Exhibit No.:	
Issue(s):	*Staff's Prudence Review of Evergy'sFuel Adjustment Clause*
Witness:	*Brad J. Fortson*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Corrected Direct Testimony*
Case No.:	*EO-2020-0262 (Consolidated with EO-2020-0263)*
Date Testimony Prepared:	*October 29, 202*
Date Testimony Corrected:	*December 17, 2020*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

CORRECTED DIRECT TESTIMONY

OF

BRAD J. FORTSON

EVERGY METRO, INC. and EVERGY MISSOURI WEST, INC.
d/b/a EVERGY MISSOURI METRO and EVERGY MISSOURI WEST

CASE NO. EO-2020-0262 (Consolidated with
Case No. EO-2020-0263)

Jefferson City, Missouri
December 2020

****** Denotes Confidential Information ******

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CORRECTED DIRECT TESTIMONY

OF

BRAD J. FORTSON

EVERGY METRO, INC. and EVERGY MISSOURI WEST, INC.,

d/b/a EVERGY MISSOURI METRO and EVERGY MISSOURI WEST

CASE NO. EO-2020-0262 (Consolidated with Case No. EO-2020-0263)

CORRECTED DIRECT TESTIMONY

OF

BRAD J. FORTSON

EVERGY MISSOURI METRO

And

EVERGY MISSOURI WEST

CASE NO. EO-2020-0262 (Consolidated with Case No. EO-2020-0263)

Q. Please state your name and business address.

A. Brad J. Fortson, 200 Madison Street, Jefferson City, MO 65102.

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

A. I am employed by the Missouri Public Service Commission ("Commission" or "PSC") as a Regulatory Compliance Manager.

Q. Please describe your educational background and work experience.

A. Please refer to Schedule BJF-d1 attached hereto.

Q. Have you previously filed testimony before this Commission?

A. Yes, I have. Please refer to Schedule BJF-d2 attached hereto for a list of cases in which I have previously filed testimony as well as the issues that I have addressed in testimony.

Q. Have you participated in the Commission Staff's audit of Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West") (collectively, "Evergy" or "the Companies") concerning the Staff's Fuel Adjustment Clause ("FAC") prudence reviews in this proceeding?

A. Yes, I have, with the assistance of other members of the Staff.

EXECUTIVE SUMMARY

Q. Please summarize your direct testimony in this proceeding.

A. I am sponsoring the *Staff's Ninth Prudence Review Report* ("Evergy Missouri West Staff Report") which was originally filed on August 28, 2020 in Case No. EO-2020-0262 and the *Staff's Third Prudence Review Report* ("Evergy Missouri Metro Staff Report" collectively "Staff Reports") which was originally filed on August 28, 2020 in Case No. EO-2020-0263,[1] copies of which (both Public and Confidential) are attached hereto as Schedule BJF-d3 and Confidential Schedule BJF-d4 for Evergy Missouri West, and as Schedule BJF-d5 and Confidential Schedule BJF-d6 for Evergy Missouri Metro. Staff analyzed items affecting Evergy's fuel costs; purchased power costs; net emission costs; transmission costs; off-system sales revenue; and renewable energy credit revenues during the review period[2] of the FAC for the Companies. My testimony provides an overview of the Staff Reports.

PRUDENCE REVIEW AND STAFF REPORT

Q. Please describe Staff's prudence review.

A. Staff analyzed items affecting Evergy's fuel costs; purchased power costs; net emission costs; transmission costs; off-system sales revenue; and renewable energy credit revenues during the review period of the FAC for the Companies. As noted in the attached public and confidential Staff Reports, Staff provided a description of the components it reviewed, a discussion of its review, a summary of any cost implications and Staff's

[1] These cases were consolidated into Case No. EO-2020-0262 on September 22, 2020, in the Commission's *Order Consolidating Cases and Directing Filing of Proposed Procedural Schedule.*
[2] Evergy Missouri Metro Staff Report covered the Review Period of July 1, 2018 through December 31, 2019. Evergy Missouri West Staff Report covered the Review Period of June 1, 2018 through November 30, 2019.

conclusions based on its review of the components. During it's review, Staff found no evidence of imprudence by Evergy.

Q. Please explain the organizational format of the Staff Reports.

A. The Staff Reports have been organized by topic as follows:

I. Executive Summary

II. Introduction

III. Fuel Costs, Purchased Power Costs, Transmission Costs, Net Emission Costs, Off-System Sales Revenue

IV. Interest

Signed affidavits for all Staff members who are responsible for a portion of the Staff Reports and for whom those portions constitute direct testimony in this proceeding are attached to the Staff Reports. The individual Staff member(s) responsible for each area of Staff's direct case is identified in the Staff Reports following the written discussion he or she authored, and is the expert witness with respect to that section of the Staff Reports.

PROPOSED DISALLOWANCE AND ADDITIONAL INFORMATION

Q. In its review of the FACs for Evergy in Case Nos. EO-2020-0262 and EO-2020-0263, did Staff recommend any disallowances in its Staff Reports?

A. Yes. Based on its review, Staff found that Evergy Missouri West included costs associated with the retirement of the Sibley generating station during the Review Period. Evergy Missouri West has agreed to remove these costs and seek recovery through another mechanism. Therefore, in its Evergy Missouri West Staff Report, Staff recommends the Commission order an Ordered Adjustment in the amount of $1,039,646 as Evergy Missouri West can seek recovery of these costs through another mechanism, such as its next general rate case. Staff did not propose a disallowance in the Staff Report for Evergy Missouri Metro. However, based on information obtained since the filing of the Staff Reports, Staff is now proposing a disallowance for Evergy Missouri Metro as further discussed in the direct testimony of Staff witness Ms. Brooke Mastrogiannis.

