *Staff Expert/Witness: Jordan Hull*

## 24 **E. Natural Gas Costs**

### 25 **1. Description**

26 For the Review Period, \$\*\* \_\_\_\_\_ <sup>\*\*25</sup> or \*\* \_\_\_\*\*% of Evergy Missouri West’s total  
27 fuel costs, purchased power costs, transmission costs, and net emission costs was associated with the  
28 natural gas used in generating electricity. The cost of natural gas includes various miscellaneous  
29 charges such as firm transportation service charges and other fuel handling expenses. During the

---

<sup>23</sup> EW-2019-0370, Staff’s Second Supplemental Report, Pages 1&2.

<sup>24</sup> SPP Market Report for Winter 2020, Generation Scheduling, Published May 18, 2020, Page 21.

<sup>25</sup>\*\*

\*\*

1 Review Period, Evergy Missouri West's natural gas price averaged \$\*\* \_\_\_\_ \*\* per MMBtu, based on  
2 \*\* \_\_\_\_ \*\* MMBtu of actual natural gas burned and costs of \$\*\* \_\_\_\_ . \*\* Staff reviewed  
3 the contract terms and a sampling of invoices for gas purchased. Evergy Missouri West receives natural  
4 gas services from 20 natural gas supply companies and 5 natural gas transportation companies. The  
5 companies are:

6 **Table 8 - Confidential**

7 \*\*


8 \*\*

9 **Table 9 - Confidential**

10 \*\*


11 \*\*

1 The following table identifies Evergy Missouri West’s peaking generating units that burn natural gas:

2 **Table 10 - Confidential**

3 \*\*


4 \*\*

5 **2. Summary of Cost Implications**

6 If Evergy Missouri West was imprudent in its purchasing decisions relating to natural gas,  
7 ratepayer harm could result from increased FAC charges.

8 **3. Conclusion**

9 Staff found no indication Evergy Missouri West’s purchases of natural gas were imprudent  
10 during the Review Period.

11 **4. Documents Reviewed**

- 12 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0023, 0024, 0024.1, 0035,
- 13 0035.1, 0045, 0066; and
- 14 b. Evergy Missouri West’s monthly reports; FAR Filings and related work papers for AP 23,
- 15 24, and 25.

16 *Staff Expert/Witness: Lisa Wildhaber*

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

18 **1. Description**

19 For the Review Period, \$\*\* \_\_\_\_\_ \*\* or \*\* \_\_\_\*\*% of Evergy Missouri West’s total fuel  
 20 costs, cost of purchased power, transmission costs, and net emission costs was associated with the coal  
 21 used in generating electricity. The cost of coal includes various miscellaneous charges such as rail and  
 22 other ground transportation service charges, and other fuel handling expenses. Staff reviewed the  
 23 contract terms of 6 coal purchase contracts, as well as a sampling of invoices for coal purchased and  
 24 delivered. The counterparties for the contracts are:

25

**Table 11 - Confidential**

\*\*


\*\*

The contracts provide coal delivery to Evergy Missouri West’s Jeffrey Energy Center 1, 2, and 3; Sibley 1, 2, and 3; and Iatan 1 and 2 generating units. The price of coal can either be a fixed price for the entire contract, a fixed price for each year of the contract, a base price plus an escalation as calculated per the contract, a price determined by the Master Purchase & Sales Agreement, or a price which is indexed based.

**2. Summary of Cost Implications**

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

**3. Conclusion**

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

**4. Documents Reviewed**

- a. Evergy Missouri West’s responses to Staff Data Request Nos. 0021, 0023, 0031, 0035, 0035.1, 0045, and 0066; and
- b. Evergy Missouri West’s monthly reports; FAR Filings and related work papers for AP 23, 24, and 25.

*Staff Expert/Witness: Lisa Wildhaber*

**G. Fuel Oil Costs**

**1. Description**

For the Review Period, \$\*\* \_\_\_\_\_ \*\* or \*\*  $\frac{\quad}{\quad}$  \*\*% of Evergy Missouri West’s total fuel costs, cost of purchased power, transmission costs, and net emission costs was associated with the fuel oil used in generating electricity. The cost of fuel oil includes various miscellaneous charges, such as rail and/or ground transportation service charges and other miscellaneous fuel handling expenses. Staff reviewed the contract terms of Evergy Missouri West’s 2 oil contracts that were in place during the Review Period, as well as a sampling of invoices for fuel oil purchased. The contracts provide a primary delivery location and agreement on the price. The price is based on the market price at the time Evergy

1 Missouri West purchases the fuel oil. The counterparties for the fuel oil contracts are listed in the table  
2 below:

3 **Table 12 - Confidential**

4 \*\*

5 \*\*

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

7 **2. Summary of Cost Implications**

8 If Evergy Missouri West imprudently purchased fuel oil, ratepayer harm could result from  
9 increased FAC charges.

10 **3. Conclusion**

11 Staff found no indication Evergy Missouri West's costs associated with its fuel oil contracts  
12 in place were imprudent during the Review Period.

13 **4. Documents Reviewed**

- 14 a. Evergy Missouri West's responses to Staff Data Request Nos. 0023, 0025, 0035, 0035.1,  
15 0045, 0066; and  
16 b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 23,  
17 24, and 25.

18 *Staff Expert/Witness: Lisa Wildhaber*

19 **H. Transmission Costs**

20 **1. Description**

21 For the Review Period, \$\*\* \_\_\_\_\_ \*\* or \*\*  $\frac{\text{---}}{\text{---}}$  \*\*% of Evergy Missouri West's total fuel  
22 cost, cost of purchased power, transmission costs and net emission costs, was associated with  
23 transmission costs.

