MISSOURI PUBLIC SERVICE COMMISSION
STAFF REPORT

ELEVENTH 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")

CASE NO. EO-2023-0277

June 1, 2021, through November 30, 2022

Jefferson City, Missouri
August 30, 2023

** Denotes Confidential Information **

Appendix A

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STAFF REPORT

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I. EXECUTIVE SUMMARY

Commission Rule 20 CSR 4240-20.090(11)[1] and Missouri Revised Statute Section 386.266.5(4) require that the Commission's Staff ("Staff") conduct prudence reviews of an electric utility's Fuel Adjustment Clause (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-ninth, thirtieth and thirty-first six-month accumulation periods. The twenty-ninth accumulation period started June 1, 2021, and ended November 30, 2021. The thirtieth accumulation period started December 1, 2021, and ended May 31, 2022. The thirty-first[2] accumulation period started June 1, 2022, and ended November 30, 2022. Thus, the Review Period that is documented in this Prudence Review Report is from June 1, 2021, through November 30, 2022 ("Review Period"). This is Staff's eleventh Prudence Review Report for Evergy Missouri West's FAC. 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

[1] Effective January 30, 2019.

[2] AP31 only had an interim rate approved during the review period, therefore $85,420,087 was deferred out of AP31 and into AP32 and AP33, both outside of this review period.

Review	File Number	Review Period
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
Ninth	EO-2020-0262	June 1, 2018 through November 30, 2019
Tenth	EO-2022-0065	December 1, 2019 through May 31, 2021

In evaluating prudence, Staff reviews whether a reasonable person making the same decision would find both the information the decision-maker relied on and the process the decision-maker employed to be reasonable based on the circumstances and information known at the time the decision was made, *i.e.*, without the benefit of hindsight. If either the information relied upon or the decision-making process employed was imprudent, then Staff examines whether the imprudent decision caused any harm to ratepayers. Only if an imprudent decision resulted in harm to ratepayers, will Staff recommend a disallowance. However, if an imprudent decision did not result in harm to Evergy Missouri Metro's customers, then Staff may further evaluate the decision-making process, and may recommend changes to the company's business practice going forward.

Staff analyzed a variety of items in examining whether Evergy Missouri West was imprudent when managing its fuel and purchased power costs associated with its FAC. Based on its review, Staff found evidence of imprudence by Evergy Missouri West choosing to do nothing about the substantial ratepayer harm caused by the Purchased Power Agreement ("PPAs") it chose to sign into approximately ten years ago. This is especially concerning when the losses the ratepayers have incurred roughly halfway through the life of the contract of the long-term PPAs is very likely to continue for the remaining years of the life of the agreements. Staff also found evidence of imprudence by Evergy Missouri West when it included Southwest Power Pool ("SPP") administrative fees for transmission cost. Staff recommends the Commission order an Ordered Adjustment ("OA") in the amount of $2,076.20, plus interest, for transmission SPP administrative fees, and $13,989,508, plus interest, for purchased power costs, to be applied to Evergy Missouri West's next Fuel Adjustment Rate ("FAR") filing.

Staff Experts/Witnesses: Brooke Mastrogiannis and Cynthia M. Tandy

II. INTRODUCTION

A. General Description of Evergy Missouri West's FAC

Table 2 identifies Evergy Missouri West's Commission-approved FAC tariff sheets which were applicable for service provided by Evergy Missouri West to its customers during the period June 1, 2021, through November 30, 2022:

Table 2

Evergy Missouri West's Commission-approved FAC Tariff Sheets[3]

June 1, 2021, through November 30, 2022

P.S.C. MO No. 1
Original Sheet No. 127.13
Original Sheet No. 127.14
Original Sheet No. 127.15
Original Sheet No. 127.16
Original Sheet No. 127.17
Original Sheet No. 127.18
Original Sheet No. 127.19
Original Sheet No. 127.20
Original Sheet No. 127.21
Original Sheet No. 127.22

For each accumulation period ("AP"),[4] Evergy Missouri West's Commission-approved FAC allows Evergy Missouri West to recover from (if the actual net energy costs exceed) or refund to (if the actual net energy costs are less than) its ratepayers ninety-five percent (95%) of its Missouri jurisdictional[5] actual net energy costs ("ANEC")[6] less net base energy costs

[3] Effective January 9, 2023, these tariff sheets became 1st Revised Sheet No's. 127.13 through 127.22.
[4] Accumulation periods are June through November and December through May.
[5] 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 GMO.
[6] 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.

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

B. Prudence Standard

In making its recommendation to the Commission, Staff must determine if the utility acted imprudently, and if this imprudence resulted in harm to the utility's customers. This determination is based upon the information available to the utility and under the circumstances at the time, when the decision was made or action was taken. Staff's responsibility is to determine how a reasonable person would have performed the tasks that confronted a company. The determination is not based on hindsight or information that was not available at the time.

Staff Expert/Witness: Brooke Mastrogiannis

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[7] 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 S_{AP} x Base Factor ("BF").
[8] For the twenty-ninth, thirtieth, and thirty-first accumulation periods, the (ANEC-B)*J amounts are included on line 5 of Evergy Missouri West's 6th Revised Sheet No. 127.23, 7th Revised Sheet No. 127.23, 8th Revised Sheet No. 127.23, and 9th Revised Sheet No. 127.23, respectively.
[9] See Section IV. Interest, of this Prudence Review Report.
[10] Recovery periods are: March through February and September through August.
[11] See definition of variable I on Evergy Missouri West's Original Sheet No. 127.21.

