MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT

TENTH 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-2022-0065

December 1, 2019, through May 31, 2021

Jefferson City, Missouri
February 28, 2022

** Denotes Confidential Information **

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I. EXECUTIVE SUMMARY

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

Commission Rule 20 CSR 4240-20.090(11)[3] and Missouri Revised Statute Section 386.266.5(4) require that the Commission's Staff ("Staff") conduct prudence reviews of an electric utility's FAC no less frequently than every 18 months. In this prudence review, Staff analyzed items affecting Evergy Missouri West's fuel costs; purchased power costs; net emission costs; transmission costs; off-system sales revenues; and renewable energy credit revenues for the twenty-sixth, twenty-seventh and twenty-eighth six-month accumulation periods. The twenty-sixth accumulation period started December 1, 2019, and ended May 31, 2020. The twenty-seventh accumulation period started June 1, 2020, and ended November 30,

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[1] Item No. 411 in Case No. ER-2007-0004.

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

[3] Effective January 30, 2019.

2020. The twenty-eighth accumulation period started December 1, 2020, and ended May 31, 2021. Thus, the Review Period that is documented in this Prudence Review Report is from December 1, 2019, through May 31, 2021 ("Review Period"). This is Staff's tenth 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
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

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 when Evergy Missouri West failed to take any action that would have allowed it to generate revenue from the sale of 79,994 renewable energy credits ("RECs") that were not needed to satisfy its RES compliance and simply allowed them to expire during the Review Period. Staff recommends the Commission order an Ordered Adjustment ("OA") in the amount of $271,980[4].

Staff Expert/Witness: 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 December 1, 2019, through May 31, 2021:

Table 2
Evergy Missouri West's Commission-approved FAC Tariff Sheets
December 1, 2019, through May 31, 2021

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"),[5] 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%)

[4] This recommended disallowance does not include interest.
[5] Accumulation periods are June through November and December through May.

of its Missouri jurisdictional[6] actual net energy costs ("ANEC")[7] less net base energy costs ("B")[8] which is identified as (ANEC-B)*J in Evergy Missouri West's FAC.[9] 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)[10] is recovered from or returned to ratepayers through an increase or decrease in the FAC Fuel Adjustment Rates ("FAR") during a twelve-month recovery period ("RP").[11] 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[12] in a future filing to adjust the FAR.

B. Prudence Standard

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

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[6] 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.

[7] 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.

[8] 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").

[9] For the twenty-sixth, twenty-seventh and twenty-eighth accumulation periods, the (ANEC-B)*J amounts are included on line 5 of Evergy Missouri West's 3rd Revised Sheet No. 127.23, 4th Revised Sheet No. 127.23, and 5th Revised Sheet No. 127.23, respectively.

[10] See Section IV. Interest, of this Prudence Review Report.

[11] Recovery periods are: March through February and September through August.

[12] See definition of variable I on Evergy Missouri West's Original Sheet No. 127.21.

> [A] utility's costs are presumed to be prudently incurred... However, the presumption does not survive “a showing of inefficiency or improvidence... [W]here some other participant in the proceeding creates a serious doubt as to the prudence of expenditure, then the applicant has the burden of dispelling these doubts and proving the questioned expenditure to have been prudent.
>
> In the same case, the PSC noted that this test of prudence should not be based upon hindsight, but upon a reasonableness standard: [T]he company's conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the company had to solve its problem prospectively rather than in reliance on hindsight. In effect, our responsibility is to determine how reasonable people would have performed the tasks that confronted the company.
>
> 954 S.W.2d 520, 528-29 (Mo. App. W.D., 1997) (citations omitted).

In reversing the Commission decision in that case, the Court did not criticize the Commission’s definition of prudence, but held, in part, that to disallow a utility's recovery of costs from its customers based on imprudence, the Commission must determine the detrimental impact of that imprudence on the utility’s ratepayers. *Id.* at 529-30. This is the prudence standard Staff follows in conducting prudence reviews. Staff reviewed for prudence the areas identified and discussed below for Evergy Missouri West’s twenty-sixth, twenty-seventh, and twenty-eighth six-month accumulation periods.

Staff Expert/Witness: Brooke Mastrogiannis

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. Table 3 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 December 1, 2019, through May 31, 2021:

Table 3 – Confidential

**

[redacted]

**

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

A. Staff Review of Ordinary FAC Costs

In the FAC FAR filing for Accumulation Period 28, Case No. ER-2022-0005[13], covering the six-month period of December 2020 through May 2021, Evergy Missouri West requested to defer $297,316,444 of extraordinary costs and revenues associated with the February 2021 cold weather event ("Winter Storm Uri"). The extraordinary costs are being sought for future recovery through an Accounting Authority Order ("AAO"), which would track and defer in a regulatory asset or liability, as appropriate, all extraordinary costs and revenues of Winter Storm Uri. The AAO case is still pending in File No. EU-2021-0283, and recovery of the amounts deferred will be addressed by the Commission in a future proceeding. As such, the deferred costs and revenues are not subject to review under this prudence review.

Company witness Lisa A. Starkebaum's direct testimony in the FAC FAR filing explained that Winter Storm Uri caused extremely cold temperatures that lasted for days. Ms. Starkebaum explained that full recovery of these extraordinary costs through the FAR filing would have significantly increased an average residential customer's bill (page 5), and the Company believed it was not in customers' best interests to utilize the FAC for recovery of the extraordinary costs (age 6). Ms. Starkebaum further explained that the Company calculated a three-year average baseline of February costs, using February costs for the years 2018, 2019, and 2020 for fuel, purchased power, emissions, transmission expense, and off-system sales revenues. This baseline average was compared to the February 2021 actual costs to compute the extraordinary costs in excess of the average.[14] The requested deferral of costs was pursuant to Commission Rule 20 CSR 4240-20.090(8)(A)2.A.(XI), which states, "For the period of historical costs which are being used to propose the fuel adjustment rates… Extraordinary costs not to be passed through, if any, due to such costs being an insured loss, or subject to reduction due to litigation or for any other reason."