24 There were two tariff sheets that were in effect during this Review Period. The 3rd Revised  
25 Sheet No. 127.4, applicable to service provided from February 22, 2017 through December 6, 2018  
26 defines transmission costs as:

27 TC = Transmission Costs:

28 The following costs reflected in FERC<sup>26</sup> Account Number 565:

29 Subaccount 565000: non-SPP transmission used to serve off-system  
30 sales or to make purchases for load, excluding any transmission costs  
31 associated with the Crossroads Power Plant and 39.62% of the SPP

<sup>26</sup> Federal Energy Regulatory Commission, Uniform System of Accounts ("FERC Account").

1 transmission service costs which includes the schedules listed below as  
2 well as any adjustments to the charges in the schedules below:

3 Schedule 7- Long-term Firm and Short-term Point to Point  
4 Transmission Service

5 Schedule 8- Non Firm Point to Point Transmission Service

6 Schedule 9- Network Integration Transmission Service

7 Schedule 10- Wholesale Distribution Service

8 Schedule 11- Base Plan Zonal Charge and Region Wide Charge

9 Subaccount 565020: the allocation of the allowed costs in the 565000  
10 account attributed to native load;

11 Subaccount 565027: the allocation of the allowed costs in the 565000  
12 account attributed to transmission demand charges;

13 Subaccount 565030: the allocation of the allowed costs in account  
14 565000 attributed to off-system sales.

15 The Original Sheet No. 127.16, applicable to service provided from December 6, 2018 and  
16 thereafter, defines transmission costs as:

17 TC = Transmission Costs:

18 The following costs reflected in FERC<sup>27</sup> Account Number 565:

19 Subaccount 565000: non-SPP transmission used to serve off-system  
20 sales or to make purchases for load, excluding any transmission costs  
21 associated with the Crossroads Power Plant and 47.20% of the SPP  
22 transmission service costs which includes the schedules listed below as  
23 well as any adjustments to the charges in the schedules below:

24 Schedule 7- Long-term Firm and Short-term Point to Point  
25 Transmission Service

26 Schedule 8- Non Firm Point to Point Transmission Service

27 Schedule 9- Network Integration Transmission Service

28 Schedule 10- Wholesale Distribution Service

29 Schedule 11- Base Plan Zonal Charge and Region Wide Charge

30 Excluding amounts associated with portions of purchased power  
31 agreements dedicated to specific customers under the Renewable Energy  
32 Rider tariff.

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

35 Subaccount 565027: the allocation of the allowed costs in the 565000  
36 account attributed to transmission demand charges;

37 Subaccount 565030: the allocation of the allowed costs in account  
38 565000 attributed to off-system sales.

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<sup>27</sup> Federal Energy Regulatory Commission, Uniform System of Accounts (“FERC Account”).



1 For calculating TC, Evergy Missouri West implemented a process whereby total transmission expenses  
2 were tabulated and then costs not allowed in the FAC were removed. Staff reviewed the transmission  
3 costs over the Review Period to verify only 39.62% of the SPP transmission service costs were included  
4 (starting from June 1, 2018 through December 5, 2018) and only 47.20% of the SPP transmission  
5 service costs were included (starting December 6, 2018 through November 30, 2019) as well as  
6 verifying all Crossroads transmission costs were excluded.<sup>28</sup> Evergy Missouri West’s transmission  
7 costs during the Review Period are \$\*\* \_\_\_\_\_ \*\*.

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

9 If Evergy Missouri West imprudently included transmission costs or included more than  
10 39.62% of the SPP transmission service costs through December 5, 2018 or no more than 47.20% of  
11 the SPP transmission service costs through November 30, 2019, ratepayer harm could result from  
12 increased FAC charges.

## 13 **3. Conclusion**

14 Staff found no indication Evergy Missouri West’s transmission costs were imprudent during  
15 the Review Period.

## 16 **4. Documents Reviewed**

- 17 a. Evergy Missouri West’s General Ledger;
- 18 b. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0023, 0040,  
19 0045, 0046; and
- 20 c. FAR and other supporting work papers in this case;

21 *Staff Expert/Witness: Brooke Mastrogiannis*

## 22 **I. Emission Allowances**

### 23 **1. Description**

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

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<sup>28</sup> During the last general rate case, Case No. ER-2018-0146, the Commission, in its *Order Approving Stipulations and Agreements* issued on October 31, 2018, approved the change of the FAC transmission percentage from 39.62% to 47.20%.

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

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

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

16 To comply with CSAPR, Evergy Missouri West established an inventory for SO<sub>2</sub> and NO<sub>x</sub>.  
17 Evergy Missouri West currently plans to maintain this SO<sub>2</sub> and NO<sub>x</sub> allowance inventory sufficient to  
18 offset expected emissions. This inventory is tracked in Company account 158.100 for Emissions  
19 Allowance Inventory and accounts 158200 and 158201 for Emission Allowance REC Inventories. The  
20 Evergy Missouri West SO<sub>2</sub> and NO<sub>x</sub> allowance inventories are valued at average cost, and the cost for  
21 SO<sub>2</sub> and NO<sub>x</sub> allowances is tracked in FERC Account Number 509000. For the Review Period, the  
22 SO<sub>2</sub> total balance in the emission inventory accounts as of November 30, 2019 was \*\* \_\_\_\_ \*\*. The  
23 Company annually balances account 509000 when the EPA yearly awards the additional allowances.

24 For the Review Period, Evergy Missouri West’s total net emission allowance cost  
25 was\$ \*\* \_\_\_\_ \*\*.

## 26 2. Summary of Cost Implications

27 If Evergy Missouri West imprudently used, purchased or banked its SO<sub>2</sub> and NO<sub>x</sub> allowances,  
28 ratepayer harm could result from an increase in Evergy Missouri West’s FAC charges.