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

Evergy Missouri West's FAC includes four major components of costs: fuel costs, purchased power costs, transmission costs, and net emission costs. It also includes two components of revenues: off-system sales revenues and renewable energy credit revenues. Confidential Table 3[12] is a breakdown of Evergy Missouri West's fuel costs, purchased power costs, transmission costs, net emission costs, off-system sales revenues, and renewable energy credit revenues for the period of June 1, 2021, through November 30, 2022:

continued on next page

[12] The ANEC provided in this table is the full ANEC before AP31 was adjusted for the disputed amount of $85,420,087, and has been removed from the interim tariff. Since the amount removed during AP31 was one lump sum, Staff cannot identify it individually by account. Therefore all amounts throughout this entire report will be referring to the full AP31 totals before they were deferred to AP32 and AP33. The amounts in Confidential Table 3 do take into account some Winter Storm Uri resettlement adjustments for June, August, and December 2021, and February of 2022, because those adjustments were identified by account.

Table 3 – Confidential

**
[redacted]
**

Staff Experts/Witnesses: Teresa Denney, Brooke Mastrogiannis, Cynthia M. Tandy, and Amanda C. Conner

A. Utilization of Generation Capacity

1. Description

The purpose of this section is to provide an overview of Evergy Missouri West's available supply-side and demand response resources and review the process by which generating units are selected to satisfy native load requirements during the Review Period. Evergy Missouri West's generating units consist of a mixture of coal, nuclear, natural gas, diesel, and wind as indicated in Confidential Table 4[13] below titled Supply Side Resources. Confidential Table 5 provides a list of Evergy Missouri West's long-term PPA. Confidential Table 6 contains a capacity summary for Evergy Missouri West's current fleet.

continued on next page

[13] Evergy Missouri Metro response to Data Request No. 0012 and 0042.

Table 4 - Confidential

**

[redacted]

**

Table 5 – Confidential

**

[redacted]

**

Table 6 – Confidential

**

[redacted]

**

2. Self – Commitment of Baseload Generation Facilities into SPP

During this FAC prudence review, Staff conducted a review of commitment status of Evergy Missouri West's electric generation facilities into SPP in an effort to determine any negative impacts that might be occurring because of such actions. Evergy Missouri West has varied electric generation facilities that are designed to provide varying types of services to its customers. These generation facilities include coal, natural gas, solar, Landfill gas, #2 fuel oil, 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 as to maintain the reliability of the units as determined by Evergy Missouri West's plant operations teams to determine optimal plant reliability and manufacturer operational guidelines.[14] The SPP market allows participants to commit resources in different ways rather than have the market choose which units to run. SPP utilizes five resource offer commitment status designations[15] for its market participants ("MP"):

> **1. Market** – the resource is available for centralized unit commitment through its price sensitive (merit-based) price quantity offers.
>
> **2. Self** – the market participant is committing the resource through price insensitive offers outside of centralized unit commitment.
>
> **3. Reliability** – the resource is off-line and is only available for centralized unit commitment if there is an anticipated reliability issue.
>
> **4. Outage** – the resource is unavailable due to a planned, forced, maintenance, or other approved outage.
>
> **5. Not participating** – the resource is otherwise available but has elected not to participate in the day-ahead market.

Evergy Missouri West stated in Data Request No. 0053.3 "Aside from the need to self-commit its units for safety, reliability, environmental compliance and economic reasons, the Company currently offers its generation in Market commit status most of the time."

Some of these reasons are unavoidable and can require the resource to be offered in self-commitment status. Testing the output of a plant, as periodically required by regulatory agencies, is a frequent justification. "Some of the reasons, such as high start-up costs, fuel offer through dollar-based offer parameters. Thermal damage due to start-ups and shutdowns and resulting major maintenance could be included in mitigated offers starting in April 2019.

[14] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.
[15] *Id*, Page 5.

SPP has seen a decline in self-committed generation over time and it is possible that perceptions of economic justifications have changed over time."[16]

Evergy Missouri West stated in Data Request No. 0053.1 that, "Because it is not the operator of its coal units, Evergy Missouri West does not make decisions when to self-commit." However, Staff analyzed data received from Evergy Missouri West[17] to determine the financial impacts of the self-commit units as offered and cleared into the SPP Real-time market and also reviewed the hourly real-time transactions that were deemed self-commitment.

3. Conclusion

Staff did not observe any evidence of imprudent utilization of generation resources during this prudence review.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0012, 0043, 0053, 0053.1, 0053.2 and 0053.3;

b. SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019; and

c. Case No. EW-2019-0370.

Staff Expert/Witness: Brad J. Fortson

B. Heat Rates

1. Description

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

2. Summary of Cost Implications

Heat rates are inversely related to the operating efficiency of the generating unit. Increasing heat rates of specific units over time may be an indication that a specific unit's efficiency is declining. Heat rates can vary greatly depending on operating conditions including but not limited to load, hours of operation, shut downs and startups, unit outages, derates,[18] and

[16] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 8.
[17] Staff Data Request No. 0053 in Case No. EO-2023-0277.
[18] Derate- To lower the rating of (a device), especially because of a deterioration in efficiency or quality.

weather conditions. Therefore, a good indication of unit performance for those units that are utilized frequently is an analysis of the trend of heat rates over time. A permanent increase in monthly heat rates is commonly the result of a decrease in a generating unit's operating efficiency whenever additional emissions reduction equipment is added to the backend of the generating unit. Continued utilization of units with sustained elevated heat rates could result in Evergy Missouri West incurring higher fuel costs per unit of electricity generated than it would otherwise have incurred. If Evergy Missouri West was imprudent in response to the ongoing trend of a unit's heat rate, ratepayer harm could result from an increase in the fuel costs that are collected through Evergy Missouri West's FAC charges.