On August 18, 2021, the Commission approved a substitute tariff sheet that was filed on July 23, 2021, to become effective September 1, 2021. The substitute tariff sheet reflected a reduction for deferred extraordinary costs of $297,316,445 and reflected current period Fuel Adjustment Rates of $0.00074. The deferred costs will be reviewed for prudence in a future proceeding.

[13] Filed July 1, 2021.
[14] Lisa Starkebaum's Direct Testimony page 7, filed July 1, 2021.

In Table 3 of this report are the amounts adjusted for the Storm Uri. These amounts were calculated using a three-year average baseline of February costs, using actual February costs for the years 2018, 2019, and 2020 for fuel, purchased power, emissions, transmission expense, and off-system sales revenues. This baseline average was compared to the February 2021 actual costs to compute the extraordinary costs in excess of the average. However, in every section of this report that Storm Uri affected, there will be a footnote that contains the total costs that were actually incurred before the adjustment for the deferral.

B. 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 Table 4[15] below titled Supply Side Resources. Table 5 provides a list of Evergy Missouri West's long-term Power Purchase Agreements ("PPA"). Table 6 contains a capacity summary for Evergy Missouri West's current fleet.

(CONTINUED ON NEXT PAGE)

[15] Evergy Missouri Metro response to Data Request No. 0013 & 42.

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.[16] 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[17] 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.

SPP Market participants have stated the following reasons for self-commitment:[18]

- Testing – NERC requirement
- Public Utilities Regulatory Policy Act (PURPA)
- Federal service exemptions
- Started by a different market
- Weather
- Long lead times

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[16] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.
[17] *Id*, Page 5.
[18] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Pages 7 and 8.

- Fuel contracts
- Other contracts
- Long minimum run times
- Commitment bridging
- Desire to reduce thermal damage to the unit due to starts and stops
- High startup costs

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. SPP has seen a decline in self-committed generation over time and it is possible that perceptions of economic justifications have changed over time.”[19]

Staff analyzed data received from Evergy Missouri West[20] to determine the financial impacts of the self-commit units as offered and cleared into the SPP Real-time market. Table 7 provides the summary of Staff’s review by generating unit for the period of January 1, 2020, through June 30, 2021. Staff reviewed the hourly real-time transactions that were deemed self-commitment by taking the hourly real time energy cost and adding it to the hourly total revenue for that same hour for the individual generating unit that was self-committed, then compared the number of positive “In the Money” hourly transactions to the negative “Out the of Money” hourly transactions. Results are shown below in Table 7. Staff then took it a step further to show the amount of revenue that corresponded to the “In vs Out” of money transactions, as well as a net settlement (revenue) or total when adding the “In the Money” to the “Out the Money” transactions, to show an overall revenue associated with self-commitment. In the revenue portion of the table below a positive/negative sign convention was used for revenues.

i.e. (Negative values =Charges/Station Use; Positive values = Revenues/Generation).

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[19] *Id*, Page 8.
[20] Staff Data Request No. 0055.1 in File No. EO-2022-0065.

Table 7 – Confidential

**

[redacted]

**

Staff does not have the data to perform a detailed analysis as to what would have been the additional costs to the units due to high cost of restart, increases in O&M cost and increased plant outages if Evergy Missouri West would have designated these units as “Economic” instead of “Self-Commit”. Staff is providing Table 7 as actual financial results of Evergy Missouri West’s current practice of self-commit of its baseload generation units as described above. The overall findings from Table 7 revealed that 77% of Evergy Missouri West’s self-commitment hourly transactions had positive revenues associated with them.

Staff further explored this issue in Case No. EW-2019-0370. Some of the findings in that case were that "the utility responses indicate that the economic minimum for each unit is based upon the physical limitations of each plant at a given point in time. These physical limitations are highly variable among plants, are affected by a variety of factors, and can vary by hour. Many of the units in question were commissioned as base load units well before the day-ahead markets were formed. These base load coal units were not designed to be cycled frequently and doing so would likely increase the likelihood of outages, increase operations and maintenance expense, and reduce the reliability of the units… Staff maintains that in order to fully understand the economic impact of self-scheduling on a given unit's profitability, an analysis at the RTO level would need to be conducted. Due to the highly confidential nature of utilities' market bidding strategies, it is highly unlikely that any party other than SPP or MISO have the raw data, modeling software access, and resources to conduct such an extensive analysis of market trends."[21]

3. Conclusion

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

4. Documents Reviewed

a. Evergy- West's responses to Staff Data Request Nos. 0013, 0042, 0055 and 0055.1

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

c. EW-2019-0370.

Staff Expert/Witness: Jordan Hull

C. 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

[21] EW-2019-0370, Staff's Second Supplemental Report, Pages 1&2.

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[22], and 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. 0018, and 0064; and
b. Monthly Outage data in the Monthly Reports submitted by Evergy West in compliance with Rule 20 CSR 4240-3.190.

Staff Expert/Witnesses: Jordan Hull

[22] Derate- To lower the rating of (a device), especially because of a deterioration in efficiency or quality.

D. 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. Scheduled outages are often planned and scheduled over one 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 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 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, 0006 and 0047.