Q. Is there anything else Staff would like to note at this time?

A. Yes. In the current Evergy MEEIA prudence review proceedings, Case Nos. EO-2020-0227 and EO-2020-0228,[3] Evergy filed a *Motion to Limit Scope of Proceeding*[4] on July 29, 2020, taking the position that certain of Staff's proposed disallowances are not related to "costs subject to the DSIM" and therefore are not properly the subject of MEEIA prudence review proceedings and would be more properly addressed in the context of the FAC. On August 7, 2020, Staff filed its *Staff Response to Evergy Motions to Limit Scope of Proceeding* reaffirming its position that Staff's proposed disallowances were properly the subject of MEEIA prudence review proceedings. On August 19, 2020, the Commission issued its *Order Denying Motion to Limit Scope.*

Q. Why does Staff believe this is important to note in this proceeding?

A. Staff has taken the position, and the Commission has agreed, that the disputed proposed disallowances are appropriate to address in the current MEEIA prudence review proceeding as previously mentioned. However, if the Commission were to determine otherwise throughout the MEEIA prudence review proceeding, Staff reserves the right to address the proposed disallowances in this FAC prudence review proceeding as necessary.

[3] These cases were consolidated into Case No. EO-2020-0227 on August 5, 2020, in the Commission's *Order Consolidating Cases and Setting Procedural Schedule.*
[4] On July 30, 2020, Evergy filed a *Notice of Filing and Corrected Motion to Limit Scope of Proceeding* to correct for an incorrect tariff sheet reference.

Staff and OPC both agree that the best venue to resolve the disputed proposed disallowances on these issues is in the pending MEEIA prudence review proceeding. However, because Evergy argued that the disputed proposed disallowances should be applied in an FAC prudence review, OPC has raised the issue in this proceeding to ensure the disputed proposed disallowances are not passed through the FAC.[5]

Q. Does this conclude your prepared direct testimony in this proceeding?

A. Yes, it does.

[5] *Response to Staff's Ninth Prudence Review Report for Evergy Missouri West and Third Prudence Review Report for Evergy Missouri Metro and Request for an Evidentiary Hearing*, pgs. 5 – 6.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Ninth 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-2020-0262

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COME NOW Brad J. Fortson, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Corrected Direct Testimony*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ Brad J. Fortson
Brad J. Fortson

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Ninth 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-2020-0262

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COME NOW Brad J. Fortson, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ Brad J. Fortson
Brad J. Fortson

Brad J. Fortson

Education and Employment Background

I am the Regulatory Compliance Manager of the Energy Resources Department, Industry Analysis Division of the Missouri Public Service Commission. Prior to my current position, I was employed at the Missouri Public Service Commission as a Regulatory Economist from December 2012 through March 2015 and August 2015 through February 2019.

I received an Associate of Applied Science degree in Computer Science in May 2003, Bachelor of Science degree in Business Administration in May 2009, and Master of Business Administration degree with an emphasis in Management in May 2012, all from Lincoln University, Jefferson City, Missouri.

Prior to first joining the Commission, I worked in various accounting positions within four state agencies of the State of Missouri. I was employed as an Account Clerk II for the Inmate Finance Section of the Missouri Department of Corrections; as an Account Clerk II for the Accounts Payable Section of the Missouri Department of Health and Senior Services; as a Contributions Specialist for the Employer Accounts Section of the Missouri Department of Labor and Industrial Relations; and as an Accountant I for the Payroll Section of the Missouri Office of Administration. From April 1 through July 31, 2015, I worked for the Missouri Office of Public Counsel before joining the Commission once again.

Brad J. Fortson			
Case Participation History			
Case Number	**Company**	**Issue**	**Exhibit**
HR-2014-0066	Veolia Energy Kansas City	Revenue by Class and Rate Design	Staff Report
GR-2014-0086	Summit Natural Gas of Missouri, Inc.	Large Volume Service Revenue	Staff Report
ER-2014-0258	Union Electric Company d/b/a Ameren Missouri	Revenue by Class and Rate Design	Staff Report
ER-2014-0258	Union Electric Company d/b/a Ameren Missouri	Revenue by Class and Rate Design	Staff Report, Rebuttal & Surrebuttal Testimony
ER-2014-0351	The Empire District Electric Company	Revenue by Class and Rate Design	Staff Report & Rebuttal Testimony
ER-2014-0351	The Empire District Electric Company	Revenue by Class and Rate Design	Rebuttal Testimony
EO-2015-0240	Kansas City Power & Light Company	Custom Program Incentive Level	Direct Testimony
EO-2015-0241	KCP&L Greater Missouri Operations Company	Custom Program Incentive Level	Direct Testimony
ER-2016-0023	The Empire District Electric Company	DSM Programs and MEEIA Filings	Staff Report
ER-2016-0023	The Empire District Electric Company	DSM Programs and MEEIA Filings	Staff Report, Rebuttal & Surrebuttal Testimony
EM-2016-0213	The Empire District Electric Company (merger case)	DSM Programs and MEEIA Filings	Rebuttal & Surrebuttal Testimony
ER-2016-0156	KCP&L Greater Missouri Operations Company	MEEIA summary and LED street lighting	Staff Report
EO-2016-0183	Kansas City Power & Light Company	MEEIA prudence review	Staff Report
EO-2016-0223	The Empire District Electric Company	Triennial compliance filing	Staff Report
ER-2016-0285	Kansas City Power & Light Company	LED street lighting	Staff Report
ER-2016-0179	Union Electric Company d/b/a Ameren Missouri	LED street lighting	Staff Report
ER-2016-0285	Kansas City Power & Light Company	Response to Commissioner questions	Staff Report
ER-2016-0179	Union Electric Company d/b/a Ameren Missouri	Response to Commissioner questions	Staff Report
EO-2017-0209	Kansas City Power & Light Company	MEEIA prudence review	Staff Report
EO-2017-0210	KCP&L Greater Missouri Operations Company	MEEIA prudence review	Staff Report
EO-2015-0055	Union Electric Company d/b/a Ameren Missouri	Flex pay pilot program	Rebuttal Testimony
GR-2018-0013	Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities	Red Tag Program and Energy Efficiency Program Funding	Staff Report, Rebuttal & Surrebuttal Testimony
ER-2018-0145	Kansas City Power & Light Company	LED street lighting, TOU rates	Rebuttal Testimony
ER-2018-0146	KCP&L Greater Missouri Operations Company	LED street lighting, TOU rates	Rebuttal Testimony
EO-2018-0211	Union Electric Company d/b/a Ameren Missouri	Program Design	Rebuttal Report & Surrebuttal Testimony
EO-2019-0132	Kansas City Power & Light Company	Program Design	Rebuttal Report & Surrebuttal Testimony
EO-2019-0376	Union Electric Company d/b/a Ameren Missouri	MEEIA prudence review	Direct Testimony
ER-2019-0374	The Empire District Electric Company	Hedging policy and EE/LI programs	Supplemental Testimony
ER-2020-0311	The Empire District Electric Company	Fuel Adjustment Clause	Rebuttal Testimony
EO-2020-0227	Evergy Metro and Evergy Missouri West	MEEIA prudence review	Direct Testimony

MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT

NINTH 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"), f/k/a KCP&L Greater Missouri Operations Company ("GMO")

CASE NO. EO-2020-0262

June 1, 2018 through November 30, 2019

Jefferson City, Missouri
August 28, 2020

** Denotes Confidential Information **

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STAFF REPORT

NINTH PRUDENCE REVIEW OF COSTS
RELATED TO THE FUEL ADJUSTMENT CLAUSE
FOR THE ELECTRIC OPERATIONS
OF
EVERGY MISSOURI WEST, INC.

June 1, 2018 through November 30, 2019

CASE NO. EO-2020-0262

NINTH PRUDENCE REVIEW OF COSTS
RELATED TO THE FUEL ADJUSTMENT CLAUSE
FOR THE ELECTRIC OPERATIONS
OF
EVERGY MISSOURI WEST, INC.

June 1, 2018 through November 30, 2019

CASE NO. EO-2020-0262

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-third, twenty-fourth and twenty-fifth six-month accumulation periods. The twenty-third accumulation period started June 1, 2018 and ended November 30, 2018. The twenty-fourth accumulation period started December 1, 2018 and ended May 31, 2019. The twenty-fifth accumulation period started June 1, 2019 and ended November 30, 2019. Thus, the Review Period that is documented in this Prudence Review Report is from June 1, 2018 through November 30, 2019

[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.

("Review Period"). This is Staff's ninth 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

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 at the time the decision was made, *i.e.*, without the benefit of hindsight. The decision actually made is disregarded; instead, the review evaluates the reasonableness of the information the decision-maker relied on and the decision-making process the decision-maker employed. If, in Staff's opinion, 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 refund.

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 that Evergy Missouri West included costs associated with the retirement of the Sibley generating station during the Review Period. The Company has agreed to remove these costs and seek recovery through another mechanism. Staff recommends the Commission order an Ordered Adjustment ("OA") in the amount of $1,039,646 as Evergy Missouri West can seek recovery of these costs through another mechanism, such as its next general rate case. Therefore, based on its review, Staff found no evidence of imprudence by Evergy Missouri West.[4]

Staff Expert/Witness: Brooke Mastrogiannis

[4] Staff would like to note that, in Case No. EO-2020-0228, Staff recommended several disallowances to Evergy Missouri West's Demand Response programs. Evergy Missouri West filed a Motion to Limit Scope of Proceeding in that case on July 29, 2020, arguing that those disallowances recommended by Staff were best addressed in this docket. The Commission rejected Evergy Missouri West's motion on August 19, 2020.

II. INTRODUCTION

A. General Description of Evergy Missouri West's FAC

Table 2 identifies Evergy Missouri West's Commission-approved FAC tariff sheets which were applicable for service provided by Evergy Missouri West to its customers during the period June 1, 2018, through November 30, 2019:

Table 2

Evergy Missouri West's Commission-approved FAC Tariff Sheets

June 1, 2018 through November 30, 2019

June 1, 2018 through December 5, 2018	December 6, 2018 through November 30, 2019
3rd Revised Sheet No. 127.1	Original Sheet No. 127.13
3rd Revised Sheet No. 127.2	Original Sheet No. 127.14
3rd Revised Sheet No. 127.3	Original Sheet No. 127.15
3rd Revised Sheet No. 127.4	Original Sheet No. 127.16
7th Revised Sheet No. 127.5	Original Sheet No. 127.17
3rd Revised Sheet No. 127.6	Original Sheet No. 127.18
3rd Revised Sheet No. 127.7	Original Sheet No. 127.19
3rd Revised Sheet No. 127.8	Original Sheet No. 127.20
3rd Revised Sheet No. 127.9	Original Sheet No. 127.21
5th Revised Sheet No. 127.10	Original Sheet No. 127.22
1st Revised Sheet No. 127.11	

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%) 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

[5] Accumulation periods are June through November and December through May.
[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 Evergy Missouri West.
[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 SAP x Base Factor ("BF").