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0017, and 0061; and

b. Monthly Outage data in the Monthly Reports submitted by Evergy West in compliance with Rule 20 CSR 4240-3.190.

Staff Expert/Witness: Brad J. Fortson

C. Plant Outages

1. Description

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

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

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

2. Summary of Cost Implications

An imprudent planned 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, and 0046.

Staff Expert/Witness: Brad J. Fortson

D. Natural Gas Costs

1. Description

For the Review Period, ** [redacted] ** or ** [redacted] ** of Evergy Missouri West's total fuel costs, purchased power costs, transmission costs, and net emission costs was associated with the natural gas used in generating electricity. The cost of natural gas includes various miscellaneous charges such as firm transportation service charges. During the Review Period, Evergy Missouri West's natural gas price averaged ** [redacted] ** per MMBtu, based on ** [redacted] ** MMBtu of natural gas purchased for a total purchased amount of ** [redacted]. ** Staff reviewed the contract terms and a sampling of invoices for gas purchased. Staff notes that hedging costs associated with natural gas are not currently included for recovery in Evergy Missouri West's FAC; therefore, the hedging costs/revenues and hedging policies were not reviewed in this prudence review. Evergy Missouri West receives natural gas services from twenty-five natural gas supply contracts and three natural gas transportation contracts. The contracts are with the following suppliers:

Table 7 - Confidential

**

[redacted]

**

Confidential Table 8 lists the entities that Evergy Missouri West has Gas Transportation Contracts in effect with for the Review Period:

Table 8 - Confidential

**

[redacted]

**

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

Table 9 - Confidential

**

[redacted]

**

2. Summary of Cost Implications

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0006, 0012, 0023, 0024, 0025, 0027, 0035, 0036, 0044, 0045, 0052, and 0076; and

b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 29, 30, and 31.

Staff Expert/Witness: Teresa Denney

E. Coal and Rail Transportation Costs

1. Description

For the Review Period, ** [redacted] ** or ** [redacted] ** of Evergy Missouri West's total fuel costs, cost of purchased power, transmission costs, and net emission costs was associated with the coal used in generating electricity. The cost of coal includes various miscellaneous charges such as rail and other ground transportation service charges. Staff reviewed the contract terms of three coal purchase contracts, as well as a sampling of invoices for coal purchased and delivered. The counterparties for the contracts are:

Table 10 - Confidential

**

[redacted]

**

The contracts provide coal delivery to Evergy Missouri West's Jeffrey Energy Center 1, 2, and 3, Iatan 1 and 2, and Lake Road 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. 0001, 0006, 0007, 0008, 0012, 0021, 0023, 0028, 0029, 0030, 0031, 0035, 0036, 0044, 0045, 0052, and 0076; and

b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 29, 30, and 31.

Staff Expert/Witness: Teresa Denney

F. Fuel Oil Costs

1. Description

For the Review Period, ** [redacted] ** or ** [redacted] ** 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. Staff reviewed the contract terms of Evergy Missouri West's two 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 Missouri West purchases the fuel oil. The counterparties for the fuel oil contracts are listed in the table below:

<u>Table 11 - Confidential</u>

**

[redacted]

**

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

2. Summary of Cost Implications

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0006, 0012, 0023, 0026, 0035, 0036, 0044, 0045, 0052, and 0076; and

b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 29, 30, and 31.

Staff Expert/Witness: Teresa Denney

G. Transmission Costs

1. Description

For the Review Period, ** [redacted] ** or ** [redacted] ** of Evergy Missouri West's total fuel cost, cost of purchased power, transmission costs and net emission costs, was associated with transmission costs.

The P.S.C. MO No. 1 Original Sheet No. 127.16, (applicable to service provided from December 6, 2018, and thereafter defines transmission costs as:

> TC = Transmission Costs:
> The following costs reflected in FERC[19] Account Number 565:
>
> > Subaccount 565000: non-SPP transmission used to serve off-system sales or to make purchases for load, excluding any transmission costs associated with the Crossroads Power Plant and 47.20% of the SPP transmission service costs which includes the schedules listed below as well as any adjustments to the charges in the schedules below:
> >
> > > Schedule 7 - Long Term Firm and Short Term Point to Point Transmission Service
> > > Schedule 8 - Non Firm Point to Point Transmission Service
> > > Schedule 9 - Network Integration Transmission Service
> > > Schedule 10 - Wholesale Distribution Service
> > > Schedule 11- Base Plan Zonal Charge and Region Wide Charge
> >
> > excluding amounts associated with portions of purchased power agreements dedicated to specific customers under the Renewable Energy Rider tariff.
> >
> > Subaccount 565020: the allocation of the allowed costs in the 565000 account attributed to native load;
> >
> > Subaccount 565027: the allocation of the allowed costs in the 565000 account attributed to transmission demand charges;
> >
> > Subaccount 565030: the allocation of the allowed costs in account 565000 attributed to off-system sales.

[19] Federal Energy Regulatory Commission, Uniform System of Accounts ("FERC Account").