## 29 3. Conclusion

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

1                   **4. Documents Reviewed**

- 2           a.     Evergy Missouri West’s responses to Staff’s Data Request Nos. 0032, 0034, 0039, 0045,  
3                   0059, 0060, 0061 and 0062;
- 4           b.     Evergy Missouri West’s monthly reports for the time period June 1, 2018 through  
5                   November 30, 2019 required by 20 CSR 4240-20.090(5); and,
- 6           c.     Section 7 & 8 Filings – 23<sup>rd</sup>, 24<sup>th</sup> and 25<sup>th</sup> Accumulation Periods (ending  
7                   November 2018, May 2019, November 2019 respectively).

8     *Staff Expert/Witness: Cynthia M Tandy*

9                   **J. Off-System Sales Revenue**

10                   **1. Description**

11           Off-system sales revenues (“OSSR”) is a component in the calculation of Evergy Missouri  
12     West’s FAR used to charge or refund fuel and purchased power costs to its customers. There were two  
13     tariff sheets that were in effective during this Review Period. The following languages in effect during  
14     the Review Period includes:

15           Evergy Missouri West’s 7th Revised Sheet No. 127.5, applicable to service provided from February  
16     22, 2017 through December 6, 2018 defines the “OSSR” component as:

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

19  
20                   Subaccount 447020: all revenues from off-system sales. This  
21                   includes charges and credits related to the SPP IM, Off-system  
22                   sales revenues from full and partial requirements sales to  
23                   municipalities that are served through bilateral contracts in  
24                   excess of one year shall be excluded from OSSR component;

25  
26                   Subaccount 447012: capacity charges for capacity sales one year  
27                   or less in duration;

28  
29                   Subaccount 447030: the allocation of the includable sales in  
30                   account 447020 not attributed to retail sales.

31           Evergy Missouri West’s Original Sheet No. 127.16, applicable to service provided from  
32     December 6, 2018 and thereafter defines the “OSSR” component as:

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

35  
36                   Subaccount 447020: all revenues from off-system sales.  
37                   This includes charges and credits related to the SPP IM,  
38                   excluding (1) the amounts associated with purchased power  
39                   agreements associated with the Renewable Energy Rider tariff,  
40                   and (2) off-system sales revenues from full and partial

1 requirements sales to municipalities that are served through  
2 bilateral contracts in excess of one year. Additional revenue will  
3 be added at an imputed 75% of the unsubscribed portion  
4 associated with the Solar Subscription Rider valued at market  
5 price;

6  
7 Subaccount 447012: capacity charges for capacity sales;

8  
9 Subaccount 447030: the allocation of the includable sales in  
10 account 447020 not attributed to retail sales;

11  
12 Subaccount 447035: the off-systems sales revenues associated  
13 with the WAPA agreement.  
14

15 Staff reviewed the off-system sales quantities and revenues over the Review Period, and  
16 Evergy Missouri West's off-system sales revenue recoverable under the FAC was in the amount  
17 \$\*\* \_\_\_\_\_ \*\*.

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

19 Evergy Missouri West's revenues from off-system sales are an offset against total fuel and  
20 purchased power costs, transmission costs and net emission costs. This is because Evergy Missouri  
21 West's ratepayers pay for the resources used to produce any energy that Evergy Missouri West sells.  
22 Since implementing the IM, SPP has controlled the economic dispatch of Evergy Missouri West's  
23 generation. During times that Evergy Missouri West's generation exceeds Evergy Missouri West's  
24 retail customers' needs, Evergy Missouri West becomes a net seller in the SPP IM market. If Evergy  
25 Missouri West did not make its generating units available in the SPP IM market for off-system sales to  
26 be made, ratepayers could be harmed by an increase in Evergy Missouri West's FAC charge

## 27 **3. Conclusion**

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

## 30 **4. Documents Reviewed**

- 31 a. Evergy Missouri West's responses to Staff Data Request Nos. 0023, 0045, and 0056;
- 32 b. Evergy Missouri West's FAC tariff sheets during the Review Period; and
- 33 c. Evergy Missouri West's monthly reports and FAR filing worksheets.

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

1           **K. Renewable Energy Credit Revenues**

2                   **1. Description**

3           The Missouri Renewable Energy Standard ("RES")<sup>29</sup> requires all investor-owned electric  
4 utilities in Missouri to provide at least two percent (2%) of their retail electricity sales using renewable  
5 energy resources in each calendar year 2011 through 2013, and to increase that percentage over time  
6 to at least fifteen percent (15%) by 2021. Commission rule 20 CSR 4240-20.100 Electric Utility  
7 Renewable Energy Standard Requirements, which first became effective September 30, 2010, contains  
8 the definitions, structure, operations, and procedures for implementing the RES.

9           The RES rule creates two categories of energy-generating resources: non-renewable energy  
10 resources (including purchased power from non-renewable energy sources) and renewable energy  
11 resources (including purchased power from renewable energy sources).<sup>30</sup> Renewable energy resources  
12 produce electrical energy and are wind, solar sources, thermal sources, hydroelectric sources,  
13 photovoltaic cells and panels, fuel cells using hydrogen produced by one (1) of the above named  
14 electrical energy sources, and other sources of energy that become available after August 28, 2007, and  
15 are certified as renewable by the Missouri Department of Natural Resources -- Division of Energy  
16 ("Division of Energy").<sup>31</sup> Once an energy resource is certified, it begins producing RECs, with one  
17 (1) REC representing one (1) megawatt-hour of electricity that has been generated from the renewable  
18 energy resource. These RECs can be sold and/or traded in the market place bundled with or without  
19 the energy that generated the REC.<sup>32</sup> The cost of a REC (as a RES compliance cost) cannot be  
20 recovered through the FAC.<sup>33</sup> Revenues from the sale of RECs are recovered through the FAC as an  
21 off-set to fuel costs. During the Review Period, the RES rule required Evergy Missouri West to serve  
22 at least 10% of its retail load using renewable energy resources.