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:

> [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).

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[9] For the twenty-third, twenty-fourth and twenty-fifth accumulation periods, the (ANEC-B)*J amounts are included on line 5 of Evergy Missouri West's 4th Revised Sheet No. 127.12, 1st Revised Sheet No. 127.23, and 2nd 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.

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 has followed in this review. Staff reviewed for prudence the areas identified and discussed below for Evergy Missouri West's twenty-third, twenty-fourth, and twenty-fifth 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 June 1, 2018 through November 30, 2019:

continued on next page

<u>Table 3 – Confidential</u>

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**

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

A. Utilization of Generation Capacity

1. Description

The purpose of this section is to provide an overview of Evergy Missouri West's available supply-side and demand response resources and review the process by which generating units are selected to satisfy native load requirements during the Review Period. Evergy Missouri West's generating units consists of a mixture of coal, natural gas, diesel, landfill gas, and solar as indicated in Table 4 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.

Table 4 - Confidential[13]

**

[13] Response to Data Request No. 0013.

**

Table 5 – Confidential

**

**

Table 6 - Confidential

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2. Summary of Cost Implications

Evergy Missouri West participates in the Southwest Power Pool Integrated Marketplace (“SPP IM”). In the Integrated Marketplace (“IM”), the vast majority of generation dispatch decisions are made by SPP via established market requirements and processes. SPP market rules establish must offer requirements both for the Day Ahead Market ("DA") and the Real Time Balancing Market ("RT"). With respect to the DA, there is a Day Ahead Must Offer requirement which essentially states that Market Participants ("MPs") must offer enough generation to cover that MP's next day projected peak load, ancillary service obligations and any firm sales it has agreed to make. In addition, the SPP Market Monitoring Unit monitors for Physical Withholding of generation, which further incentivizes MPs to offer much of their available generation in the DA, even if they have already met their Must Offer requirement. With respect to the RT, SPP requires that all physically available generation be offered to the market. In accordance with SPP rules and requirements, Evergy Missouri West submits generation offers in the DA and RT. Once these offers have been submitted, they are utilized by SPP in its market co-optimization processes. SPP market applications consider inputs such as system-wide requirements, generator operating parameters, offers from all MPs, and transmission system topology to arrive at the most cost effective and reliable generation solution possible. Some of these applications include the Security Constrained Unit Commitment ("SCUC") and Security Constrained Economic Dispatch ("SCED") tools. Once the least cost, viable solution is arrived at, SPP issues operating instructions to MPs. Under the SPP market construct, MPs are given the flexibility to let the SPP market independently decide when to commit a given unit or to self-commit the generator. A common example of the latter is if a unit needs to be online for required testing on a given day. Even if a generator is self-committed, this simply establishes that the unit will be online. SPP will still dispatch the unit via the SCED tool within its dispatchable range as established through the market submissions process.

3. Conclusion

Staff did not observe any evidence of imprudent utilization of generation resources during the time period examined in this prudence review.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0002, 0003, 0010, 0011, 0012, 0013, 0015, 0017, 0018, 0021, 0022, 0041, 0043, and 0053.

Staff Expert/Witness: Jordan Hull

B. Heat Rates

1. Description

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

2. Summary of Cost Implications

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

** ____
______________________________________ **[14]

** ____
_____________ [15] ______________________ **

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 0065; and
b. Monthly Outage data in the Monthly Reports submitted by Evergy West in compliance with Rule 20 CSR 4240-3.190.

Staff Expert/Witness: Jordan Hull

[14] Response to Data Request No. 0065.
[15] Capacity factor is defined as the ratio between what a generation unit is capable of generating at maximum output versus the unit's actual generation output over a period of time.

C. Plant Outages

1. Description

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

Outages taken at any of the generating units have an impact on how much Evergy Missouri West will pay for fuel and purchased power and, if planned during peak load demand times, has the potential result of Evergy Missouri West paying more for fuel and purchased power cost than it would have paid if the outage was 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.

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2. Summary of Cost Implications

An imprudent 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, 0005.1, 0006 and 0047.

Staff Expert/Witness: Jordan Hull

D. Self-Commitment of Baseload Generation Facilities into SPP

1. Description

During this FAC prudence review, Staff conducted a review of commitment status of Evergy Missouri West's generation facilities into SPP in an effort to determine any negative impacts that might be occurring because of such actions. Evergy Missouri West has large and varied electric generation facilities that are designed to provide varying types of services to its customers. These generation facilities include nuclear, coal, natural gas, PV solar, 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 so as to maintain the reliability of the units as determined by Evergy Missouri West's plant operations team to determine optimal plant reliability and manufacturer operational guidelines. ** [17]** With these tools, the Company can develop a day-ahead load bidding strategy based on current projections and historical trends.

"The SPP Integrated Marketplace attempts to minimize the cost to serve load subject to transmission and generator constraints. The day-ahead market does this by using two main tools:

[16] Response to Data Request No. 0005.1.
[17] Response to Staff Data Request No. 0055.

centralized unit commitment and economic dispatch. Centralized unit commitment sorts the available generators from least expensive to most expensive and then selects the least expensive units that can achieve the objective without violating the constraints of the optimization. Economic dispatch then uses the results of the unit commitment process as inputs to its own separate optimization. The results of which produce two key, time-based outputs: the megawatts each generator should produce at the corresponding locational prices. Centralized unit commitment and economic dispatch processes are designed to work together to make the market more efficient."[18] The SPP market allows participants to commit resources different ways rather than have the market choose which units to run. SPP utilizes five resource offer commitment status designations[19] 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 another approved outage.