For calculating TC, Evergy Missouri West implemented a process whereby total transmission expenses were tabulated and then costs not allowed in the FAC were removed. Staff reviewed the transmission costs over the Review Period to verify only 47.20% of the SPP transmission service costs were included, as well as verifying all Crossroads transmission and NUCOR costs were excluded. Evergy Missouri West's transmission costs during the Review Period are ** [redacted] **. There was an adjustment for the month of March 2022 of $84,745.76, and Data Request responses indicated it was due to SPP experiencing advisories from forecasted extreme cold weather and precipitation. The Company also indicated that there were two line items for short-term firm transmission service purchased to facilitate physical power imports from the MISO RTO and into the SPP RTO, therefore $45,835 was attributed to MISO and $38,911 was attributed to SPP. Of the total cost, the Company indicated that $2,076.20 was for SPP administrative fees, under Schedule 1 and 1a, neither of which are allowed in the FAC, per the Commission approved Original Sheet No. 127.16 tariff sheet (shown above), nor are any SPP administrative fee charge types included in the FAC tariff sheets.

2. Summary of Cost Implications

If Evergy Missouri West imprudently included transmission costs or included more than 47.20% of the SPP transmission service costs through November 30, 2022, or administrative fees, ratepayer harm could result from increased FAC charges.

3. Conclusion

Staff has found that Evergy Missouri West has acted imprudently by including SPP administrative fees for transmission costs in the FAR filing for March 2022 of $2,076.20, during the Review Period. Staff recommends the Commission issue an Ordered Adjustment ("OA") in the amount of $2,076.20, plus interest, to be included in the next FAR filing.

4. Documents Reviewed

a. Evergy Missouri West's General Ledger;

b. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0009, 0023, 0036, 0040, 0040.1, 0040.2, 0040.3, and 0044; and

c. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 29, 30 and 31.

Staff Expert/Witness: Cynthia M. Tandy

H. Emission Allowances

1. Description

The Cross-State Air Pollution Rule ("CSAPR") is a ruling by the United States Environmental Protection Agency ("EPA") that requires a number of states, including Missouri, to reduce power plant emissions that contribute to ozone and/or fine particle pollution in other states. The CSAPR requires Missouri to reduce its annual emissions of sulfur dioxide (SO_2) and nitrous oxides (NO_x) to help downwind states attain the 24-hour National Ambient Air Quality Standards ("NAAQS"). The CSAPR also requires Missouri to reduce ozone season emissions of NO_x to help downwind states attain the 8-hour NAAQS.

The primary mechanism of CSAPR is a cap-and-trade program that allows a major source of NO_X and/or SO_2 to trade excess allowances when its emissions of a specific pollutant fall below its cap for that pollutant. Originally, the EPA issued a model cap-and-trade program for power plants, which could have been used by states as the primary control mechanism under CAIR. This model, with modifications, continued under CSAPR.

To comply with CSAPR, Evergy Missouri West established an inventory for SO_2 and NO_x. Evergy Missouri West currently plans to maintain this SO_2 and NO_x allowance inventory sufficient to offset expected emissions. This inventory is tracked in Company account 158100, 158200 and 158201 for Emission Allowance Inventories. The Evergy Missouri West SO_2 and NO_x allowance inventories are valued at zero cost, and the cost for SO_2 and NO_x allowances is tracked in FERC Account Number 509000. For the Review Period, the total balance in the emission inventory accounts as of November 30, 2022 was ** [redacted] **. The Company annually balances account 509000 when the EPA yearly awards the additional allowances.

For the Review Period, Evergy Missouri West's total net emission allowance cost was ** [redacted] **.

2. Summary of Cost Implications

If Evergy Missouri West imprudently used, purchased or banked its SO_2 and NO_x allowances, ratepayer harm could result from an increase in Evergy Missouri West's FAC charges.

3. Conclusion

Staff found no indication Evergy Missouri West was imprudent in its purchases, banking, or usage of CSAPR SO_2 and NO_x allowances.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff's Data Request Nos. 0001, 0023, 0032, 0034, 0036, 0039, 0044, 0057, 0058, 0059 and 0060;

b. Evergy Missouri West's FAR filings and related work papers for AP 29, 30 and 31; and,

c. Evergy Missouri West's FAC monthly reports for the time period June 1, 2021 through November 30, 2022 required by 20 CSR 4240-20.090(5).

Staff Expert/Witness: Cynthia M. Tandy

I. Off-System Sales Revenue

1. Description

Off-system sales revenues ("OSSR") is a component in the calculation of Evergy Missouri West's FAR used to charge or refund fuel and purchased power costs to its customers. Staff reviewed the off-system sales quantities and revenues over the Review Period, and Evergy Missouri West's off-system sales revenue recoverable under the FAC was in the amount ** [redacted] **. Evergy Missouri West did not enter into any short-term contracts, because they did not have any excess capacity during the Review Period. There also were no bilateral off-system sales contracts for the review period.

2. Summary of Cost Implications

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0019, 0023, 0036, 0044 and 0054;

b. Evergy Missouri West's FAC Original Sheet No. 127.16; and

c. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 29, 30 and 31.

Staff Expert/Witness: Cynthia M. Tandy

J. Renewable Energy Credit Revenues

1. Description

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

The RES rule creates two categories of energy-generating resources: non-renewable energy resources (including purchased power from non-renewable energy sources) and renewable energy resources (including purchased power from renewable energy sources).[21] Renewable energy resources produce electrical energy and are:

- wind
- solar sources
- thermal sources
- hydroelectric sources
- photovoltaic cells and panels

[20] Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.
[21] 20 CSR 4240-20.100(5)(B).