23           In Staff Data Request No. 0058, Staff asked, "Did Evergy Missouri West sell any RECs  
24 (wind, solar, etc.) during the review period of June 1, 2018 through November 30, 2019 and if no,  
25 please provide the reason why no RECS were sold." Evergy Missouri West responded, "Evergy  
26 Missouri West did not sell any RECs during the review period of June 1, 2018 through  
27 November 30, 2019."<sup>34</sup> An additional response in DR 0058 for the reason for the non-sale of RECs was,

---

<sup>29</sup> Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.

<sup>30</sup> 20 CSR 4240-20.100(5)(B).

<sup>31</sup> Prior Department of Economic Development – Division of Energy.

<sup>32</sup> 20 CSR 4240-20.100(6)(B)(5)(J).

<sup>33</sup> 20 CSR 4240-20.100(6)(A)(16).

1 “Energery RECs are expired rather than sold to ensure our customers receive as much renewable energy  
2 as possible since we cannot double count sold RECs as renewable energy delivered to customers.”

3 Review of DR 0042 with supplemental information provided in this case along with review of  
4 this issue in Case Nos. EO-2020-0281<sup>34</sup> and EO-2020-0330<sup>35</sup>, suggests the number of RECs will  
5 increase significantly in the coming years with more production of renewable energy. Even when the  
6 maximum level of the RES rule requirement of 15% is reached in 2021, the Company’s excess RECs  
7 are forecasted to increase significantly in the following years. Following in Table 13 is information on  
8 this issue for the Review Period:

9 **Table 13**

10 \*\*

Year	Actual REC Production/Acquired	Requirement	Excess/Shortfall
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			

11 \*\*  
12 \*\*

13 Staff raised this concern in its previous Energery Missouri West FAC Prudence Review<sup>36</sup> and  
14 recommended a disallowance for the expired RECs. In its *Report and Order* in that case, the  
15 Commission denied Staff’s recommended disallowance. Staff remains concerned with the significant  
16 growth of expired RECs in subsequent years following this Review Period due to the additional wind  
17 PPAs discussed in the PPA section of this Staff Report. According to Staff calculations, the Missouri  
18 jurisdictional annual generation is expected to be well in excess of the projected 2022 RES compliance.  
19 The Company has indicated that this is being monitored, but the concern still exists. Staff too will  
20 continue to monitor this issue and reserves the right to bring this issue, and any ratepayer implications  
21 due to this issue, up in future prudence reviews.

22 Energery Missouri West’s annual REC production/acquired from existing non-solar resources for  
23 the Review Period was \*\* \_\_\_\_\_ \*\* RECs, well in excess of the actual requirements of  
24 \*\* \_\_\_\_\_ \*\*.

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<sup>34</sup> The 2020 Integrated Resource Plan Annual Update for Energery Missouri West.  
<sup>35</sup> The 2019 Renewable Energy Standard Compliance Report for Energery Missouri West.  
<sup>36</sup> Case No. EO-2019-0067.

1                                   **2. Summary of Cost Implications**

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

6                                   **3. Conclusion**

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

10                                  **4. Documents Reviewed**

- 11           a. Staff Data Request Nos. 0042, 0042.1 0057 and 0058;  
12           b. The 2020 Integrated Resource Plan Annual Update for Evergy Missouri West;  
13           c. The 2019 Renewable Energy Standard Compliance Report for Evergy Missouri West; and,  
14           d. Case No. EO-2019-0067.

15 *Staff Expert/Witness: Cynthia M Tandy*

16                                  **L. Sibley Generating Unit**

17                                   **1. Description**

18           In Case No. ER-2019-0413, FAR filing for accumulation period (“AP”) 24, which covers the  
19 AP months of December 2018 through May 2019, Evergy Missouri West agreed to remove all the costs  
20 associated with the retirement of Sibley. These costs were described in detail as the transfer of coal  
21 costs from the retired Sibley generating station. Evergy Missouri West stated, “GMO will not seek to  
22 recover the \$185,857 (the amount removed by GMO from the FAR associated with fuel transfers) in  
23 accumulation period 24 or any other accumulation period in its Fuel Adjustment Clause.” This resulted  
24 in a total reduction of \$185,857.

25           In Case No. ER-2020-0189, FAR filing for AP25, which covers the AP months of June 2019  
26 through November 2019, Evergy Missouri West properly removed a credit related to the same type of  
27 costs/revenues for the retired Sibley generation facility that it agreed to remove in Case No.  
28 ER-2019-0413. This resulted in a total credit reduction of \$429,299 during these AP months.

29           This Review Period also encompasses the FAR filing for AP23, Case No. ER-2019-0198, for  
30 the AP months of June 2018 through November 2018. Even though the Sibley generation facility did

1 not retire until December 2018, it remains Staff’s due diligence to review the costs associated with  
2 Sibley to ensure there was no inclusion of costs/revenues related to the retirement of the Sibley  
3 generation facility similar to those that the Company previously agreed to remove during those  
4 accumulation period months.

