

*Exhibit No.:*  
*Issue(s):* PTC Tracker  
*Witness:* Matthew R. Young  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal Testimony  
*Case No.:* EA-2022-0328  
*Date Testimony Prepared:* January 17, 2023

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS ANALYSIS**

**AUDITING DEPARTMENT**

**REBUTTAL TESTIMONY**

**OF**

**MATTHEW R. YOUNG**

**EVERGY MISSOURI WEST, INC.,  
d/b/a Evergy Missouri West**

**CASE NO. EA-2022-0328**

*Jefferson City, Missouri  
January 2023*

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MATTHEW R. YOUNG  
EVERGY MISSOURI WEST, INC.,  
d/b/a Evergy Missouri West  
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1 **REBUTTAL TESTIMONY OF**

2 **MATTHEW R. YOUNG**

3 **EVERGY MISSOURI WEST, INC.,**  
4 **d/b/a Evergy Missouri West**

5 **CASE NO. EA-2022-0328**

6 Q. Please state your name and business address.

7 A. My name is Matthew R. Young. My business address is 615 E. 13<sup>th</sup> Street,  
8 Kansas City, Missouri, 64105.

9 Q. By whom and in what capacity are you employed?

10 A. I am a Utility Regulatory Audit Supervisor on the Staff of the Missouri Public  
11 Service Commission (“Staff”).

12 Q. Please describe your educational background and experience.

13 A. I earned a Bachelor of Liberal Arts from The University of Missouri – Kansas  
14 City in May 2009 and a Master of Science in Accounting, also from The University of Missouri  
15 – Kansas City, in December 2011. I have been employed by the Missouri Public Service  
16 Commission (“Commission”) since July 2013. During this time, I have conducted a variety of  
17 audits, which are listed in Schedule MRY-r1.

18 Q. What are your responsibilities?

19 A. I perform rate audits and prepare miscellaneous filings for consideration by the  
20 Commission. I review exhibits and testimony on assigned issues, develop accounting  
21 adjustments and issue positions, which are supported by workpapers and testimony. For cases  
22 that do not require testimony, I prepare Staff recommendation memorandums.

1 **EXECUTIVE SUMMARY**

2 Q. What is Staff’s overall position on Evergy Missouri West’s (“Evergy West”)  
3 application to purchase the Persimmon Creek wind farm?

4 A. Staff is not recommending approval of Evergy West’s application. The support  
5 for Staff’s position is presented in the rebuttal testimony of other Staff witnesses.

6 Q. What is the purpose of your rebuttal testimony?

7 A. My testimony will respond to the supplemental direct testimony of Evergy  
8 Missouri West’s (“Evergy West”) witness, Jason O. Humphrey. My response will discuss  
9 financial costs and benefits that will result should the Commission approve Evergy West’s  
10 application. My testimony will go on to describe how the costs and benefits of purchasing the  
11 Persimmon Creek assets justify a regulatory tracker designed to capture the Production Tax  
12 Credit (“PTC”) benefits tied to the Persimmon Creek facility for ratemaking consideration in a  
13 future rate case.

14 **FINANCIAL COSTS AND BENEFITS**

15 Q. If the Commission were to approve the purchase of Persimmon Creek, what  
16 additional financial costs would Evergy West incur?

17 A. If the purchase of Persimmon Creek were approved, Evergy West would likely  
18 see an increase in operation and maintenance expense, additional property tax (or Payment in  
19 Lieu of Tax (“PILOT”)) payments, additional depreciation expense, perhaps a change in market  
20 purchases from the Southwest Power Pool (“SPP”), and other minor cost changes that are not  
21 reflected in the rates set in Case No. ER-2022-0130.

1 Q. If the Commission were to approve the purchase of Persimmon Creek, what  
2 additional financial benefits would Evergy West enjoy?

3 A. If the purchase of Persimmon Creek were approved, Evergy West would be able  
4 to claim a PTC tax benefit, generate depreciation-related tax deductions, perhaps a change in  
5 market sales to the SPP, and other minor revenues/cost reductions that are not reflected in the  
6 rates set in Case No. ER-2022-0130.

7 Q. Are any of these financial costs and benefits accounted for in between general  
8 rate cases for regulatory purposes?