- fuel cells using hydrogen produced by one (1) of the above named electrical energy sources, and other sources of energy that become available after August 28, 2007, and are certified as renewable by the Missouri Department of Natural Resources – Division of Energy ("Division of Energy").[22]

Once an energy resource is certified, it begins producing Renewable Energy Credits ("RECs"), with one (1) REC representing one (1) megawatt-hour of electricity that has been generated from the renewable energy resource. These RECs can be sold and/or traded in the market place bundled with or without the energy that generated the REC.[23] The cost of a REC (as a RES compliance cost) cannot be recovered through the FAC.[24] However, revenues from the sale of RECs are recovered through the FAC as an off-set to fuel costs. During the Review Period, the RES rule required Evergy Missouri West to serve at least 10% of its retail load using renewable energy resources until December 31, 2020, and then at least 15% of its retail load starting January 1, 2021, and a minimum of .03% of the 15% being solar RECs. There were no REC expenses submitted under the FAC program during this Review Period.

In Case No. EO-2022-0065, a Non-Unanimous Stipulation and Agreement was filed on July 25, 2022, in regards to Evergy Missouri West selling excess RECs, and the Commission issued its *Order Approving Stipulation and Agreement* on September 14, 2022[25]. Within this agreement it states, "The Company's current REC sales procedure implemented in 2022 will be included in the next Evergy Missouri Metro and Evergy Missouri West Fuel Adjustment Rate (FAR) filings." Subsequently, Evergy Missouri Metro began selling some of their excess RECs starting February 1, 2022.

Staff reviewed Evergy Missouri West's 2022 RES Compliance Plan[26], and all sources suggest the number of wind purchased power (PPA) RECs will increase significantly in the coming years. On February 1, 2022 (during this Review Period), the maximum level of the RES rule requirement of 15% was reached and even with this increase, the Company's excess and expired PPA RECs increased. The following table summarizes the data of RECs from 2020 to 2022:

[22] Prior Department of Economic Development – Division of Energy.
[23] 20 CSR 4240-20.100(6)(B)(5)(J).
[24] 20 CSR 4240-20.100(6)(A)(16).
[25] Non-Unanimous Stipulation and Agreement filed on July 25, 2022 and Ordered by the Commission on September 14, 2022.
[26] RES Compliance Plan Case No. EO-2022-0288.

Table 12 - Confidential

**

[redacted]

**

Confidential Table 12 above also illustrates the percentage of RECs sold over total excess RECs. Staff was able to use the certified vintage date instead of the date it was actually sold to correspond with the actual year it was acquired and used for compliance.

2. Summary of Cost Implications

Evergy Missouri West started selling excess RECs in 2022. The revenues from the sale of excess RECs is a partial offset to fuel and purchased power costs. However, since the amount of excess RECs continues to increase, Staff will continue to monitor the management of the Company's REC assets including, but not limited to, the amount and vintage dates of excess RECs being sold.

3. Conclusion

Staff found no indication that Evergy Missouri West imprudently sold RECs during this review period. However, Staff will continue to monitor the management of selling RECs to ensure the maximum amount of revenues.

4. Documents Reviewed

a. Evergy Missouri West's responses to Data Request Nos. 0042, 0042a, 0042.1, 0044, 0055, 0056, 0056a and 0056.1;

b. File No. EO-2022-0065;

c. File No. EO-2020-0262;

d. File No. EO-2019-0067; and

e. File No. EO-2022-0288- Evergy Missouri West 2022 Annual Renewable Energy Standard Compliance Plan.

Staff Expert/Witness: Amanda C. Conner

K. Purchased Power Costs

1. Description

Evergy Missouri West's FAC Original Sheet No. 127.15, applicable to service provided from December 6, 2018, through the effective date of this tariff sheet, define the Purchased Power Costs ("PP") components, which are purchases of power through the SPP Integrated Market ("SPP IM") and not energy generated by the Company.

Staff has determined that Evergy Missouri West's total purchased power expense for the Review Period is ** [redacted] ** as shown previously in Confidential Table 3. More detail for the cost of Purchased Power is shown in Confidential Table 13 below.

continued on next page

Table 13 - Confidential

**

[redacted]

**

Non-Firm Short-term Energy

Since SPP implemented the IM on March 1, 2014, SPP has controlled the economic dispatch of Evergy Missouri West's generation. During times that Evergy Missouri West's load exceeds Evergy Missouri West's generation, Evergy Missouri West becomes a net purchaser in the SPP market. These SPP market purchases are from other electric suppliers to help meet Evergy Missouri West's retail load during times of forced or planned plant outages and during times when the market price is below the marginal cost of providing that energy from Evergy Missouri West's generating units. Under the SPP IM, Evergy Missouri West's generation is offered to the SPP IM and energy needed for native load requirements is purchased from the SPP market. "Spot purchases and sales are made based upon SPP market and system operating conditions for the entire SPP footprint."[27] Costs for the IM purchases are included as "Non-Firm Short-term Energy" in Confidential Tables 3 and 13 of this Report. Further discussion of Evergy Missouri West's participation in these markets can be found in Section III.A. of this report.

[27] Data Request Response No. 0016 in Case No. EO-2023-0277.

Long-Term Purchased Power Agreements

Evergy Missouri West has six long-term PPA's in effect during the Review Period: Gray County, Ensign Wind, Osborn Wind, Rock Creek Wind, Pratt Wind, and Prairie Queen Wind. These contracts are "take-or pay" contracts for renewable wind energy and RECs (i.e., Evergy Missouri West has to receive and pay for the energy whether it needs the energy or not), which is a standard feature of many wind PPAs. The contract is for the energy and RECs generated by the wind farm. The total fixed energy contract price per MWh, the amount of capacity per MW, the number of years for each contract, the expiration date for each contract, and the total cost of electricity with revenue associated with sales and the results of a net loss/gain for the Review Period are included in the Confidential Table 14 below.