5. Not participating – the resource is otherwise available but has elected not to participate in the day-ahead market.

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[18] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.
[19] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 5.
[20] Response to Staff Data Request No. 0055.

SPP Market participants have stated the following reasons for self-commitment:[21]

- Testing – NERC requirement
- Public Utilities Regulatory Policy Act (PURPA)
- Federal service exemptions
- Started by a different market
- Weather
- Long lead times
- 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 contracts, or commitment bridging are economic in nature and can be handled within the market 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."[22]

Staff analyzed data received from Evergy Missouri West to determine the financial impacts of the self-commit units as offered and cleared into the SPP DA and RT markets. Table 7 provides the summary of Staff's review by generating unit for the Review Period of June 1, 2018 through November 30, 2019. Staff reviewed the hourly 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 Money" hourly transactions. Results are shown

[21] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Pages 7&8.
[22] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 8.

below in Table 7. Staff then decided to take it a step further and 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 money" to the "Out money" transactions, to show an overall revenue associated with self-commitment. Staff is providing Table 7 as actual financial results of Evergy Missouri West's current practice of Self-Commit of its baseload generation units.

Table 7 – Confidential

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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."[23] 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 "Market" instead of "Self-Commit". This is the first review of the commitment statuses for Evergy Missouri West in a FAC prudency review, but Staff plans to compare this review to future reviews to see what trend self-commitment is following for Evergy Missouri West. SPP acknowledged in its Market Report for Winter of 2020 that self-commitment is on a "downward trend[24]" market wide. Based on the information provided by Evergy Missouri West and Staff's knowledge of general trends in market commitment behavior, at this time, Staff is not aware of any prudency issues related to Evergy Missouri West's practice of self-commitment.

2. Summary of Cost Implications

Imprudent Unit Generation commitment could result in increased cost of purchased power by Evergy Missouri West from the SPP IM as well as a decrease in off-system sales revenues through the SPP IM.

3. Conclusion

Staff did not find any evidence of imprudent generation unit self-commitment by Evergy Missouri West during the Review Period.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0055.

b. File No. EW-2019-0370, Supplemental Reports.

c. SPP Documents: Market Report for Winter 2020 and Self-committing in SPP markets: Overview.

Staff Expert/Witness: Jordan Hull

E. Natural Gas Costs

1. Description

For the Review Period, $** ________ **[25] or ** __ **% 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

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

[24] SPP Market Report for Winter 2020, Generation Scheduling, Published May 18, 2020, Page 21.

[25] ** ________________________________ **

Review Period, Evergy Missouri West's natural gas price averaged $** ____ ** per MMBtu, based on ** ________ ** MMBtu of actual natural gas burned and costs of $** ________ . ** Staff reviewed the contract terms and a sampling of invoices for gas purchased. Evergy Missouri West receives natural gas services from 20 natural gas supply companies and 5 natural gas transportation companies. The companies are:

<u>Table 8 - Confidential</u>

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<u>Table 9 - Confidential</u>

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

Table 10 - Confidential

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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. 0023, 0024, 0024.1, 0035, 0035.1, 0045, 0066; and

b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 23, 24, and 25.

Staff Expert/Witness: Lisa Wildhaber

F. Coal and Rail Transportation Costs

1. Description

For the Review Period, $** ________ ** or ** ___**% of Evergy Missouri West's total fuel costs, cost of purchased power, transmission costs, and net emission costs was associated with the coal used in generating electricity. The cost of coal includes various miscellaneous charges such as rail and other ground transportation service charges, and other fuel handling expenses. Staff reviewed the contract terms of 6 coal purchase contracts, as well as a sampling of invoices for coal purchased and delivered. The counterparties for the contracts are:

Table 11 - Confidential

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The contracts provide coal delivery to Evergy Missouri West's Jeffrey Energy Center 1, 2, and 3; Sibley 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. 0021, 0023, 0031, 0035, 0035.1, 0045, and 0066; and

b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 23, 24, and 25.

Staff Expert/Witness: Lisa Wildhaber

G. Fuel Oil Costs

1. Description

For the Review Period, $** ________ ** or ** **% 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 2 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:

Table 12 - Confidential

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

2. Summary of Cost Implications

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0023, 0025, 0035, 0035.1, 0045, 0066; and

b. Evergy Missouri West's monthly reports; FAR Filings and related work papers for AP 23, 24, and 25.

Staff Expert/Witness: Lisa Wildhaber

H. Transmission Costs

1. Description

For the Review Period, $** ________ ** or ** __ **% of Evergy Missouri West's total fuel cost, cost of purchased power, transmission costs and net emission costs, was associated with transmission costs.

There were two tariff sheets that were in effect during this Review Period. The 3rd Revised Sheet No. 127.4, applicable to service provided from February 22, 2017 through December 6, 2018 defines transmission costs as:

> TC = Transmission Costs:
> The following costs reflected in FERC[26] 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 39.62% of the SPP

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

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

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.

The Original Sheet No. 127.16, applicable to service provided from December 6, 2018 and thereafter, defines transmission costs as:

TC = Transmission Costs:
The following costs reflected in FERC[27] Account Number 565:

Subaccount 565000: non-SPP transmission used to serve off-system sales or to make purchases for load, excluding any transmission costs associated with the Crossroads Power Plant and 47.20% of the SPP transmission service costs which includes the schedules listed below as well as any adjustments to the charges in the schedules below:

Schedule 7- Long-term Firm and Short-term Point to Point Transmission Service
Schedule 8- Non Firm Point to Point Transmission Service
Schedule 9- Network Integration Transmission Service
Schedule 10- Wholesale Distribution Service
Schedule 11- Base Plan Zonal Charge and Region Wide Charge

Excluding amounts associated with portions of purchased power agreements dedicated to specific customers under the Renewable Energy Rider tariff.