9 A. Yes. Fuel and net purchased power, including sales generated, will likely be  
10 effected by Persimmon Creek. The effect on the overall net fuel costs incurred by Evergy West  
11 would be captured and passed to ratepayers via the Commission-approved Fuel Adjustment  
12 Clause (“FAC”). Also, Evergy West currently uses a Renewable Energy Standard Rate  
13 Adjustment Mechanism (“RESRAM”), which could capture Persimmon Creek costs and  
14 revenues if they are not flowed through the FAC. However, Persimmon Creek costs and  
15 revenues would only be eligible from the RESRAM if Evergy West utilizes the project for RES  
16 compliance purposes.

17 Additionally, Missouri statutes<sup>1</sup> enabled Evergy West to establish a property tax tracker  
18 in its last rate case, ER-2022-0130. The property tax tracker will capture additional property  
19 tax or PILOT payments that are caused by ownership of Persimmon Creek. Lastly, the Plant In  
20 Service Accounting (“PISA”) laws created by the Missouri government<sup>2</sup> allow Evergy West to

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<sup>1</sup> 393.1275.

<sup>2</sup> 393.1400.

1 defer 85% of Persimmon Creek’s depreciation expense, with carrying costs, until the asset can  
2 be reflected in a general rate case.

3 **TRACKER FOR PRODUCTION TAX CREDITS**

4 Q. Does Evergy West expect to claim production tax credits if it is permitted to  
5 purchase Persimmon Creek?

6 A. Yes. Persimmon Creek will generate PTCs during the first ten years of  
7 operations, which began in 2018. If Evergy West is permitted to purchase the facility, it will  
8 own the remaining PTCs generated.

9 Q. Were PTCs generated by Persimmon Creek a factor in Evergy West’s decision  
10 to enter into a purchase agreement for the wind farm?

11 A. Yes. Evergy West’s primary financial evaluation methodology was the  
12 anticipated Levelized Cost of Energy (“LCOE”), which accounts for tax incentives.<sup>3</sup>

13 Q. Is the PTC tax incentive accounted for in between rate cases for regulatory  
14 purposes?

15 A. No. Evergy West’s current rates are based on an annualized/normalized income  
16 tax expense and include \$0 for PTC tax benefits. PTCs claimed in between rate cases are not  
17 captured by any existing trackers, riders, or other rate mechanisms.

18 Q. Do any of the items accounted for in between rate cases provide ratepayer  
19 protection?

20 A. Of the items I listed above, the FAC provides a two-way protection for  
21 ratepayers and Evergy West that stem from volatility in power sales and fuel costs.

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<sup>3</sup> Humphrey supplemental direct, page 7.

1 Q. Do any of the items accounted for in between rate cases provide Evergy West  
2 protection?

3 A. Yes. The other statutory mechanisms I referenced (RESRAM, property tax  
4 tracker, PISA) generally incent utilities to invest in its assets by providing protection from  
5 regulatory lag.

6 Q. How do these mechanisms protect utilities from regulatory lag?

7 A. Generally, these mechanisms ensure that cost increases are captured and  
8 deferred in between rate cases so that the utility can recover the deferred costs from ratepayers  
9 in the future. If the mechanisms were not available, the utility would need to consider the cost  
10 increases while evaluating its overall cost of service and the need to file for a rate increase.

11 Q. Why are these cost recovery mechanisms germane to Persimmon Creek PTCs?

12 A. The Commission issues its ratemaking decisions to strike an appropriate balance  
13 between all stakeholders after considering all relevant factors. These cost recovery mechanisms  
14 will be before the Commission while it is considering what is just and reasonable in Evergy  
15 West's next rate case.

16 Q. What is Staff's recommendation for the PTCs generated by Persimmon Creek?

17 A. Staff recommends that the Commission order Evergy West to track the PTCs  
18 accrued on its books so that they too are available for the Commission's consideration in Evergy  
19 West's next rate case.

20 Q. Is Staff recommending a particular ratemaking treatment for deferred PTCs?

21 A. No, not in the current case. If the Commission approves the purchase and if the  
22 Commission orders a Persimmon Creek PTC tracker, all ratemaking decisions regarding the  
23 ratemaking treatment of the deferred tax credits should be reserved to subsequent Evergy West

Rebuttal Testimony of  
Matthew R. Young

1 rate proceedings. At that time, Staff would provide a ratemaking recommendation for the  
2 Commission to consider with all other relevant factors.