Staff Expert/Witnesses: Jordan Hull

E. Natural Gas Costs

1. Description

For the Review Period, ** [redacted] **[23] or ** [redacted] **[24] 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 and other fuel handling expenses. During the Review Period, Evergy Missouri West's natural gas price averaged ** [redacted] ** per MMBtu, based on ** [redacted] ** MMBtu of natural gas purchases and purchase amounts of ** [redacted]. ** Staff reviewed the contract terms and a sampling of invoices for gas purchased. Evergy Missouri West receives natural gas services from 27 natural gas supply contracts and five natural gas transportation contracts. The contracts are:

(CONTINUED ON NEXT PAGE)

[23] ** [redacted] **

[24] The natural gas costs and percentage of total fuel costs reflect the removal of extraordinary costs deferred from Accumulation Period 28, as noted in Section III.A of this report. Evergy Missouri West's total natural gas costs actually incurred, before the adjustment for the deferral, is [redacted] or [redacted] of total fuel costs, purchased power costs, transmission costs, and emission costs.

Table 8 - Confidential

**

[redacted]

**

Table 9 - Confidential

**

[redacted]

**

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

<u>Table 10 - Confidential</u>

**

[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, 0007, 0013, 0024, 0025, 0027, 0035, 0036, 0044, 0045, 0054, 0065; and

b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 26, 27, and 28.

Staff Expert/Witness: Lisa Wildhaber

F. Coal and Rail Transportation Costs

1. Description

For the Review Period, ** [redacted] ** or ** [redacted] **[25] of Evergy Missouri West's total fuel costs, cost of purchased power, transmission costs, and net emission costs was

[25] The coal costs and percentage of total fuel costs reflect the removal of extraordinary costs deferred from Accumulation Period 28, as noted in Section III.A of this report. Evergy Missouri West's total coal costs actually incurred, before the adjustment for the deferral, is ** [redacted] ** or ** [redacted] **of total fuel costs, purchased power costs, transmission costs, and emission costs.

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, and other fuel handling expenses. Staff reviewed the contract terms of four coal purchase contracts, as well as a sampling of invoices for coal purchased and delivered. The counterparties for the contracts are:

Table 11 - Confidential

**

[redacted]

**

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

2. Summary of Cost Implications

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0007, 0009, 0013, 0021, 0024, 0028, 0029, 0030, 0031, 0035, 0036, 0044, 0045, and 0054; and

b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 26, 27, and 28.

Staff Expert/Witness: Lisa Wildhaber

G. Fuel Oil Costs

1. Description

For the Review Period, ** [redacted] ** or ** [redacted] **[26] of Evergy Missouri West's total fuel costs, cost of purchased power, transmission costs, and net emission costs was associated with the fuel oil used in generating electricity. The cost of fuel oil includes various miscellaneous charges, such as rail and/or ground transportation service charges and other miscellaneous fuel handling expenses. Staff reviewed the contract terms of Evergy Missouri West's four 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 12 - 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.

[26] The fuel oil costs and percentage of total fuel costs reflect the removal of extraordinary costs deferred from Accumulation Period 28, as noted in Section III.A of this report. Evergy Missouri West's total fuel oil costs actually incurred, before the adjustment for the deferral, is [redacted] or [redacted] of total fuel costs, purchased power costs, transmission costs, and emission costs.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0007, 0024, 0026, 0035, 0036, 0044, 0045, 0054; and

b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 26, 27, and 28.

Staff Expert/Witness: Lisa Wildhaber

H. Transmission Costs

1. Description

For the Review Period, ** [redacted] ** or ** [redacted] **[27] 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, through May 31, 2021) defines transmission costs as:

> TC = Transmission Costs:
> The following costs reflected in FERC[28] 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

[27] The transmission costs and percentage of total transmission costs reflect the removal of extraordinary costs deferred from Accumulation Period 28, as noted in Section III.A of this report. Evergy Missouri West's total transmission costs actually incurred, before the adjustment for the deferral, is ** [redacted] **or ** [redacted] ** of total fuel costs, purchased power costs, transmission costs, and emission costs.

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

> 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.

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 (starting December 1, 2019, through May 31, 2021) as well as verifying all Crossroads transmission costs were excluded.[29] Evergy Missouri West's transmission costs during the Review Period are ** [redacted] **

2. Summary of Cost Implications

If Evergy Missouri West imprudently included transmission costs or included more than 47.2% of the SPP transmission service costs through May 31, 2021, ratepayer harm could result from increased FAC charges.

3. Conclusion

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

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

4. Documents Reviewed

a. Evergy Missouri West's General Ledger;

b. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0024, 0040, 0045, 0046; and

c. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 26, 27, and 28.

Staff Expert/Witness: Amanda C. Conner

I. 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 replaced EPA's 2005 Clean Air Interstate Rule (CAIR), following the direction of a 2008 court decision that required EPA to issue a replacement regulation. CSAPR implementation began on January 1, 2015.

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.

On September 7, 2016, the EPA revised the CSAPR ozone season NO_X program by finalizing an update to CSAPR for the 2008 ozone NAAQS, known as the CSAPR Update. The CSAPR Update ozone season NO_X program largely replaced the original CSAPR ozone season NO_X program starting on May 1, 2017. The CSAPR Update further reduced summertime NO_X emissions from power plants in the eastern U.S. There was a Final Revised Cross-State Air Pollution Rule Update on March 15, 2021, that included an additional 12 states. Since Missouri was already part of the first CSAPR Update, this Revised CSAPR Update did not affect Missouri. According to Evergy Missouri West, there were no operational adjustments needed to comply with the CSAPR requirements.

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 for Emissions Allowance Inventory and accounts 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 SO_2 total balance in the emission inventory accounts as of May 31, 2021 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. 0032, 0034, 0039, 0045, 0059, 0060, 0061 and 0062;

b. Evergy Missouri West's FAR filings and related work papers for AP 26, 27 and 28; and,

c. Evergy Missouri West's FAC monthly reports for the time period December 1, 2019 through May 31, 2021 required by 20 CSR 4240-20.090(5).

