

Exhibit No.:
Issue(s): *Staff's Report of Fourth
Prudence Review of
Costs Subject to the
Commission-Approved
Fuel Adjustment Clause*
Witness: *Cynthia M. Tandy*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *EO-2022-0064*
Date Testimony Prepared: *July 6, 2022*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

SURREBUTTAL TESTIMONY

OF

CYNTHIA M. TANDY

**EVERGY METRO, INC.,
d/b/a EVERGY MISSOURI METRO**

CASE NO. EO-2022-0064

*Jefferson City, Missouri
July 2022*

1 calculation to \$2.17. Staff's new recommended disallowance for Evergy Metro Inc., d/b/a
2 Evergy Missouri Metro ("EMM") is now \$2,503,774.21² plus interest.

3 Q. Does Staff still consider its new recommended disallowance conservative?

4 A. Yes. The Ameren REC price that Staff initially used in its calculation was from
5 August 2021, which is no more than two months after the Review Period in this case. The price
6 of a REC was continuously increasing through 2021, and as Ms. Kayla Messamore states, the
7 price of RECs increased to current levels around \$4.00 - \$4.50 during 2021 with a majority of
8 this price increase happening specifically beginning in the spring of 2021.³ However, Staff has
9 chosen to simply remove the Ameren REC price and not replace it with another price in an
10 effort to minimize any conflict between the parties.

11 Q. Did Ms. Messamore address the \$2.17 average REC price in her direct
12 testimony?

13 A. Yes, on page 12, lines 1-5, Ms. Messamore agrees that if you remove the Ameren
14 REC price Staff used in its calculation that the new average is \$2.17. However, Ms. Messamore
15 states that the value of 2017 vintage RECs would be at \$.54 per REC.

16 Q. Do you agree with the \$.54 per REC price?

17 A. No, Staff does not agree. The imprudence in this review goes beyond the issue
18 of price per REC, and using the oldest vintage price for a REC is not applicable to this situation.
19 It is Staff's recommendation that EMM should be using the more vintage RECs to meet
20 Renewable Energy Standard ("RES") compliance, leaving the more valuable and current RECs
21 available for sale on a regular and timely basis. Staff believes there were improper monitoring,

² Original disallowance was \$3,922,964 plus interest.

³ Messamore Direct Testimony, pg. 6, lines 6-8.

1 evaluation, and actions taken in regards to the sale of assets amounting to what Staff
2 understands to be over ** [REDACTED] ** for the sale of 2017, 2018, 2019, 2020, and possibly
3 for part of 2021 excess RECs above the required RES compliance requirements.

4 Given the limited information provided to Staff by EMM, Staff used the best
5 information it had at the time, including the Ameren REC price. However, Staff's use of an
6 average for EMM and Liberty seems to now be the best option to determine an average REC
7 price and is still a conservative approach to assigning values to RECs available to sell during
8 the Review Period. EMM only provided Staff the price of a REC as of December 31, 2020, but
9 no update for the spring of 2021. Had EMM provided an updated REC price, as requested by
10 Staff in Data Request No. 0057.2, the average Staff is now using of \$2.17 would have been
11 higher. EMM's inability to provide Staff with a price per REC in the spring of 2021, or at the
12 end of the Review Period, indicates EMM was not appropriately monitoring RECs during a
13 time that REC prices were drastically increasing.

14 Q. Please summarize Staff's updated recommended disallowance.

15 A. It remains Staff's position that if EMM was monitoring the market and the
16 available RECs for sale on a more continuous basis than once a year, it would have taken action
17 as the REC prices increased through 2021 along with the continuous increase in the quantity of
18 available RECs to sell. There was a continuous growth in the prices of RECs from the beginning
19 of this Review Period to the end, with a tremendous price increase in the spring of 2021. If not
20 before, at least by that point in the Review Period, there should have been action taken to sell
21 excess RECs from 2017, 2018, 2019, 2020, and possibly 2021 to create a revenue opportunity

⁴ Amount of REC dollars sold in April 2022 according to FAC monthly report.

1 | by selling RECs, still leaving a sufficient amount of RECs for RES compliance for the year.

2 | Therefore, Staff recommends an updated disallowance for EMM of \$2,503,774.21.

3 | Q. Does this conclude your surrebuttal testimony in this proceeding?

4 | A. Yes, it does.