3 Q. Does this conclude your rebuttal testimony?

4 A. Yes it does.



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

In the Matter of the Application of Evergy )  
Missouri West, Inc. d/b/a Evergy Missouri West )  
for Permission and Approval of a Certificate of )  
Public Convenience and Necessity Authorizing )  
It to Purchase, Own, Operate, Maintain and )  
Otherwise Control and Manage an Existing )  
Wind Generation Facility in Oklahoma )

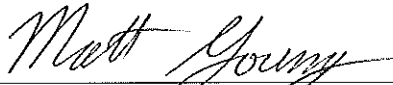
Case No. EA-2022-0328

**AFFIDAVIT OF MATTHEW R. YOUNG**

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF JACKSON    )


COMES NOW MATTHEW R. YOUNG and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Matthew R. Young*; and that the same is true and correct according to his best knowledge and belief.

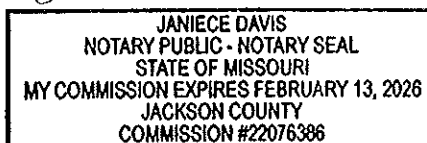
Further the Affiant sayeth not.

  
\_\_\_\_\_  
MATTHEW R. YOUNG

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 17<sup>th</sup> day of January 2023.

  
\_\_\_\_\_  
Notary Public



## Matthew R. Young

### **Educational and Employment Background and Credentials**

I am employed as a Utility Regulatory Audit Supervisor for the Missouri Public Service Commission (“Commission”). I earned a Bachelor of Liberal Arts Degree from The University of Missouri – Kansas City in May 2009 and a Master of Science in Accounting, also from The University of Missouri – Kansas City, in December 2011. I have been employed by the Commission as a Regulatory Auditor since July 2013.

As a Utility Regulatory Audit Supervisor, I perform rate audits and prepare miscellaneous filings for consideration by the Commission. I review exhibits and testimony on assigned issues, develop accounting adjustments and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums. In addition, I oversee the work product produced by junior auditors.

Cases in which I have participated and the scope of my contributions are listed below:

<b>Case/Tracking Number</b>	<b>Company Name</b>	<b>Scope of Issues</b>	<b>Testified at Hearing</b>
ER-2022-0337	Ameren Missouri	Plant, Reserve, Sioux Deferral, Fuel Inventory, Fuel Expense, Fuel Prices, Coal Refinement, Intangible Amortization, Extended Amortization, Incentive Compensation, Exceptional Performance Bonus, Income Taxes, IRA Tracker, Capitalized Overheads	
GO-2022-0339	Spire Missouri	Revenue Requirement	
GR-2022-0179	Spire Missouri	Capitalized Overheads	
GO-2022-0171	Spire Missouri	Capitalized Overheads	
ER-2022-0129 ER-2022-0130	Evergy Metro Evergy West	Prospective Tracking, Income Taxes, Fuel Expense and Inventory, DSM Opt-Out and Iatan Regulatory Assets, Plant, Reserve, Amortization Expense.	
EO-2022-0105	Evergy Metro	Revenue Requirement Issues	

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<b>Case/Tracking Number</b>	<b>Company Name</b>	<b>Scope of Issues</b>	<b>Testified at Hearing</b>
ER-2021-0240 GR-2021-0241	Ameren Missouri	Incentive Compensation	
GR-2021-0108	Spire Missouri	Capitalized Overheads, Income Taxes, Rate Base Amortizations	Yes
SA-2021-0017	Missouri American Water Company	Feasibility Studies, Construction Cost Estimates	Yes
GO-2021-0030 GO-2021-0031	Spire – East and Spire – West	ISRS Rate Base	
GA-2021-0010	Spire – West	Costs to Expand Distribution System	
WR-2020-0264	Raytown Water Company	Tank Painting and Tower Maintenance, Taxes, Leases, Capitalized Depreciation	
GO-2020-0229 GO-2020-0230	Spire – East and Spire – West	ISRS Rate Base	
GA-2020-0105	Spire – West	Costs to Expand Distribution System	
WA-2019-0366 SA-2019-0367	Missouri American Water Company	Sale of Assets, Rate Base	
WA-2019-0364 SA-2019-0365	Missouri American Water Company	Sale of Assets, Rate Base	
GO-2019-0356 GO-2019-0357	Spire – East and Spire – West	Overhead Costs in Rate Base, Reconciliation	Yes
ER-2019-0335	Ameren Missouri	Incentive Compensation, Fuel Inventory	
WO-2019-0184	Missouri American Water Company	ISRS Rate Base	
SA-2019-0161	United Services Inc.	Application for Certificate, Rate Base	