Staff Expert/Witness: Cynthia M Tandy

J. 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. The following languages in effect during the Review Period includes:

Evergy Missouri West's P.S.C. MO No. 1 Original Sheet No. 127.16, applicable to service provided from December 6, 2018, and thereafter defines the "OSSR" component as:

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

  Subaccount 447020: all revenues from off-system sales. This includes charges and credits related to the SPP IM, excluding (1) the amounts associated with purchased power agreements associated with the Renewable Energy Rider tariff, and (2) off-system sales revenues from full and partial requirements sales to municipalities that are served through bilateral contracts in excess of one year. Additional revenue will be added at an imputed 75% of the unsubscribed portion associated with the Solar Subscription Rider valued at market price;

  Subaccount 447012: capacity charges for capacity sales;

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

  Subaccount 447035: the off-systems sales revenues associated with the WAPA agreement.

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] **[30].

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

[30] The off-system sales revenue reflect the removal of extraordinary costs deferred from Accumulation Period 28, as noted in Section III.A of this report. Evergy Missouri West's total off-system sales revenue actually incurred, before the adjustment for the deferral, is $35,795,033.

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. 0045 and 0056;
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 26, 27, and 28. .

Staff Expert/Witness: Cynthia M. Tandy

K. Renewable Energy Credit Revenues

1. Description

The Missouri Renewable Energy Standard ("RES")[31] 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

[31] Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.

renewable energy resources (including purchased power from renewable energy sources).[32] Renewable energy resources produce electrical energy and are:

- wind
- solar sources
- thermal sources
- hydroelectric sources
- photovoltaic cells and panels
- 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").[33]

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.[34] The cost of a REC (as a RES compliance cost) cannot be recovered through the FAC.[35] 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. There were no REC expenses submitted under the FAC program during this Review Period.

The issue of selling or not selling RECs for Evergy Missouri West was addressed in Case No. EO-2019-0067 (Consolidated from EO-2019-0068). In the Review Period for that case, the Company had produced more RECs than it needed for RES compliance. Evergy's policy during that Review Period was to let excess RECs expire. However, since RECs have three years before they expire, per the RES rule, no RECs expired during the Review Period in Case No. EO-2019-0067. Therefore, Staff did not recommend a disallowance in regards to

[32] 20 CSR 4240-20.100(5)(B).
[33] Prior Department of Economic Development – Division of Energy
[34] 20 CSR 4240-20.100(6)(B)(5)(J).
[35] 20 CSR 4240-20.100(6)(A)(16).

RECs in that case. Evergy's policy during the current Review Period continues to be to allow excess RECs to expire.

In the current Review Period, the issue of not selling, but instead letting non-solar RECs expire, was reevaluated again since there were significant changes in the circumstances that Staff was unable to ignore, as further addressed below. Staff continues to question the prudency of allowing RECs to expire that could bring in revenue for the benefit of all ratepayers if they were sold.

Staff sent several data requests to review the sale of RECs in this Review Period. In Staff Data Request No. 0058, Staff asked, "Did Evergy Missouri West sell any RECs (wind, solar, etc.) during the Review Period of December 1, 2019 through May 31, 2021?... If "no", please provide the reason why no RECs were sold." Evergy Missouri West responded, "Evergy Missouri West did not sell any RECs during the Review Period of December 1, 2019 through May 31, 2021… Evergy RECs were expired rather than sold. This is to ensure our customers receive as much renewable energy as possible since Evergy can't count sold RECs as renewable energy delivered to customers." Staff sent a follow up DR 58.1 for clarification on the statements in the response to DR 58.

Evergy's response to DR 58.1 was, "RECs created for generating years 2018 through 2020 can be retired to meet 2021 compliance with the Renewable Energy Standard (4 CSR 240-20.100). The Standard also states that RECs can be used for the calendar year in which it expired, so Evergy expires RECs annually after RECs are retired for the compliance year. As such, 2018 and newer RECs are not yet expired for MO RES compliance."

In DR 0069, Staff asked if Evergy sent any surveys out to all customers asking them if they would rather have their FAC charge reduced by selling RECs on the market or prefer to keep the RECs until expiration for their "energy's environmental attributes".[36] Evergy Missouri West's response to DR 0069 stated, "Evergy Missouri West did not send surveys out to ALL customers asking them if they would rather have their FAC charge reduced by selling RECs on the market or prefer to keep the RECs until expiration for their "energy's environmental attributes".

[36] *Report and Order*, pg. 25, Case EO-2019-0067

While reviewing the information provided by Evergy Missouri West in DRs 0042-0042.4, no expired RECs were listed. However, after discussions with the Company, it was found that 79,994 RECs had expired in calendar year 2020, but was in the subaccount for Evergy Missouri Metro. The Company corrected the information in supplemental Data Request 0042.1 and those 79,994 expired RECs are now under Evergy Missouri West. Staff received DRs 0042A and 0042.1A from Evergy to correct this error.

Staff also reviewed Evergy's 2021 RES Compliance Plan, and all sources suggest the number of non-solar RECs will increase significantly in the coming years. On January 1, 2021 (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 RECs increased. The following table summarizes the data of non-solar RECs from 2017 to 2021:

<u>Table 13 - Confidential</u>

**

[redacted]

**

There have been a number of significant changes in regards to whether to sell non-solar RECs since the *Report and Order* in Case No. EO-2019-0067 was issued by the Commission. Following are changes to the previous circumstances:

1) The value of selling a REC has increased significantly since the EO-2019-0067 case. The value of RECs has increased from approximately $.84 per REC to as high as $7[37].