5 During Staff’s investigation, Staff found that the Company included costs totaling \$1,039,646  
6 for recovery in November 2018 associated with Sibley. This \$1,039,646 is comprised of \$531,693 for  
7 the cost of coal inventory adjustment (write-down), \$29,992 for the coal physical inventory adjustment  
8 (basemat write-off), \$162,016 for the urea write-off, \$315,642 for the SO2 write-off, and \$303 for fuel  
9 residuals.<sup>37</sup> The Company states that even though these costs are costs of retirement or  
10 decommissioning expenses, they should not be booked against the depreciation reserve account 108.  
11 The Company also states “Evergy Missouri West believes that these Sibley costs should be recovered,  
12 whether through the FAC or another mechanism. Missouri West would agree to defer as an offset to  
13 this regulatory liability the November 2018 Sibley amounts totaling \$1,039,646 for review in the  
14 Company’s next general rate case.<sup>38</sup>” In Staff’s opinion, the costs in AP23<sup>39</sup> are consistent with those  
15 costs Evergy Missouri West agreed to remove in AP24 and AP25; therefore, similar to AP 24 and  
16 AP 25, they should not be recovered through the Fuel Adjustment Clause for AP23. In addition, there  
17 is nothing stated in the Evergy Missouri West tariff sheets that would allow the costs associated with  
18 the retirement or decommissioning of Sibley to be recoverable through the FAC. Staff recommends the  
19 Commission order Evergy Missouri West to remove \$1,039,646 worth of costs related to the retirement  
20 and decommissioning of the Sibley Generating Unit from the FAC, and allow Evergy Missouri West  
21 to seek recovery of these costs in another mechanism, such as the AAO that was approved in Case No.  
22 EC-2019-0200, which will be considered in the next general rate case.

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

24 If Evergy Missouri West’s use of the FAC to recover Sibley generation plant costs was  
25 imprudent, ratepayer harm could result from an increase in FAC charges.

## 26 **3. Conclusion**

27 Staff found no indication that Evergy Missouri West imprudently included costs associated with  
28 the retirement of Sibley during the Review Period, as the Company has agreed, either through Case

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<sup>37</sup> Response to Staff Data Request 0064.1.

<sup>38</sup> Response to Staff Data Request 0064.2.

<sup>39</sup> As previously noted, the Company stated in Case No. ER-2019-0413, “GMO will not seek to recover the \$185,857 in AP24 or any other accumulation period in its Fuel Adjustment Clause”.



1 No. EC-2019-0200 or through its response to Staff Data Request 0064.2, to defer the costs associated  
2 with the retirement of Sibley during the Review Period, and seek recovery of those costs in  
3 another mechanism. Staff recommends the Commission issue an Ordered Adjustment (“OA”) in the  
4 amount of \$1,039,343.

5 **4. Documents Reviewed**

- 6 a. Evergy Missouri West’s responses to Staff Data Request No. 0064, 0064.1, 0064.2, 0064.3,  
7 0064.4, 0064.5, and 0064.6;
- 8 b. Evergy Missouri West’s General Ledger; and
- 9 c. FAR supporting workpapers in Case Nos. ER-2019-0198, ER-2019-0413, and  
10 ER-2020-0189.

11 *Staff Expert/Witness: Brooke Mastrogiannis*

12 **M. Lake Road Auxiliary Power Steam Allocation**

13 **1. Description**

14 In Case No. ER-2018-0400, Evergy Missouri West’s FAC FAR filing for the twenty-second  
15 accumulation period, which started December 1, 2017 through May 31, 2018, Evergy Missouri West  
16 made an adjustment entry for auxiliary power to reduce fuel expense for electric customers and allocate  
17 a portion to industrial steam customers. However, as a result of the Commission’s *Order Approving*  
18 *Stipulation and Agreement* (“Commission’s Order”) in Evergy Missouri West’s most recent general  
19 rate case, Case No. ER-2018-0146, the Company believed that no adjustment entry was needed for this  
20 allocation of auxiliary power in its FAC’s twenty-second accumulation period FAR filing. The  
21 Stipulation and Agreement filed in Case No. ER-2018-0146 on September 19, 2018 and approved by  
22 the Commission on October 31, 2018, provided the following in its paragraph 10:

23 **10. GMO STEAM ALLOCATIONS**

24 GMO will use the allocation numbers used in Staff’s model filed in Case No.  
25 ER-2016-0156. These allocation numbers shall be used by GMO in its FAC,  
26 QCA, and surveillance reporting. GMO agrees to work with Staff, OPC, and  
27 MECG to develop new steam allocation procedures prior to GMO’s next electric  
28 general rate case.

29 As a result of the Commission’s Order, Evergy Missouri West reversed, in Case No. ER-2019-0198,  
30 the original adjustment entry from the prior FAR filing in its FAR filing for its FAC’s twenty-third  
31 accumulation period which started June 1, 2018 and ended November 30, 2018 OPC disputed \$482,557  
32 of costs related to auxiliary power and the allocation of charges for the auxiliary electric power used

1 by Evergy Missouri West for its steam operations. On February 27, 2019, the Commission suspended  
2 the true up timeline to allow the Commission to address OPC's challenge. . Case No. ER-2019-0198  
3 was combined with the concurrent FAC prudence review, Case No. EO-2019-0067, to allow the  
4 Commission to address OPC's challenge in the FAC prudence review instead of the FAR filing.

5 As a result of the Commission's Report and Order in Case No. EO-2019-0067, OPC's request  
6 for a prudence adjustment of \$469,409<sup>40</sup> was denied. The Commission's Conclusions of Law state:

7 T. Neither GMO's tariff nor any relevant statute or regulation required GMO to  
8 directly allocate the fuel costs associated with auxiliary power between the  
9 electric operations and the steam operations at GMO's Lake Road Plant.

10 U. Section 386.550, RSMo, states: "In all collateral actions or proceedings the  
11 orders and decisions of the commission which have become final shall be  
12 conclusive."