Table 14 - Confidential

**

[redacted]

**

Staff also reviews long-term purchased power contracts during a general rate case. As a result of that review, a determination is made regarding what generation plants and purchased power contracts should be input into Staff's fuel model. The outcome of the most recent general rate case is taken into consideration regarding the prudency of long-term purchased power contracts. Staff also considers the Company's Integrated Resource Plan ("IRP") and IRP Annual Updates regarding long-term purchased power contracts.

Not included in this section of Staff's Report is the new purchased power wind contracts that Evergy Missouri West has recently signed into because the associated costs and revenues have not been sought for recovery through this FAC filing. However, Staff is aware of these additional purchased power wind contracts and provided, as part of its Staff Report in the Evergy Missouri West 2020 IRP Annual Update, concerns with these additional purchased power wind contracts. On March 10, 2020, the Companies' filed the *Evergy Metro Integrated Resource Plan 2020 Annual Update* ("Evergy Missouri Metro 2020 Annual Update") in Case No. EO-2020-0280 and the *Evergy Missouri West Integrated Resource Plan 2020 Annual Update* ("Evergy Missouri West 2020 Annual Update") in Case No. EO-2020-0281. In those dockets, on May 18, 2020, Staff filed its *Staff Report* responding not only to the Evergy Missouri Metro 2020 Annual Update and Evergy Missouri West 2020 Annual Update, but also to the Companies' Notices in Case Nos. EO-2018-0268 and EO-2018-0269[28]. Staff voiced several concerns in regards to PPAs in its Staff Report. Some to note are as follows:

Page 2:

> The Companies have failed to meet the fundamental objective of the Commission's Chapter 22 Rules by entering into ** [redacted] ** MW of fixed price wind power purchase agreements (PPAs) based upon speculation of future SPP energy prices. Entering into a PPA based on speculated market revenues that could outweigh costs does not serve the public interest because flowing all of the costs of these PPAs through the Companies' fuel adjustment clauses creates a potentially large amount of risk to ratepayers and almost zero risk to shareholders at a point in time when the SPP Market Monitoring Unit states that "market prices have not been signaling new generation entry for some time." The Companies do not need to enter into the PPAs for SPP resource adequacy requirements, reliability needs, or Missouri Renewable Energy Standard requirements. The Companies state in the Annual Reports that the PPAs were entered into in part for the Renewable Energy Rider, however Staff cannot determine the accuracy of that statement at this time. Furthermore the economic feasibility analysis that was relied upon for the contracts blatantly ignore realities of the SPP markets, utilizes stale market price forecasts that are limited to only six potential outcomes, relies on developer estimates that are much greater than the actual outputs of the existing Evergy Metro and Evergy West PPAs, ** [redacted]

[28] On December 16, 2019, the Companies filed a Notice of Determination of Change (Notice). In its Notice, Evergy stated, ** [redacted] **

> [redacted][29] [redacted]. **

Page 3:

> ... The Companies did not need to enter into the PPAs to meet SPP resource adequacy needs, reliability needs, or Missouri RES compliance requirements. Since the Companies will be purchasing the energy generated by a third party, the Companies will not own, operate, control or manage the facilities. Further, the Companies' shareholders will not finance the purchase. Rather ratepayers will be required to finance the purchase for 15+ years through collection of costs through fuel adjustment clauses of the Companies… In the case of the wind PPAs entered into by the Companies, they are not in the public interest for several reasons. The PPAs are not needed, the economic analysis relied upon is extremely flawed, and nearly all of the risk is borne by ratepayers.
>
> Staff requested for the Companies to demonstrate the need for the wind PPA additions in 2021 and 2022 in the preferred resource plans.[30] The Companies' response to this request simply referred to the Companies' December 16, 2019 Notice of Determination of Change in Case Nos. EO-2018-0268 and EO-2018-0269, in which the Companies notified the Commission that a decision had been made to enter into two PPAs totaling ** [redacted] ** MW that would be allocated to Evergy Missouri Metro and Evergy Missouri West. Staff requested supplemental responses to this data request that actually demonstrated the need to enter into the wind PPAs, to which the Companies continuously insisted that the original response was adequate. The notion that simply making a decision to enter into wind PPAs is an adequate demonstration of the need for the contracts is not only concerning, but insufficient. By that logic, the Companies could continually add the costs of an unlimited number of PPA contracts to Evergy West's and Evergy Metro's respective fuel adjustment clauses without any demonstration of a need to do so. In fact, the Companies' response to Staff data request 23 indicates that the Companies do not have an upper limit on the number of wind PPAs the Companies would consider entering into based on the capacity positions and customer loads of Evergy Metro and Evergy West. The Commission's regulatory oversight of the decision making of Evergy Metro and Evergy West would be significantly hindered by actions such as these… However, by entering into contracts for a large number of PPAs without

[29] The footnote attached to this portion is for Company response to Staff Data Request No. 0033 in EO-2020-0280 and EO-2020-0281.

[30] The footnote attached to this portion is for Company response to Staff Data Request No. 0001 in EO-2022-0280 and EO-2020-0281.

> demonstrating the need, relying upon speculated revenues outweighing expected costs, and not providing sound economic analysis at the time of entering the PPAs, the Companies have shifted all of the risk to ratepayers through the fuel adjustment clauses and shifted all of the burden of proof onto other stakeholders by making prudence reviews the process for initial in-depth analysis of the decision to enter into the PPAs.