2) The required RECs for Missouri has increased from 10% to 15% (50% increase) starting January 1, 2021. Even with the increase in the required amount of RECs in Missouri for 2021, the amount of available RECs for consideration of selling has increased and will likely continue to increase.

3) Evergy Misouri West's RECs in excess of RES compliance requirement needs continues to increase. Starting in 2020, the Company began experiencing expired RECs and that number will very likely continue to increase for 2021 and future years.

4) According to Allied Market Research on renewable energy, RECs had a value in the market of $881.7 billion in 2020 and expect to reach $1,977.6 billion by 2030[38]. Staff has also reviewed various other resources on the REC market along with the future market of RECs. Therefore, it seems there will be tremendous growth in the market needs in the next ten years.

5) According to Evergy's 2021 Integrated Resource Plan Overview, Evergy itself indicates their renewable energy sources from wind is anticipated to increase from 27% in 2020 to 33% in 2030.

6) There are other electric companies in Missouri and other states that continue to sell their excess RECs to help offset costs. In Missouri, any sale from RECs would help offset the cost of fuel in the FAC.[39] Selling excess RECs would benefit all ratepayers.

Table 14 is a comparison of non-solar RECs that were produced/acquired, required for compliance, excess and expired for this Prudence Review versus the last Prudence Review. In just 18 months, excess non-solar RECs increased 63% and expired non-solar REC increased 800%.

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[37] Value quoted by Ameren publically in EE-2022-0074 case.
[38] www.alliedmarketresearch.com/renewable-energy-certificates-market
[39] This is applicable for Empire, however for Ameren the revenues are returned to all ratepayers through the RESRAM. With either mechanism, the sales are returned to all ratepayers.

**

[redacted]

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On January 7, 2022, in Case No. ER-2022-0130, Evergy Missouri West filed direct testimony explaining its proposed Green Pricing Renewable Energy Credit ("REC") Program ("Green Pricing Program").[40] The proposed Green Pricing Program appears to be an attempt to potentially address Staff's concern going forward from the effective date of rates in that case. The proposed Green Pricing Program, however, does nothing to address Staff's concern for this Review Period.

When determining the disallowance amount, Staff used averages and information from many sources to determine the value of a non-solar REC in the market during the Review Period. , . Since RECs can be sold and purchased throughout the country, the prices can vary depending on the types of RECs, supply and demand, brokers used and fees, etc. Staff used the value of RECs for other Missouri electric utility companies as a guide along with Evergy Missouri Metro and West's response to DRs 0057-0057.3.

For the Review Period from December 1, 2019, through May 31, 2021, averages were used to determine a reasonable REC price during this time. Evergy Missouri West responded

[40] Case No. ER-2022-0130 Direct Testimony of Kimberly H. Winslow, page 48-51.

to DR 0057.1 as of 12/31/20 indicating that wind REC value was ** [redacted] **. A Data Request was also sent to Liberty Utilities (dba, The Empire District Electric Company) (DR 0390) for Case No. ER-2021-0312, and their response on the value of RECs for Liberty using Green-e Eligible National REC was ** [redacted] ** on January 7, 2020, to ** [redacted] ** on June 30, 2021. According to an Ameren publically quoted statement in Case No. EE-2022-0074, they indicate the REC price per REC was $7.

An average from all three sources was used to determine the price per non-solar REC for the disallowance. Based on that, it was determined that a reasonable cost to use was $3.40 per REC. Therefore, the total recommended disallowance for this Prudence Review is $271,980, plus interest.[41] Although the Commission in its *Report and Order* determined the effect of selling the RECs versus holding the RECs was not significant enough to order any disallowances, it is Staff's opinion that this is no longer the case with the change in circumstances during this Review Period and the future effect is now very significant. The decision to not sell non-solar RECs during this Review Period has a tremendous financial impact on ratepayers.

2. Summary of Cost Implications

Evergy Missouri West could have decreased all ratepayers FAC charges by selling excess RECs instead of letting them expire. Due to the many changes in circumstances with selling RECs, as explained above, Staff is recommending the Commission find that Evergy Missouri West acted imprudent in its management of RECs during this Review Period causing harm to its ratepayers by increased FAC charges.

3. Conclusion

Staff has found that Evergy Missouri West has acted imprudently by not selling its excess RECs but instead allowing them to expire. This action has caused harm to all ratepayers by increasing FAC charges. Staff could not find that Evergy Missouri West took any action that would have allowed it to generate revenue from its 79,994 RECs that were not needed to satisfy its RES compliance and were simply allowed to expire during the Review Period. Staff recommends the Commission issue an Ordered Adjustment ("OA") in the amount of $271,980

[41] This disallowance is derived by calculating an average of $3.40 per REC by the amount of expired RECs of 79,994 during the Review Period.

which is equal to 79,994 RECs multiplied by Staff's estimated average sales price of $3.40 per REC during the 18-month Review Period.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0042, 0041A, 0042.1, 0042.1A, 0042.2 (corrected under 0042.3), 0042.3, 0042.4, 0045, 0057, 0057.1, 0058, 0058.1, 0066, and 0069;

b. File No. EO-2019-0067 information;

c. File No. EO-2019-0067, Data Request No. 0044.2;

d. File No. EO-2020-0262, Data Request No. 0042AS;

d. Liberty Data Request 0390, Case No. ER-2021-0312;

e. Case No. ER-2022-0130, Direct Testimony of Kimberly H Winslow Page 48-51, iii.Green Pricing Renewables Energy Credit ("REC") Program;

f. NAR reports;

g. Evergy Missouri Metro 2021 Annual Renewable Energy Standard Compliance Plan (April 2021);

h. Evergy 2021 Integrated Resource Plan Overview; and,

i. Email correspondence with Randy Erickson, Evergy.