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Case/Tracking Number	Company Name	Scope of Issues	Testified at Hearing
ER-2018-0145 ER-2018-0146	Kansas City Power & Light & KCP&L Greater Missouri Operations	Fuel Prices & Inventories, Purchased Power Expense, Pensions, OPEBs, SERP, Outside Services	
WM-2018-0104	Missouri American Water Company	Rate Base	
WM-2018-0023	Liberty Utilities	Sale of Assets, Rate Base	
WR-2017-0343	Gascony Water Company	Rate Base	Yes
GR-2017-0215 GR-2017-0216	Laclede Gas Company & Missouri Gas Energy	Pensions, OPEBs, SERP, Incentive Compensation, Equity Compensation, Severance Costs	Yes
WR-2017-0139	Stockton Hills Water Company	Revenue, Expenses, Rate Base	
ER-2016-0285	Kansas City Power & Light	Forfeited Discounts, Bad Debt Expense, Customer Growth, Cash Working Capital, Payroll and Payroll Related Costs, Incentive Compensation, Rate Case Expense, Renewable Energy Standards Cost Recovery, Property Taxes	Yes
SR-2016-0202	Raccoon Creek Utility Operating Company	Rate Base	
ER-2016-0156	KCP&L Greater Missouri Operations	Payroll, Payroll Benefits, Payroll Taxes, Incentive Compensation, Injuries and Damages, Insurance Expense, Property Tax Expense, Rate Case Expense	
SR-2016-0112	Cannon Home Association	Revenues and Expenses, Rate Base	

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Case/Tracking Number	Company Name	Scope of Issues	Testified at Hearing
WR-2016-0109 SR-2016-0110	Roy-L Utilities	Revenues and Expenses, Rate Base	
WO-2016-0098	Missouri American Water Company	ISRS Revenues	
WR-2015-0246	Raytown Water Company	Revenues and Expenses, Rate Base	
SC-2015-0152	Central Rivers Wastewater Utility	Verification of amounts identified in Complaint	
WR-2015-0104	Spokane Highlands Water Company	Revenues and Expenses, Rate Base	
GR-2015-0026	Laclede Gas Company	Plant Additions and Retirements, Contributions in Aid of Construction	
GR-2015-0025	Missouri Gas Energy	Plant Additions and Retirements, Contributions in Aid of Construction	
WR-2015-0020	Gascony Water Company	Revenues and Expenses, Rate Base	
SM-2015-0014	Raccoon Creek Utility Operating Company	Sale of Assets, Rate Base, Acquisition Premium	
ER-2014-0370	Kansas City Power & Light	Injuries & Damages, Insurance, Payroll, Payroll Benefits, Payroll Taxes, Property Taxes, Rate Case Expense	Yes
SR-2014-0247	Central Rivers Wastewater Utility	Revenues and Expenses, Rate Base, Affiliated Transactions	
HR-2014-0066	Veolia Energy Kansas City	Payroll, Payroll Benefits, Payroll Taxes, Bonus Compensation, Property Taxes, Insurance Expense, Injuries & Damages Expense, Outside Services, Rate Case Expense	

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<b>Case/Tracking Number</b>	<b>Company Name</b>	<b>Scope of Issues</b>	<b>Testified at Hearing</b>
GO-2014-0179	Missouri Gas Energy	Plant Additions, Contributions in Aid of Construction	
GR-2014-0007	Missouri Gas Energy	Advertising & Promotional Items, Dues and Donations, Lobbying Expense, Miscellaneous Expenses, PSC Assessment, Plant in Service, Depreciation Expense, Depreciation Reserve, Prepayments, Materials & Supplies, Customer Advances, Customer Deposits, Interest on Customer Deposits	
SA-2014-0005	Central Rivers Wastewater Utility	Application for Certificate, Revenue and Expenses, Plant in Service, Depreciation Reserve. Other Rate Base Items	