Subaccount 565020: the allocation of the allowed costs in the 565000 account attributed to native load;

Subaccount 565027: the allocation of the allowed costs in the 565000 account attributed to transmission demand charges;

Subaccount 565030: the allocation of the allowed costs in account 565000 attributed to off-system sales.

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

For calculating TC, Evergy Missouri West implemented a process whereby total transmission expenses were tabulated and then costs not allowed in the FAC were removed. Staff reviewed the transmission costs over the Review Period to verify only 39.62% of the SPP transmission service costs were included (starting from June 1, 2018 through December 5, 2018) and only 47.20% of the SPP transmission service costs were included (starting December 6, 2018 through November 30, 2019) as well as verifying all Crossroads transmission costs were excluded.[28] Evergy Missouri West's transmission costs during the Review Period are $** ________ **.

2. Summary of Cost Implications

If Evergy Missouri West imprudently included transmission costs or included more than 39.62% of the SPP transmission service costs through December 5, 2018 or no more than 47.20% of the SPP transmission service costs through November 30, 2019, 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.

4. Documents Reviewed

a. Evergy Missouri West's General Ledger;

b. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0023, 0040, 0045, 0046; and

c. FAR and other supporting work papers in this case;

Staff Expert/Witness: Brooke Mastrogiannis

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.

[28] 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%.

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. 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 158.100 for Emissions Allowance Inventory and accounts 158200 and 158201 for Emission Allowance REC Inventories. The Evergy Missouri West SO_2 and NO_x allowance inventories are valued at average 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 November 30, 2019 was ** ____ **. 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$ ** ____ _**.

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 monthly reports for the time period June 1, 2018 through November 30, 2019 required by 20 CSR 4240-20.090(5); and,

c. Section 7 & 8 Filings – 23rd, 24th and 25th Accumulation Periods (ending November 2018, May 2019, November 2019 respectively).

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. There were two tariff sheets that were in effective during this Review Period. The following languages in effect during the Review Period includes:

Evergy Missouri West's 7th Revised Sheet No. 127.5, applicable to service provided from February 22, 2017 through December 6, 2018 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, Off-system sales revenues from full and partial requirements sales to municipalities that are served through bilateral contracts in excess of one year shall be excluded from OSSR component;

    Subaccount 447012: capacity charges for capacity sales one year or less in duration;

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

Evergy Missouri West's 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 $** ________ **.

2. Summary of Cost Implications

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0023, 0045, and 0056;
b. Evergy Missouri West's FAC tariff sheets during the Review Period; and
c. Evergy Missouri West's monthly reports and FAR filing worksheets.

Staff Expert/Witness: Cynthia M. Tandy

K. Renewable Energy Credit Revenues

1. Description

The Missouri Renewable Energy Standard ("RES")[29] requires all investor-owned electric utilities in Missouri to provide at least two percent (2%) of their retail electricity sales using renewable energy resources in each calendar year 2011 through 2013, and to increase that percentage over time to at least fifteen percent (15%) by 2021. Commission rule 20 CSR 4240-20.100 Electric Utility Renewable Energy Standard Requirements, which first became effective September 30, 2010, contains the definitions, structure, operations, and procedures for implementing the RES.

The RES rule creates two categories of energy-generating resources: non-renewable energy resources (including purchased power from non-renewable energy sources) and renewable energy resources (including purchased power from renewable energy sources).[30] 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").[31] Once an energy resource is certified, it begins producing 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.[32] The cost of a REC (as a RES compliance cost) cannot be recovered through the FAC.[33] 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.

In Staff Data Request No. 0058, Staff asked, "Did Evergy Missouri West sell any RECs (wind, solar, etc.) during the review period of June 1, 2018 through November 30, 2019 and 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 June 1, 2018 through November 30, 2019."[i] An additional response in DR 0058 for the reason for the non-sale of RECs was,

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[29]. Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.
[30] 20 CSR 4240-20.100(5)(B).
[31] Prior Department of Economic Development – Division of Energy.
[32] 20 CSR 4240-20.100(6)(B)(5)(J).
[33] 20 CSR 4240-20.100(6)(A)(16).

"Evergy RECs are expired rather than sold to ensure our customers receive as much renewable energy as possible since we cannot double count sold RECs as renewable energy delivered to customers."

Review of DR 0042 with supplemental information provided in this case along with review of this issue in Case Nos. EO-2020-0281[34] and EO-2020-0330[35], suggests the number of RECs will increase significantly in the coming years with more production of renewable energy. Even when the maximum level of the RES rule requirement of 15% is reached in 2021, the Company's excess RECs are forecasted to increase significantly in the following years. Following in Table 13 is information on this issue for the Review Period:

Table 13

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Staff raised this concern in its previous Evergy Missouri West FAC Prudence Review[36] and recommended a disallowance for the expired RECs. In its *Report and Order* in that case, the Commission denied Staff's recommended disallowance. Staff remains concerned with the significant growth of expired RECs in subsequent years following this Review Period due to the additional wind PPAs discussed in the PPA section of this Staff Report. According to Staff calculations, the Missouri jurisdictional annual generation is expected to be well in excess of the projected 2022 RES compliance. The Company has indicated that this is being monitored, but the concern still exists. Staff too will continue to monitor this issue and reserves the right to bring this issue, and any ratepayer implications due to this issue, up in future prudence reviews.