13 V. In ER-2018-0146, the Commission issued its *Order Approving Stipulations*  
14 *and Agreements* on October 31, 2018. The Commission takes official notice that  
15 Order and that Order approved a stipulation with the following language:  
16 "GMO will use the allocation numbers used in Staff's model filed in Case No.  
17 ER-2016-0156. These allocation numbers shall be used by GMO in its FAC,  
18 QCA, and surveillance reporting. GMO agrees to work with Staff, OPC, and  
19 MCEG to develop new steam allocation procedures prior to GMO's next electric  
20 general rate case." KCPL was a signatory party of the stipulation referenced in  
21 the Order. The stipulation was incorporated into the Order. The order required  
22 KCPL to comply with the aforesaid provision. The aforesaid October 31, 2018  
23 Order entered in ER-2018-0146 became final and is conclusive in this case.

24 Subsequently, in Case No. ER-2019-0413, Evergy Missouri West did not seek to recover the  
25 disputed amount by OPC, which was \$311,381 related to auxiliary power Evergy Missouri West used  
26 for its steam operations at its Lake Road station, since the order in Case No. EO-2019-0067 was not  
27 final and was still appealable.<sup>41, 42</sup>

28 Staff's understanding of this issue is that Evergy Missouri West will be working with Staff,  
29 OPC, and MCEG, to develop new steam allocation procedures prior to Evergy Missouri West's next  
30 electric general rate case.

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<sup>40</sup> OPC's request for the prudence adjustment in Case No. EO-2019-0067 is different than what it disputed in the FAR filing, Case No. ER-2019-0198, because it removed the amount for the Jurisdictional factor, the 95% sharing, and interest.

<sup>41</sup> KCP&L Greater Missouri Operations Company's Response to Order Directing Filing, filed on 9-12-2019, in Case No. ER-2019-0413.

<sup>42</sup> On January 8, 2020, the Commission denied OPC's Motion for Rehearing and Reconsideration in Case No. EO-2019-0067. Since then, Evergy Missouri West has included for recovery all the disputed amounts by OPC, totaling \$803,113, including interest in its most recent FAR filing in Case No. ER-2020-0421.

1                   **2. Summary of Cost Implications**

2                   If Evergy Missouri West imprudently included steam auxiliary power costs in its FAC,  
3                   ratepayer harm could result from an increase in FAC charges.

4                   **3. Conclusions**

5                   Staff found no indication that Evergy Missouri West imprudently included steam auxiliary  
6                   power costs in its FAC during the Review Period.

7                   **4. Documents Reviewed**

- 8                   a. Staff Data Request No. 0062 in EO-2019-0067;
- 9                   b. FAR filing workpapers in Case Nos. ER-2018-0400, ER-2019-0198, ER-2019-0413,  
10                   and ER-2020-0189;
- 11                   c. Staff Recommendation in Case Nos. ER-2018-0400, ER-2019-0198, ER-2019-0413,  
12                   and ER-2020-0189;
- 13                   d. September 19, 2018 Non-Unanimous Stipulation and Agreement in Case No.  
14                   ER-2018-0146; and
- 15                   e. November 6, 2019 Report and Order in Case No. EO-2019-0067.

16                   *Staff Expert/Witness: Brooke Mastrogiannis*

17                   **N. Gray County Wind Purchased Power Agreement**

18                   **1. Description**

19                   Evergy Missouri West has a long-term (15-year) PPA with NextEra Energy Resources for  
20                   energy and RECs generated by the Gray County Wind Farm located in Kansas. The contract is based  
21                   on \*\*\_\_ \*\* MW of capacity that Evergy Missouri West (then known as Aquila, Inc.) began receiving  
22                   in 2001. The contract is a “take-or pay” contract (i.e., Evergy Missouri West has to receive and pay for  
23                   the energy whether it needs the energy or not), which is a standard feature of many wind PPAs. The  
24                   contract is for the energy and RECs generated by the wind farm. In its response to Staff Data Request  
25                   No. 0058 Evergy Missouri West stated, “Evergy Missouri West did not sell any RECs during the  
26                   Review Period of June 1, 2018 through November 30, 2019”. Total cost of electricity under the Gray  
27                   County PPA was \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which  
28                   resulted in a net loss of \$\*\* \_\_\_\_\_ \*\* for the Review Period.

29                   **2. Summary of Cost Implications Summary of Cost Implications**

30                   If Evergy Missouri West was imprudent by purchasing energy to meet its demand at a cost  
31                   that exceeded Evergy Missouri West’s cost to generate that energy itself, ratepayer harm could  
32                   result from that imprudence through an increase in FAC charges. Commission Rule 20 CSR

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

4 **3. Conclusions**

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

9 **4. Documents Reviewed**

- 10 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,  
11 0043, 0045, 0046, 0053, and 0058;
- 12 b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 13 c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 14 d. Staff Report in Case No. EO-2018-0291; and
- 15 e. Staff Report in Case No. EO-2019-0316.

16 *Staff Expert/Witness: Brooke Mastrogianis*

17 **O. Ensign Wind Purchased Power Agreement**

18 **1. Description**

19 Evergy Missouri West has a long-term (20-year) PPA with NextEra Energy Resources for  
20 energy and RECs generated by the Ensign Wind Center located in Gray County, Kansas. The contract  
21 is also a “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy Missouri West has  
22 to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy  
23 price of \$\*\* \_\_\_\_ \*\* per MWh and a capacity of \*\* \_\_\_\_ \*\* MW that Evergy Missouri West  
24 began receiving in November 2012. In its response to Staff Data Request No. 0058 Evergy  
25 Missouri West stated, “Evergy Missouri West did not sell any RECs during the Review Period of  
26 June 1, 2018 through November 30, 2019”. Total cost of electricity under the Ensign Wind PPA was  
27 \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which resulted in a net loss  
28 of \$\*\* \_\_\_\_\_ \*\* for the Review Period.

