Exhibit No.: ______________
Issue(s): REC Revenues/Potential Deferral
Witness/Type of Exhibit: Mantle/True-Up Direct
Sponsoring Party: Public Counsel
Case No.: ER-2022-0129 and ER-2022-0130

TRUE-UP DIRECT TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

EVERGY METRO, INC. D/B/A EVERGY MISSOURI METRO AND EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST

CASE NOS. ER-2022-0129 AND ER-2022-0130

** **
Denotes Confidential Information that has been redacted

August 16, 2022

PUBLIC

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OF

LENA M. MANTLE

EVERGY METRO, INC.
CASE NO. ER-2022-0129

and

EVERGY MISSOURI WEST, INC.
CASE NO. ER-2022-0130

Q. Please state your name.

A. Lena M. Mantle.

Q. Are you the same Lena M. Mantle who previously testified in direct, rebuttal, and surrebuttal in this case for the Office of Public Counsel?

A. I am.

Q. What is the purpose of your true-up direct testimony?

A. The purpose of this testimony is to provide recommendations to the Commission should it decide that Evergy Missouri West, Inc. ("Evergy West") can delay collection of its fuel and purchased power costs accumulated in December 1, 2021, through May 31, 2022, that is the subject of the fuel adjustment clause ("FAC") rate change case, Case No. ER-2023-0011. To be clear, it is not the Office of Public Counsel's ("OPC") position that a deferral is appropriate in Case No. ER-2023-0011. However, I am filing this testimony regarding the treatment of the deferral amount should the Commission grant the deferral.

I also recommend that the revenue requirements for Evergy Metro, Inc. ("Evergy Metro") be reduced by $11,200,000 and the revenue requirements for Evergy West be reduced by $6,500,000 for Renewable Energy Credit ("REC") revenues. These same adjustments should also be made in the calculation of the fuel adjustment clause ("FAC") base factors for each of the utilities.

Q. Are you an attorney?

A. No. Any references to Missouri statute are either based on my interpretation or upon advice of an OPC attorney.

<u>FAC Rate Change Case ER-2023-0011</u>

Q. Would you summarize what Evergy West is requesting in Case No. ER-2023-0011?

A. Evergy West's FAC requires it to file a tariff sheet every six months that changes its FAC rate based on its actual fuel and purchased power costs. Staff is allowed 30 days for its review of the tariff filing and the Commission, by rule, is required to either issue an order within 60 days, allow the tariff sheet to go into effect on the effective date of the proposed tariff sheet without a Commission order, or suspend the timeline for the adjustment and order a procedural schedule.

Evergy West elected plant in service accounting ("PISA") in Case No. EO-2019-0045. When it elected PISA, it also accepted a cap on its rates set at a compound annual growth rate ("CAGR") of 3%.[1] Evergy West filed testimony that claims that, if the total amount of the FAC adjustment was included in the FAC rate, Evergy West would exceed the 3% CAGR.[2] Evergy West is seeking to defer $31 million of fuel and purchased power costs in Case No. ER-2023-0011 for further treatment in a subsequent rate proceeding under Section 393.1655.5 RSMo.[3]

Evergy West also claims fuel and purchased power costs increases in this accumulation period were due to extraordinary circumstances.[4]

By requesting a deferment, Evergy West is attempting an end-around a customer protection that it agreed to when it chose the benefits of PISA. If all costs are included in the FAC rate, the PISA rate cap would restrict the increase allowed in this rate case to approximately $28 million. According to section 393.1655.3, if the rates reflective of an increase in revenue requirement exceeds a CAGR of 3%, then Evergy West would not recover any amount in excess of the three percent CAGR as a performance penalty.

If the $31 million is not included in the FAC rates as requested by Evergy West, then the cap on Evergy West's rate increase in this case would be what it requested - $59.7

[1] Section 393.1655.3 RSMo.
[2] Direct testimony of Darrin R. Ives, page 10.
[3] *Id.*
[4] *Id.*, page 13.

million. In addition, Evergy West would still get to recover the $31 million that it is requesting be deferred and at a weighted average cost of capital interest rate instead of the short-term interest rate required by the FAC statute.

Q. Why is this important to the true-up in this rate case?

A. The fuel and purchased power costs Evergy West is requesting be deferred were incurred December 1, 2021 through May 31, 2022. The true-up period for this case is through May 31, 2022. If the Commission agrees that these costs are to be deferred, then the deferral should be done in this case.

Q. If the Commission defers these costs, what is your recommendation on how this deferral should be treated?

A. First, I want to reiterate that the Commission should not defer these costs because the inclusion of these costs will not result in Evergy West meeting the PISA rate cap. Evergy West's request is just an attempt to get around a customer protection created by the Missouri legislature. If the Commission does allow the deferral, it should order the costs be put into a regulatory asset account that is amortized over 4 years with interest at Evergy West's 4-year bond rate. These costs should still be reviewed for prudency in the FAC prudence review for this time period.

Q. Is the fuel and purchased power expense for this accumulation period extraordinary as Mr. Ives suggests in his direct testimony in Case No. ER-2023-0011?