Evergy Missouri West's annual REC production/acquired from existing non-solar resources for the Review Period was ** _______ ** RECs, well in excess of the actual requirements of ** _______ **.

[34] The 2020 Integrated Resource Plan Annual Update for Evergy Missouri West.
[35] The 2019 Renewable Energy Standard Compliance Report for Evergy Missouri West.
[36] Case No. EO-2019-0067.

2. Summary of Cost Implications

If Staff found that Evergy Missouri West was imprudent in its management of RECs, by including the cost of RECs in calculating its FAC charges, ratepayer harm could result from increased costs or decreased revenues in its FAC charges. Potential ratepayer harm could result if excess RECs are continued to be allowed to expire rather than sold.

3. Conclusion

With regards to FAC prudency, Staff did not find evidence that Evergy Missouri West's management of its RECs during the Review Period was imprudent. However, this is an issue that needs to be closely monitored and Staff will continue to address this issue in future prudence reviews.

4. Documents Reviewed

a. Staff Data Request Nos. 0042, 0042.1 0057 and 0058;

b. The 2020 Integrated Resource Plan Annual Update for Evergy Missouri West;

c. The 2019 Renewable Energy Standard Compliance Report for Evergy Missouri West; and,

d. Case No. EO-2019-0067.

Staff Expert/Witness: Cynthia M Tandy

L. Sibley Generating Unit

1. Description

In Case No. ER-2019-0413, FAR filing for accumulation period ("AP") 24, which covers the AP months of December 2018 through May 2019, Evergy Missouri West agreed to remove all the costs associated with the retirement of Sibley. These costs were described in detail as the transfer of coal costs from the retired Sibley generating station. Evergy Missouri West stated, "GMO will not seek to recover the $185,857 (the amount removed by GMO from the FAR associated with fuel transfers) in accumulation period 24 or any other accumulation period in its Fuel Adjustment Clause." This resulted in a total reduction of $185,857.

In Case No. ER-2020-0189, FAR filing for AP25, which covers the AP months of June 2019 through November 2019, Evergy Missouri West properly removed a credit related to the same type of costs/revenues for the retired Sibley generation facility that it agreed to remove in Case No. ER-2019-0413. This resulted in a total credit reduction of $429,299 during these AP months.

This Review Period also encompasses the FAR filing for AP23, Case No. ER-2019-0198, for the AP months of June 2018 through November 2018. Even though the Sibley generation facility did not retire until December 2018, it remains Staff's due diligence to review the costs associated with Sibley to ensure there was no inclusion of costs/revenues related to the retirement of the Sibley generation facility similar to those that the Company previously agreed to remove during those accumulation period months.

During Staff's investigation, Staff found that the Company included costs totaling $1,039,646 for recovery in November 2018 associated with Sibley. This $1,039,646 is comprised of $531,693 for the cost of coal inventory adjustment (write-down), $29,992 for the coal physical inventory adjustment (basemat write-off), $162,016 for the urea write-off, $315,642 for the SO2 write-off, and $303 for fuel residuals.[37] The Company states that even though these costs are costs of retirement or decommissioning expenses, they should not be booked against the depreciation reserve account 108. The Company also states "Evergy Missouri West believes that these Sibley costs should be recovered, whether through the FAC or another mechanism. Missouri West would agree to defer as an offset to this regulatory liability the November 2018 Sibley amounts totaling $1,039,646 for review in the Company's next general rate case.[38]" In Staff's opinion, the costs in AP23[39] are consistent with those costs Evergy Missouri West agreed to remove in AP24 and AP25; therefore, similar to AP 24 and AP 25, they should not be recovered through the Fuel Adjustment Clause for AP23. In addition, there is nothing stated in the Evergy Missouri West tariff sheets that would allow the costs associated with the retirement or decommissioning of Sibley to be recoverable through the FAC. Staff recommends the Commission order Evergy Missouri West to remove $1,039,646 worth of costs related to the retirement and decommissioning of the Sibley Generating Unit from the FAC, and allow Evergy Missouri West to seek recovery of these costs in another mechanism, such as the AAO that was approved in Case No. EC-2019-0200, which will be considered in the next general rate case.

2. Summary of Cost Implications

If Evergy Missouri West's use of the FAC to recover Sibley generation plant costs was imprudent, ratepayer harm could result from an increase in FAC charges.

3. Conclusion

Staff found no indication that Evergy Missouri West imprudently included costs associated with the retirement of Sibley during the Review Period, as the Company has agreed, either through Case

[37] Response to Staff Data Request 0064.1.
[38] Response to Staff Data Request 0064.2.
[39] As previously noted, the Company stated in Case No. ER-2019-0413, "GMO will not seek to recover the $185,857 in AP24 or any other accumulation period in its Fuel Adjustment Clause".

No. EC-2019-0200 or through its response to Staff Data Request 0064.2, to defer the costs associated with the retirement of Sibley during the Review Period, and seek recovery of those costs in another mechanism. Staff recommends the Commission issue an Ordered Adjustment ("OA") in the amount of $1,039,343.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request No. 0064, 0064.1, 0064.2, 0064.3, 0064.4, 0064.5, and 0064.6;

b. Evergy Missouri West's General Ledger; and

c. FAR supporting workpapers in Case Nos. ER-2019-0198, ER-2019-0413, and ER-2020-0189.

Staff Expert/Witness: Brooke Mastrogiannis

M. 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 recent 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[40] 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 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.[41, 42]

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.