29 **2. Summary of Cost Implications**

30 If Evergy Missouri West was imprudent by purchasing energy to meet its demand at a cost that  
31 exceeded Evergy Missouri West’s cost to generate that energy itself, ratepayer harm could result from  
32 that imprudence through an increase in FAC charges. Commission Rule 20 CSR 4240-20.090(1)(B)

1 and (C), and Evergy Missouri West’s FAC allow purchased power costs and revenues in FERC  
2 Account Number 555 to be recovered through the FAC. Staff found no indication that Evergy Missouri  
3 West imprudently included the Ensign Wind Center PPA costs in the FAC.

### 4 **3. Conclusions**

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

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

- 10 a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,  
11 0043, 0045, 0046, 0053, and 0058;
- 12 b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 13 c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 14 d. Staff Report in Case No. EO-2018-0291; and
- 15 e. Staff Report in Case No. EO-2019-0316.

16 *Staff Expert/Witness: Brooke Mastrogiannis*

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

### 18 **1. Description**

19 Evergy Missouri West has a long-term (20-year) PPA with NextEra Energy Resources for  
20 energy and RECs generated by the Osborn Wind Energy Center located in Missouri. The contract is  
21 based on a fixed energy price of \*\* \_\_\_\_ \*\* per MWh and a capacity of \*\* \_\_ \*\* MW that Evergy  
22 Missouri West began receiving in December 2016. The contract is a “take-or pay” contract  
23 (i.e., Evergy Missouri West has to receive and pay for the energy whether it needs the energy or not),  
24 which is a standard feature of many wind PPAs. The contract is for the energy and RECs  
25 generated by the wind farm. In its response to Staff Data Request No. 0058 Evergy Missouri West  
26 stated, “Evergy Missouri West did not sell any RECs during the Review Period of June 1, 2018  
27 through November 30, 2019”. Total cost of electricity under the Osborn Wind PPA was  
28 \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which resulted in a net loss  
29 of \$\*\* \_\_\_\_\_ \*\* for the Review Period.

1                                   **2. Summary of Cost Implications Summary of Cost Implications**

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

8                                   **3. Conclusions**

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

13                                   **4. Documents Reviewed**

- 14           a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,  
15           0043, 0045, 0046, 0053, and 0058;
- 16           b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 17           c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 18           d. Staff Report in Case No. EO-2018-0291; and
- 19           e. Staff Report in Case No. EO-2019-0316.

20 *Staff Expert/Witness: Brooke Mastrogiannis*

21                                   **Q. Rock Creek Wind Project Purchased Power Agreement**

22                                   **1. Description**

23           Evergy Missouri West has a long-term (20-year) PPA with Rock Creek Wind Project, LLC for  
24 energy and RECs generated by the Rock Creek Wind Farm located in Missouri. The contract is also a  
25 “take-or pay” contract for renewable wind energy and RECs (i.e., Evergy Missouri West has to  
26 receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price  
27 of \$\*\* \_\_\_\_ \*\* per MWh and a capacity of \*\* \_\_\_\_ \*\* MW that Evergy Missouri West  
28 began receiving in August 2017. In its response to Staff Data Request No. 0058 Evergy Missouri  
29 West stated, “Evergy Missouri West did not sell any RECs during the Review Period of  
30 June 1, 2018 through November 30, 2019”. Cost of electricity under the Rock Creek Wind Project  
31 was \$\*\* \_\_\_\_\_ \*\* with revenue associated with sales of \$\*\* \_\_\_\_\_ \*\* which resulted in a  
32 net loss of \$\*\* \_\_\_\_\_ \*\* for the Review Period.

1                                   **2. Summary of Cost Implications**

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

8                                   **3. Conclusions**

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

13                                   **4. Documents Reviewed**

- 14                   a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,  
15                   0043, 0045, 0046, 0053, 0058, and 0071;
- 16                   b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 17                   c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 18                   d. Staff Report in Case No. EO-2018-0291; and
- 19                   e. Staff Report in Case No. EO-2019-0316.

20 *Staff Expert/Witness: Brooke Mastrogiannis*

21                                   **R. Prairie Queen Wind Purchased Power Agreement**

22                                   **1. Description**

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

1                                   **2. Summary of Cost Implications**

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

8                                   **3. Conclusion**

9                   Staff has identified that the Prairie Queen Wind Project PPA is creating more revenue received  
10 than additional costs; Staff notes this is a long-term PPA and the performance of this contract should  
11 be viewed on a long-term basis and not just from the results during this Review Period.

12                                   **4. Documents Reviewed**

- 13                   a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,  
14                   0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070, and 0071;
- 15                   b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
- 16                   c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
- 17                   d. Staff Report in Case No. EO-2018-0291;
- 18                   e. Staff Report in Case No. EO-2019-0316; and
- 19                   f. Evergy Missouri West’s 2018 Triennial Integrated Resource Planning filing in Case No.  
20                   EO-2018-0269.

21 *Staff Expert/Witness: Brooke Mastrogiannis*

22                                   **S. Pratt Wind Purchased Power Agreement**

23                                   **1. Description**

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



1                                   **2. Summary of Cost Implications**

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

8                                   **3. Conclusions**

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

13                                   **4. Documents Reviewed**

- 14           a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023,  
15           0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;  
16           b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;  
17           c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;  
18           d. Staff Report in Case No. EO-2018-0291;  
19           e. Staff Report in Case No. EO-2019-0316; and  
20           f. Evergy Missouri West’s 2018 Triennial Integrated Resource Planning filing in Case No.  
21           EO-2018-0269.