Pages 5 – 6:

> ** [redacted] [31] [redacted] **

Page 6:

> ** [redacted] **

Staff also noted in this same report on page 7 "that this risk could be addressed fairly through risk mitigation or risk sharing in the Commission-approved fuel adjustment clauses of the Companies."

Subsequently, Staff's Report in the most recent Evergy Missouri West Triennial IRP Filing in Case No. EO-2021-0036 also stated, "Staff echoes its past comments in regards to Evergy West and PPAs, and that ratepayers should not have to bear all of the risk of PPAs which are entered into when there is not a need for capacity to meeting minimum capacity requirements. To remedy this concern, Staff suggests as it has before, that ratepayer risk mitigation or risk sharing could be addressed fairly in the Commission-approved fuel adjustment clause of Evergy West."

In the most recently concluded general rate case, Case No. ER-2022-0129 and ER-2022-0130, Staff shared similar concerns in Brad J. Fortson's Direct and Surrebuttal

[31] The footnote attached to this portion is for Company response to Staff Data Request No. 0050 in EO-2020-0280 and EO-2020-0281.

Testimonies. The Commission's *Order Approving Four Partial Stipulation and Agreements*, filed on September 22, 2022, approved the *Stipulation and Agreement* filed on August 30, 2022, which provided the following in its paragraph 5, item number 4:

> The Company will exclude from its FACs the net costs associated with wind purchased power agreements ("PPAs") entered into after May 2019 whose costs exceed their revenues resulting in a net loss. Language will be included in its FAC tariff sheets reflecting this exclusion. The Company will factor the financial risk of this settlement condition into its evaluation of wind PPAs in its prospective long-term resource planning during such time that the condition is in effect.

In a previous Evergy Missouri West and Evergy Missouri Metro FAC prudence review, The Office of the Public Counsel challenged Evergy's decisions to acquire the Rock Creek and Osborn Wind PPA's. In the Report and Order in Case No. EO-2019-0067 (consolidated with Case No. EO-2019-0068), the Commission stated, "The Commission will not replace the companies' primary supposition at the point of decision that the PPA's were being acquired in the context of a long-term, twenty-year investment with a supposition that the investment was short-term, and then apply a hindsight test and pronounce the investments imprudent." Historically, Staff has stated in previous prudence reviews, "Staffs review of the PPA's and the performance of the contracts should be viewed on a long-term basis and not just from the results during the review period." Staff has had concerns about all current and future PPA's for some time now, but recognizes that it is difficult to make an imprudence disallowance, especially on a short-term basis. Staff's language used in previous prudence reviews allowed for and provided an opportunity for these PPAs to turn around positively. In the past, Staff has not alleged imprudence on these PPAs specifically because of this, giving them a chance to turn around and be beneficial to ratepayers, to prove any part of the PPA analysis relied upon was correct, and to allow for a larger dataset to be gathered over a longer period of time. Now that some of these PPAs are more than halfway through their contract term, and the losses are continually growing, Staff is able to review these PPAs in the context of a long-term, twenty-year investment, as the Commission suggested in their Report and Order language above. Reviewing the total amount of losses that both Evergy Missouri West and

Evergy Missouri Metro[32] customers have suffered since SPP implemented the IM, it is approximately ** [redacted] ** dollars, or almost half a billion dollars. Confidential Tables 15 and 16 below illustrates what the market prices have been, by using a monthly average DA LMP for the specific customer location node for each PPA, as compared to the contract price.

Table 15[33] - Confidential

**

[redacted]

**

continued on next page

[32] The Evergy Missouri Metro losses are not separated out between Missouri and Kansas jurisdictions for the purposes of this section of the report.
[33] The February 2021 amount in Confidential Tables 15 and Confidential Table 16 was reduced from $514 for Ensign and $511 for Gray County. This was adjusted so the scale of the tables gives a better representation of the other prices throughout the seven year period.

<u>Table 16[34] - Confidential</u>

**

[redacted]

**

As the tables above illustrates over the past seven[35] years, the market price is almost always lower than the contract price, specifically ** [redacted] ** of the time for Ensign and ** [redacted] ** for Gray County. This is concerning to Staff, and also should be to Evergy Missouri West, that for the remainder of the contract it is very unlikely these PPA's will turn around, and if they do, extremely unlikely they will turn around to pay the customers back the full ** [redacted] ** dollars.

Furthermore, Staff tried to obtain information from Evergy Missouri West to understand if they are projecting any losses or revenues from these PPAs going forward, in their most recent annual or triennial IRP filings. It is still unclear of what the Company's assumptions of costs and revenues associated with each PPA are for planning purposes, and Staff will continue to send more discovery on this. In Data Request No. 0077 it simply states,

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[34] ** [redacted] **

[35] Staff used seven years instead of ten because of how the SPP data was presented in the years prior to 2016.

** [redacted] **

Part of the prudence standard that Staff relies on states, "whether a reasonable person making the same decision would find both the information the decision-maker relied on and the process the decision-maker employed to be reasonable based on the circumstances and information known at the time the decision was made, without the benefit of hindsight. If either the information relied upon or the decision-making process employed was imprudent, then Staff examines whether the imprudent decision caused **any harm to ratepayers**. Only if an imprudent decision resulted in harm to ratepayers, will Staff recommend a disallowance."

Staff wants to first point out that although not necessarily imprudent, there is no early termination clause to get out of these contracts. Since these contracts have no early termination clause, the customers are on the hook to continue to pay these losses for the remaining years of the contract term. Staff is of the opinion that most decision-makers at that point would invest their money elsewhere and cut their losses, before possibly losing another half a billion dollars.