Staff Expert/Witness: Cynthia M. Tandy

L. Lake Road Auxiliary Power Steam Allocation

1. Description

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

10. GMO STEAM ALLOCATIONS

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

As a result of the Commission's Order, Evergy Missouri West reversed, in Case No. ER-2019-0198, the original adjustment entry from the prior FAR filing in its FAR filing for its FAC's twenty-third accumulation period which started June 1, 2018, and ended November 30, 2018 OPC disputed $482,557 of costs related to auxiliary power and the allocation of charges for the auxiliary electric power used by Evergy Missouri West for its steam operations. On February 27, 2019, the Commission suspended the true up timeline to allow the Commission to address OPC's challenge. Case No. ER-2019-0198 was combined with the concurrent FAC prudence review, Case No. EO-2019-0067, to allow the Commission to address OPC's challenge in the FAC prudence review instead of the FAR filing.

As a result of the Commission's Report and Order in Case No. EO-2019-0067, OPC's request for a prudence adjustment of $469,409[42] was denied. The Commission's Conclusions of Law state:

> T. Neither GMO's tariff nor any relevant statute or regulation required GMO to directly allocate the fuel costs associated with auxiliary power between the electric operations and the steam operations at GMO's Lake Road Plant.
>
> U. Section 386.550, RSMo, states: "In all collateral actions or proceedings the orders and decisions of the commission which have become final shall be conclusive."
>
> V. In ER-2018-0146, the Commission issued its *Order Approving Stipulations and Agreements* on October 31, 2018. The Commission takes official notice that Order and that Order approved a stipulation with the following language: "GMO will use the allocation numbers used in Staff's model filed in Case No. ER-2016-0156. These allocation numbers shall be used by GMO in its FAC, QCA, and surveillance reporting. GMO agrees to work with Staff, OPC, and MECG to develop new steam allocation procedures prior to GMO's next electric general rate case." KCPL was a signatory party of the stipulation referenced in

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

> the Order. The stipulation was incorporated into the Order. The order required KCPL to comply with the aforesaid provision. The aforesaid October 31, 2018 Order entered in ER-2018-0146 became final and is conclusive in this case.

Subsequently, in Case No. ER-2019-0413, Evergy Missouri West did not seek to recover the disputed amount by OPC, which was $311,381 related to auxiliary power Evergy Missouri West used for its steam operations at its Lake Road station, since the order in Case No. EO-2019-0067 was not final and was still appealable.[43]

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

Staff's understanding of this issue is that Evergy Missouri West will be working with Staff, OPC, and MECG, to develop new steam allocation procedures prior to Evergy Missouri West's next electric general rate case. Evergy Missouri West has conducted meetings with Staff, OPC, and MECG on September 10, 2021, October 4, 2021, and October 25, 2021.

On January 7, 2022, in Case No. ER-2022-0130, Evergy Missouri West witness Linda Nunn filed Direct Testimony on the Lake Road issue. Staff is still evaluating their proposed allocations manual, which could affect a potential FAC adjustment, but Staff will not have an opinion on the Company's proposal until further in the general rate case.

2. Summary of Cost Implications

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

3. Conclusions

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

4. Documents Reviewed

a. Staff Data Request No. 0062 in EO-2019-0067;

b. FAR filing workpapers in Case Nos. ER-2018-0400, ER-2019-0198, ER-2019-0413, ER-2020-0189, and ER-2020-0421;

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[43] KCP&L Greater Missouri Operations Company's Response to Order Directing Filing, filed on 9-12-2019, in Case No. ER-2019-0413.

c. Staff Recommendation in Case Nos. ER-2018-0400, ER-2019-0198, ER-2019-0413, ER-2020-0189, and ER-2020-0421;

d. September 19, 2018 Non-Unanimous Stipulation and Agreement in Case No. ER-2018-0146; and

e. November 6, 2019 Report and Order in Case No. EO-2019-0067

Staff Expert/Witness: Brooke Mastrogiannis

M. Gray County Wind Purchased Power Agreement

1. Description

Evergy Missouri West has a long-term (15-year) PPA with NextEra Energy Resources for energy and RECs generated by the Gray County Wind Farm located in Kansas. The contract is based on ** 60 ** MW of capacity that Evergy Missouri West (then known as Aquila, Inc.) began receiving in 2001[44]. The contract is a "take-or pay" contract 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. In its response to Staff Data Request No. 0058 Evergy Missouri West stated, "Evergy Missouri West did not sell any RECs during the Review Period of December 1, 2019 through May 31, 2021."[45] Total cost of electricity under the Gray County PPA was ** [redacted] ** with revenue associated with sales of ** [redacted] ** which resulted in a net loss of ** [redacted] ** for the Review Period.

2. Summary of Cost Implications Summary of Cost Implications

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

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[44] This PPA contract was renewed on December 18, 2014 and expires on December 17, 2029.
[45] This is addressed further in the REC section III.K above.

3. Conclusions

Staff has identified that the Gray County Wind Farm PPA is creating a significant amount of additional costs compared to the revenue received. In the Report and Order in Case No. EO-2019-0067, the Commission stated, "The Commission will not replace the companies' primary supposition at the point of decision that the PPAs 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. " Staff is not recommending a disallowance related to this issue at this time.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0020, 0020.1, 0024, 0043, 0045, 0046, 0053, and 0058;

b. Evergy Missouri West 2020 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2021 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2020-0332; and

e. Staff Report in Case No. EO-2021-0348.