A. No. The higher costs reflects the consequences of a utility choosing to rely on the market instead of adding resources to its resource portfolio.

<u>Inclusion of REC Revenues</u>

Q. What are renewable energy certificates?

A. According to Energysage.com:

> Renewable energy certificates (also known as renewable energy credits, or RECs) represent the energy generated by renewable energy sources, such as solar or wind

> power facilities. Buying RECs is not equivalent to buying electricity. Instead, RECs represent the clean energy attributes of renewable electricity. A REC is also known as a renewable energy credit.

A REC represents the generation of one mega-watt hour ("MWh") of electricity from renewable generation sources. RECs are a way to account for and track renewable energy.

Q. How can revenue be generated from RECs?

A. There is a REC market where RECs can be bought and sold where the price is determined based on supply and demand. Because of Evergy's numerous purchased power agreements ("PPAs") for wind generation, it creates more RECs than what is needed to meet the Missouri renewable energy standards ("RES"). For example, in 2021 the renewable resources of Evergy Metro and Evergy West created over 5.3 million RECs. They only needed 2.5 million RECs to meet the Missouri RES meaning that Evergy's renewable generation created 2.9 million RECs in excess of what was needed.

Q. Why is this important to the true-up in these rate cases?

A. Evergy began selling RECs in February 2022 during the true-up period of these rate cases. According to workpapers filed in Case No. ER-2023-0011, Evergy West sold RECs generating revenue of **__________** in the months of February 2022 through May 2022 to offset fuel and purchased power costs including losses from its wind PPAs of over **__________ ** in that same time period. According to workpapers filed in Case No. ER-2023-0031, Evergy Metro sold RECs generating revenues of **__________** to offset its wind PPA losses of almost **__________ ** in that same time period. These revenues need to be accounted for in the calculation of Evergy's annual revenue requirement and its FAC base factors.

Q. What REC revenues were included in Evergy's revenue requirements and estimates of its FAC base factors?

A. I could not find that Evergy included any amounts in its revenue requirement requests or its FAC base factor for REC revenues.

Q. What REC revenues were included in Staff's revenue requirements for these rate cases and Staff's proposed FAC base factors?

A. I could not find that Staff included any amounts in its revenue requirement requests or its FAC base factor for REC revenues.

Q. What is the impact of not including a normalized amount of REC revenues in revenue requirement?

A. Revenue requirement will be higher without normalized REC revenues. This in turn, will cause rates and customer bills to be higher.

Q. Would not the customers get the benefits of Evergy selling RECs through its FACs regardless of whether or not any amount is included in the revenue requirement?

A. The customers would receive the benefit of some of the revenues from the sale of RECs through the FAC but not all of the benefits because REC revenues are included in Evergy's FACs as they are in all of the Missouri electric utilities' FACs.

Q. Would you explain why?

A. Evergy's FACs include a mechanism for the sharing of the difference between the actual FAC net costs and the normalized FAC net costs included in its calculation of the FAC base factors. Of that difference, 95% of net costs above the normalized costs is collected from customers and 5% is absorbed by Evergy. Likewise, if net costs are below the normalized FAC amounts, then 95% of the savings are returned to customers and Evergy keeps 5% of the savings.

Assuming 1) all FAC costs and revenues other than REC revenues are equal to their normalized amount, 2) no REC revenues are included in the FAC base factor calculation and 3) Evergy sells some RECs, then customers only receive 95% of the revenues and Evergy retains 5% of the revenues. There were no REC revenues included in the calculation of the current FAC base factors since, at that time, it was Evergy's policy not to sell its excess RECs. Therefore of the ** __________ ** of revenues Evergy West generated through the sale of RECs in February 2022 through May 2022, only 95% or **__________ ** actually offset costs. The other 5% or **__________ ** was retained by Evergy West. Of the **__________** of revenues Evergy Metro generated, Evergy Metro retained **__________ **. If a normalized revenue amount had been included in revenue requirement and the calculation of the FAC base factors in the last rate case, then customers would receive the benefit of the amounts included in revenue requirement through base rates and would have received 95% of the difference between actual and normalized revenues through Evergy's FAC.

Q. What are the normalized REC revenues that you recommend being included in the revenue requirements and FAC base factor calculations of Evergy West and Evergy Metro?

A. I recommend, based on the REC sales in the months of February 2022 through May 2022, $6.5 million in REC revenues be included in Evergy West's revenue requirement and FAC base factor calculation and $11.2 million be included in Evergy Metro's revenue requirement. This **______________________________________**

Q. Does this conclude your true-up direct testimony?

A. Yes, it does.

Public

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

In the Matter of Evergy Metro, Inc. d/b/a Evergy Missouri Metro's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2022-0129
In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2022-0130

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena M. Mantle, of lawful age and being first duly sworn, deposes and states:

1. My name is Lena M. Mantle. I am a Senior Analyst for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my true-up direct testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Lena M. Mantle
Lena M. Mantle
Senior Analyst

Subscribed and sworn to me this 16th day of August 2022.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121

Tiffany Hildebrand
Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.