22 *Staff Expert/Witness: Brooke Mastrogiannis*

23                                   **T. Purchased Power Costs**

24                                   **1. Description**

25           Evergy Missouri West’s FAC 3rd Revised Sheet No. 127.3 applicable to service provided from  
26 February 22, 2017 through December 6, 2018, and Original Sheet No. 127.15, applicable to service  
27 provided from December 6, 2018 through the effective date of this tariff sheet, define the Purchased  
28 Power Costs (“PP”) components, which are purchases of power through the SPP Integrated Market  
29 (“SPP IM”) and not energy generated by the Company.

30           Staff has determined that Evergy Missouri West’s total purchased power expense for the  
31 Review Period is \$\*\* \_\_\_\_\_ \*\* as shown previously in Table 3. More detail for the cost of  
32 Purchased Power is shown in Table 14 below.



1 2020 IRP Annual Update,<sup>43</sup> concerns with these additional purchased power wind contracts. Given  
2 that a majority of Evergy Missouri West’s current wind PPAs are creating more costs for ratepayers  
3 than revenues and additional purchased power wind contracts could put ratepayers at greater risk, in its  
4 Staff Report in Case No. EO-2020-0281, Staff noted “that this risk could be addressed fairly through  
5 risk mitigation or risk sharing in the Commission-approved fuel adjustment clauses of the Companies.”

### 6 Non-firm Short-term Energy

7 Since SPP implemented the IM on March 1, 2014, SPP has controlled the economic dispatch  
8 of Evergy Missouri West’s generation. During times that Evergy Missouri West’s load exceeds Evergy  
9 Missouri West’s generation, Evergy Missouri West becomes a net purchaser in the SPP market. These  
10 SPP market purchases are from other electric suppliers to help meet Evergy Missouri West’s retail load  
11 during times of forced or planned plant outages and during times when the market price is below the  
12 marginal cost of providing that energy from Evergy Missouri West’s generating units. Under the SPP  
13 IM, Evergy Missouri West’s generation is offered to the SPP IM and energy needed for native load  
14 requirements is purchased from the SPP market. “Spot purchases and sales are made based upon SPP  
15 market and operating conditions for the SPP footprint.” Costs for the IM purchases are included as  
16 “Non-Firm Short-term Energy” in Tables 3 and 13 of this Report. Further discussion of Evergy  
17 Missouri West’s participation in these markets can be found in Section III.A. of this report.

### 18 Short-term Demand

19 Capacity charges for capacity purchases less than 12 months in duration are listed as Short-term  
20 Demand on Tables 3 and 14.

## 21 **2. Summary of Cost Implication**

22 If Evergy Missouri West did not manage its purchase power contracts properly or Evergy  
23 Missouri West imprudently participated in the SPP IM, ratepayer harm could result from an increase  
24 in costs collected through the FAC.

## 25 **3. Conclusion**

26 Staff found no indication of imprudence by Evergy Missouri West for purchasing short-term  
27 capacity or impacts from long-term purchased power contracts or purchasing energy in the SPP IM  
28 market.

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<sup>43</sup> Case No. EO-2020-0281.

1                                   **4. Documents Reviewed**

- 2           a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001, 0002, 0019, 0020,  
3           0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;  
4           b. Staff Report in Case No. EO-2020-0281; and  
5           b. Section III.A. of this report.

6 *Staff Expert/Witness: Brooke Mastrogiannis*

7 **IV. INTEREST**

8                                   **1. Description**

9           During each accumulation period, Evergy Missouri West is required to calculate a monthly  
10 interest amount based on Evergy Missouri West’s short-term debt borrowing rate that is applied to the  
11 under-recovered or over-recovered fuel and purchased power costs. Evergy Missouri West’s  
12 short-term debt rate is calculated using the daily one-month United States Dollar London Interbank  
13 Offered Rate (“LIBOR”), using the last previous actual rate for weekends and holidays or dates  
14 without an available LIBOR, and the Applicable Margin for Eurodollar Advances. A simple  
15 mathematical average of all the daily rates for the month is then computed. For the Review Period,  
16 Evergy Missouri West’s average monthly interest rate from June 1, 2018 through November 30, 2019  
17 was \*\* \_\_\_\_\_ \*\* with the total amount of interest accumulated for the period of \*\* \_\_\_\_\_ \*\*.  
18 The interest amount is component “I” of Evergy Missouri West’s FAC.

19                                   **2. Summary of Interest Implications**

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

23                                   **3. Conclusion**

24           Staff found no evidence Evergy Missouri West imprudently determined the monthly interest  
25 amount that was applied to the under-recovered or over-recovered fuel and purchased power costs.

26                                   **4. Documents Reviewed**

- 27           a. Evergy Missouri West’s responses to Staff Data Request Nos. 0001 and 0044;  
28           b. Evergy Missouri West’s monthly interest calculation work papers in support of the interest  
29           calculation amount on the under-recovered or over-recovered balance; and  
30           c. Company Files: q0001 conf west section 7 filing – 23<sup>rd</sup> accum – nov 2018; q0001 conf west  
31           section 8 filing – 24<sup>th</sup> accum – may 2019; and, q0001 conf west section 8 filing – 25<sup>th</sup> accum  
32           – nov 2019.

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

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of the Ninth Prudence Review )  
of Costs Subject to the Commission-Approved ) **File No. EO-2020-0262**  
Fuel Adjustment Clause of Evergy Missouri )  
West, Inc. d/b/a Evergy Missouri West )

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

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

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

Further your Affiants sayeth not.

/s/ Lisa Wildhaber  
Lisa Wildhaber

/s/ Cynthia M. Tandy  
Cynthia M. Tandy

/s/ Jordan Hull  
Jordan Hull