Staff Expert/Witness: Brooke Mastrogiannis

N. Ensign Wind Purchased Power Agreement

1. Description

Evergy Missouri West has a long-term (20-year) PPA with NextEra Energy Resources for energy and RECs generated by the Ensign Wind Center located in Gray County, Kansas. The contract is also a "take-or pay" contract for renewable wind energy and RECs, and is based on a fixed energy price of ** [redacted] ** per MWh and a capacity of ** [redacted] ** MW that Evergy Missouri West began receiving in November 2012. In its response to Staff Data Request No. 0058 Evergy Missouri West stated, "Evergy Missouri West did not sell any RECs during the Review Period of December 1, 2019 through May 31, 2021."[46] Total cost of electricity under the Ensign Wind PPA was ** [redacted] ** with revenue associated with sales of ** [redacted] ** which resulted in a net loss of ** [redacted] ** for the Review Period.

[46] This is addressed further in the REC section III.K above.

2. Summary of Cost Implications

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

3. Conclusions

Staff has identified that the Ensign Wind Center PPA is creating a significant amount of additional costs compared to the revenue received. In the Report and Order in Case No. EO-2019-0067, the Commission stated, "The Commission will not replace the companies' primary supposition at the point of decision that the PPAs 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." Staff is not recommending a disallowance related to this loss issue at this time.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0020, 0024, 0043, 0045, 0046, 0053, and 0058;

b. Evergy Missouri West 2020 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2021 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2020-0332; and

e. Staff Report in Case No. EO-2021-0348.

Staff Expert/Witness: Brooke Mastrogiannis

O. Osborn Wind Energy Purchased Power Agreement

1. Description

Evergy Missouri West has a long-term (20-year) PPA with NextEra Energy Resources for energy and RECs generated by the Osborn Wind Energy Center located in Missouri. The contract is based on a fixed energy price of ** [redacted] ** per MWh and a capacity of ** [redacted] ** MW that Evergy Missouri West began receiving in December 2016. The contract is a "take-or pay" contract for renewable wind energy and RECs, which is a standard feature of many wind PPAs. The contract is for the energy and RECs generated by the wind farm. In its response to Staff Data Request No. 0058 Evergy Missouri West stated, "Evergy Missouri West did not sell any RECs during the Review Period of December 1, 2019 through May 31, 2021."[47] Total cost of electricity under the Osborn Wind PPA was ** [redacted] ** with revenue associated with sales of ** [redacted] ** which resulted in a net loss of ** [redacted] ** for the Review Period.

2. Summary of Cost Implications Summary of Cost Implications

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

3. Conclusions

Staff has identified that the Osborn Wind Energy PPA is creating a significant amount of additional costs compared to the revenue received. In the Report and Order in Case No. EO-2019-0067, the Commission stated, "The Commission will not replace the companies' primary supposition at the point of decision that the PPAs 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." Staff is not recommending a disallowance related to this loss issue at this time.

[47] This is addressed further in the REC section III.K above.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0020, 0024, 0043, 0045, 0046, 0053, and 0058;

b. Evergy Missouri West 2020 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2021 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2020-0332; and

e. Staff Report in Case No. EO-2021-0348.

Staff Expert/Witness: Brooke Mastrogiannis

P. Rock Creek Wind Project Purchased Power Agreement

1. Description

Evergy Missouri West has a long-term (20-year) PPA with Rock Creek Wind Project, LLC for energy and RECs generated by the Rock Creek Wind Farm located in Missouri. The contract is also a "take-or pay" contract for renewable wind energy and RECs, and is based on a fixed energy price of ** [redacted] ** per MWh and a capacity of ** [redacted] ** MW that Evergy Missouri West began receiving in August 2017. In its response to Staff Data Request No. 0058 Evergy Missouri West stated, "Evergy Missouri West did not sell any RECs during the Review Period of December 1, 2019 through May 31, 2021."[48] Cost of electricity under the Rock Creek Wind Project was ** [redacted] ** with revenue associated with sales of ** [redacted] ** which resulted in a net loss of ** [redacted] ** for the Review Period.

2. Summary of Cost Implications

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

[48] This is addressed further in the REC section III.K above.

3. Conclusions

Staff has identified that the Rock Creek Wind Project PPA is creating a significant amount of additional costs compared to the revenue received. In the Report and Order in Case No. EO-2019-0067, the Commission stated, "The Commission will not replace the companies' primary supposition at the point of decision that the PPAs 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." Staff is not recommending a disallowance related to this loss issue at this time.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0020, 0024, 0043, 0045, 0046, 0053, and 0058;

b. Evergy Missouri West 2020 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2021 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2020-0332; and

e. Staff Report in Case No. EO-2021-0348.

Staff Expert/Witness: Brooke Mastrogiannis

Q. Prairie Queen Wind Purchased Power Agreement

1. Description

Evergy Missouri West has a long-term (20-year) PPA with Prairie Queen Wind Farm, LLC for energy and RECs generated by the Prairie Queen Wind Farm located in Kansas. The contract is also a "take-or pay" contract for renewable wind energy and RECs, and is based on a fixed energy price of ** [redacted] ** per MWh and a capacity of ** [redacted] ** MW that Evergy Missouri West began receiving in May 2019. In its response to Staff Data Request No. 0058 Evergy Missouri West stated, "Evergy Missouri West did not sell any RECs during the Review Period of December 1, 2019 through May 31, 2021."[49] Cost of electricity under the Prairie Queen Wind Project was ** [redacted] ** with revenue associated with sales of ** [redacted] ** which resulted in a net gain of ** [redacted] ** for the Review Period.[50]

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[49] This is addressed further in the REC section III.K above.

[50] During this prudence review Staff discovered SPP revenues not reported correctly in the Company's monthly report filings tab 5(K). Staff confirmed this with Evergy Missouri Metro. As such, the Prairie Queen Wind PPA revenue associated with sales is actually ** [redacted] **, which resulted in a net gain of ** [redacted] **.