Based on the historic actual data, historic trends, the cost/revenue assumptions going forward, and the customer harm is recognizable on a long-term basis, in this circumstance by ** [redacted] ** dollars, it is Staff's opinion that it is imprudent for Evergy's decision makers to not do something about these PPA's going forward or share more in the losses the ratepayers have incurred over all of these years. Staff was unable to fully see the customer harm of these PPAs right after they were entered into, therefore did not make an adjustment on a short-term basis, as described in the Commission Report and Order above. However, Staff is recognizing, and has recognized for a long time, that these PPAs will not make up for the losses they have incurred roughly halfway through the contract term, and Staff now has enough data to make this recommendation.

Consequently, Staff is recommending the Commission order a disallowance of \$13,989,508,[36] plus interest, for Evergy Missouri West as an ordered adjustment for this Review Period. This amount comes from both the Gray County and Ensign PPA losses that occurred during the Review Period. Staff is only recommending a disallowance for these two PPAs at

[36] This is calculated by taking \$14,754,268 of losses for both Ensign and Gray County PPAs during the review period, and applying the 95% sharing mechanism and the corresponding monthly jurisdictional factor. The \$14,754,268 is taken from adding the losses (far right column in Confidential Table 14) for Ensign and Gray County.

this time because they are the only two that are halfway through their contract terms during the Review Period, and it is very clear the remainder of their contract life will not make up for the losses they have incurred roughly halfway through the contract term. Staff is also only recommending a disallowance of these two PPAs just for the Review Period, because Staff did want to give Evergy Missouri West the benefit of the doubt that these contracts would somehow be a benefit to customers on a long-term basis. However, Staff has concluded that customers will never see a benefit from these PPAs, therefore ratepayers should not have to suffer any more harm going forward.

In addition, Staff also recommends the Commission order any losses incurred for all PPAs going forward that are halfway through their contract life be borne by Evergy's shareholders.

2. Summary of Cost Implication

If Evergy Missouri West did not manage its purchase power contracts properly, ratepayer harm could result from an increase in costs collected through the FAC.

3. Conclusion

Staff has found that Evergy Missouri West has acted imprudently by not finding a better solution about these long term PPA's going forward or share more in the losses the ratepayers have incurred over all of these years. Staff recommends the Commission order an Ordered Adjustment ("OA") in the amount of $13,989,508, plus interest, to be applied to Evergy Missouri West's next FAR filing. Staff further recommends any losses incurred for all PPAs going forward that are halfway through their contract life be borne by Evergy's shareholders.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0020, 0023, 0044, 0045, 0051, 0051.1, 0051.2, 0065, 0065.1, 0068, 0069, 0069.1, 0070, 0071, 0072, and 0077;

b. PPA Contracts;

c. Evergy Missouri West's responses to Staff Data Request No. 0020.1 in File No. EO-2022-0065;

d. Staff Report in Case No. EO-2020-0281 and EO-2021-0036;

e. Commission Report and Orders in EO-2019-0067 and EA-2022-0328; and

f. Section III.A. of this report.

Staff Experts/Witnesses: Brooke Mastrogiannis and Brad J. Fortson

IV. INTEREST

1. Description

During each accumulation period, Evergy Missouri West is required to calculate a monthly interest amount based on Evergy Missouri West's short-term debt borrowing rate that is applied to the under-recovered or over-recovered fuel and purchased power costs. Evergy Missouri West's short-term debt rate is calculated using the daily one-month United States Dollar London Interbank Offered Rate ("LIBOR"), using the last previous actual rate for weekends and holidays or dates without an available LIBOR, and the Applicable Margin for Eurodollar Advances. A simple mathematical average of all the daily rates for the month is then computed. For the Review Period, Evergy Missouri West's average monthly interest rate from June 1, 2021, through November 30, 2022 was ** [redacted] ** with the total amount of interest accumulated for the period of ** [redacted] **. The interest amount is component "I" of Evergy Missouri West's FAC.

2. Summary of Interest Implications

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001 and 0044;

b. Evergy Missouri West's monthly interest calculation work papers in support of the interest calculation amount on the under-recovered or over-recovered balance; and

c. Evergy Missouri West's monthly reports, FAR Filings, and related work papers for AP 29, 30, and 31.

Staff Expert/Witness: Amanda C. Conner

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Eleventh Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	))))	File No. EO-2023-0277

AFFIDAVIT OF AMANDA C. CONNER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW AMANDA C. CONNER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report;* and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Amanda C. Conner
AMANDA C. CONNER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

Dianna L. Vaught
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Eleventh Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	))))	File No. EO-2023-0277

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BRAD J. FORTSON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Report;* and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Brad J. Fortson

BRAD J. FORTSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 28th day of August, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July , 2027
Commission Number: 1520 77

Dianna L. Vaught

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Eleventh Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	))))	File No. EO-2023-0277

AFFIDAVIT OF TERESA DENNEY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW TERESA DENNEY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report;* and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Teresa Denney
TERESA DENNEY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

Dianna L. Vaught
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Eleventh Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	))))	File No. EO-2023-0277

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report;* and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Brooke Mastrogiannis
BROOKE MASTROGIANNIS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

Dianna L. Vaught
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Eleventh Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	))))	File No. EO-2023-0277

AFFIDAVIT OF CYNTHIA M. TANDY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW CYNTHIA M. TANDY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report;* and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

CYNTHIA M. TANDY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

Dianna L. Vaught
Notary Public