2. Summary of Cost Implications

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

3. Conclusion

Staff has identified that the Prairie Queen Wind Project PPA is creating more revenue received than additional costs. In the Report and Order in Case No. EO-2019-0067, the Commission stated, "The Commission will not replace the companies' primary supposition at the point of decision that the PPAs 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." Staff is not recommending a disallowance related to this loss issue at this time.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0020, 0024, 0043, 0045, 0046, 0053, and 0058;
b. Evergy Missouri West 2020 Annual Renewable Energy Standard Compliance Plan;
c. Evergy Missouri West 2021 Annual Renewable Energy Standard Compliance Plan;
d. Staff Report in Case No. EO-2020-0332; and
e. Staff Report in Case No. EO-2021-0348;

Staff Expert/Witness: Brooke Mastrogiannis

R. Pratt Wind Purchased Power Agreement

1. Description

Evergy Missouri West has a long-term (30-year) PPA with Pratt Wind, LLC for energy and RECs generated by the Pratt Wind Farm located in Kansas. The contract is also

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These monthly report filings will be updated in March 2022. The overall FAR filings and what was reported in the general ledger account were correct, this is just an update to the monthly report tab 5(K).

a "take-or pay" contract for renewable wind energy and RECs, and is based on a fixed energy price of ** [redacted] ** per MWh and a capacity of ** [redacted] ** MW that Evergy Missouri West began receiving in November 2018. In its response to Staff Data Request No. 0058, Evergy Missouri West stated, "Evergy Missouri West did not sell any RECs during the Review Period of December 1, 2019 through May 31, 2021."[51] Cost of electricity under the Pratt Wind Project was ** [redacted] ** with revenue associated with sales of ** [redacted] ** which resulted in a net loss of ** [redacted] ** for the Review Period.

2. Summary of Cost Implications

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

3. Conclusions

Staff has identified that the Pratt Wind Project PPA is creating more additional costs compared to the revenue received. In the Report and Order in Case No. EO-2019-0067, the Commission stated, "The Commission will not replace the companies' primary supposition at the point of decision that the PPAs 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." Staff is not recommending a disallowance related to this loss issue at this time.

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[51] This is addressed further in the REC section III.K above.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0020, 0024, 0043, 0045, 0046, 0053, and 0058;

b. Evergy Missouri West 2020 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2021 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2020-0332; and

e. Staff Report in Case No. EO-2021-0348;

Staff Expert/Witness: Brooke Mastrogiannis

S. 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] **[52] as shown previously in Table 3. More detail for the cost of Purchased Power is shown in Table 15 below.

(CONTINUED ON NEXT PAGE)

[52] The purchased power costs reflect the removal of extraordinary costs deferred from Accumulation Period 28, as noted in Section III.A of this report. Evergy Missouri West's total purchased power costs actually incurred, before the adjustment for the deferral, is ** [redacted] ** or ** [redacted] ** of total fuel costs, purchased power costs, transmission costs, and emission costs.

<u>Table 15 – Confidential</u>

**

[redacted]

**

Evergy Missouri West had six long-term purchase power agreements in effect at the start of the Review Period: WPE/ Gray County, Ensign Wind, Osborn Wind, Rock Creek Wind, Pratt Wind, and Prairie Queen Wind. 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 the prudency of long-term purchased power contracts.

<u>WPE/Gray County, Ensign, Osborn, Rock Creek Wind, Pratt Wind, and Prairie Queen Wind</u>

Evergy Missouri West had long-term purchased power contracts with six wind farms during the Review Period. A further description of these contracts can be found in Section III.M. through R of this Report. Not included in these sections 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 the FAC. However, Staff is aware of these additional purchased power wind contracts and provided, as part of its Staff Report in the most recent Evergy Missouri West 2020 IRP Annual Update,[53] concerns with these additional purchased power wind contracts. Given that a majority of Evergy Missouri West's current wind PPAs are creating more costs for ratepayers than revenues and additional purchased power wind contracts could put ratepayers at greater risk, in its Staff Report in Case No. EO-2020-0281, Staff noted "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-2021-0035 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."

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 operating conditions for the SPP footprint." Costs for the IM purchases are included as "Non-Firm Short-term Energy" in Tables 3 and 15 of this Report. Further discussion of Evergy Missouri West's participation in these markets can be found in Section III.B. of this report.

[53] Case No. EO-2020-0281.

2. Summary of Cost Implication

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0019, 0020, 0020.1, 0023, 0043, 0045, 0046, 0053, 0058, and 0069;

b. Staff Report in Case No. EO-2020-0281 and EO-2021-0035; and

b. Section III.B. of this report.

Staff Expert/Witness: Brooke Mastrogiannis

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 December 1, 2019, through May 31, 2021 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

Staff Expert/Witness: Amanda C. Conner

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tenth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	)))))	Case No. EO-2022-0065

AFFIDAVIT OF AMANDA C. CONNER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOWAMANDA C. CONNER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form;* 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 28th day of February, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

Dianna L. Vaught
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tenth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	)))))	Case No. EO-2022-0065

AFFIDAVIT OF JORDAN T. HULL

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW JORDAN T. HULL and on his oath declares that he is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form;* and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Jordan Hull
JORDAN T. HULL

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 February, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

Dianna L. Vaught
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tenth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	)	Case No. EO-2022-0065

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 Recommendation in Memorandum form;* 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 26th day of February, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

Dianna L. Vaught
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tenth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	)))))	Case No. EO-2022-0065

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 Recommendation in Memorandum form;* and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Cynthia M. Tandy
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 26th day of February, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

Dianna L. Vaught
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tenth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	)))))	Case No. EO-2022-0065

AFFIDAVIT OF LISA WILDHABER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW LISA WILDHABER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form;* and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Lisa Wildhaber
LISA WILDHABER

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 February, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

Dianna L. Vaught
Notary Public