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[40] 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.

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

[42] 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 the disputed amounts by OPC, totaling $803,113, including interest in its most recent FAR filing in Case No. ER-2020-0421.

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, and ER-2020-0189;

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

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

N. 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 **__ ** MW of capacity that Evergy Missouri West (then known as Aquila, Inc.) began receiving in 2001. The contract is a "take-or pay" contract (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 June 1, 2018 through November 30, 2019". Total cost of electricity under the Gray County PPA was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** 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.

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; Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. 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, 0023, 0043, 0045, 0046, 0053, and 0058;

b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2018-0291; and

e. Staff Report in Case No. EO-2019-0316.

Staff Expert/Witness: Brooke Mastrogiannis

O. 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 (i.e., Evergy Missouri West has to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price of $** ____ ** per MWh and a capacity of ** ____ ** 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 June 1, 2018 through November 30, 2019". Total cost of electricity under the Ensign Wind PPA was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** 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 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; Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. 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, 0023, 0043, 0045, 0046, 0053, and 0058;

b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2018-0291; and

e. Staff Report in Case No. EO-2019-0316.

Staff Expert/Witness: Brooke Mastrogiannis

P. 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 ** ____ ** per MWh and a capacity of ** __ ** MW that Evergy Missouri West began receiving in December 2016. The contract is a "take-or pay" contract (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 June 1, 2018 through November 30, 2019". Total cost of electricity under the Osborn Wind PPA was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** 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; Staff notes this is long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. 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, 0023, 0043, 0045, 0046, 0053, and 0058;
b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;
c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;
d. Staff Report in Case No. EO-2018-0291; and
e. Staff Report in Case No. EO-2019-0316.

Staff Expert/Witness: Brooke Mastrogiannis

Q. 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 (i.e., Evergy Missouri West has to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price of $** ____ ** per MWh and a capacity of ** ___ ** 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 June 1, 2018 through November 30, 2019". Cost of electricity under the Rock Creek Wind Project was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** 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.

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; Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. 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, 0023, 0043, 0045, 0046, 0053, 0058, and 0071;

b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2018-0291; and

e. Staff Report in Case No. EO-2019-0316.

Staff Expert/Witness: Brooke Mastrogiannis

R. 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 (i.e., Evergy Missouri West has to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price of $** ____ ** per MWh and a capacity of ** ____** 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 June 1, 2018 through November 30, 2019". Cost of electricity under the Prairie Queen Wind Project was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net gain of $** ____ ** 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 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; Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period.

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0020, 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070, and 0071;

b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2018-0291;

e. Staff Report in Case No. EO-2019-0316; and

f. Evergy Missouri West's 2018 Triennial Integrated Resource Planning filing in Case No. EO-2018-0269.

Staff Expert/Witness: Brooke Mastrogiannis

S. 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 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), and is based on a fixed energy price of $** ____ ** per MWh and a capacity of ** ___ ** 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 June 1, 2018 through November 30, 2019". Cost of electricity under the Pratt Wind Project was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** 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; Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. 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, 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;

b. Evergy Missouri West 2018 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri West 2019 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2018-0291;

e. Staff Report in Case No. EO-2019-0316; and

f. Evergy Missouri West's 2018 Triennial Integrated Resource Planning filing in Case No. EO-2018-0269.

Staff Expert/Witness: Brooke Mastrogiannis

T. Purchased Power Costs

1. Description

Evergy Missouri West's FAC 3rd Revised Sheet No. 127.3 applicable to service provided from February 22, 2017 through December 6, 2018, and 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 $** ________ ** as shown previously in Table 3. More detail for the cost of Purchased Power is shown in Table 14 below.

Table 14 – Confidential

**

Evergy Missouri West Purchased Power Costs (PP)			
From Long Term Contracts	Evergy MO West PP Costs	Percentage of Component	Percentage of Total PP
	-		

**

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.N. through S 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 yet 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,[43] 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."

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 13 of this Report. Further discussion of Evergy Missouri West's participation in these markets can be found in Section III.A. of this report.

Short-term Demand

Capacity charges for capacity purchases less than 12 months in duration are listed as Short-term Demand on Tables 3 and 14.

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.

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

4. Documents Reviewed

a. Evergy Missouri West's responses to Staff Data Request Nos. 0001, 0002, 0019, 0020, 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;

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

b. Section III.A. 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 June 1, 2018 through November 30, 2019 was ** ____ ** with the total amount of interest accumulated for the period of ** ________ **. The interest amount is component "I" of Evergy Missouri West's FAC.

2. Summary of Interest Implications

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

3. Conclusion

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

4. Documents Reviewed

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

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

c. Company Files: q0001 conf west section 7 filing – 23rd accum – nov 2018; q0001 conf west section 8 filing – 24th accum – may 2019; and, q0001 conf west section 8 filing – 25th accum – nov 2019.

Staff Expert/Witness: Cynthia M. Tandy

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Ninth Prudence Review	)	
of Costs Subject to the Commission-Approved	)	**File No. EO-2020-0262**
Fuel Adjustment Clause of Evergy Missouri	)	
West, Inc. d/b/a Evergy Missouri West	)	

**AFFIDAVIT OF LISA WILDHABER,
CYNTHIA M. TANDY, AND JORDAN HULL**

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

COME NOW Lisa Wildhaber, Cynthia M. Tandy, and Jordan Hull and on their oath declare that they are of sound mind and lawful age; that they contributed to the foregoing *Staff Report*; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further your Affiants sayeth not.

/s/ *Lisa Wildhaber*
Lisa Wildhaber

/s/ *Cynthia M. Tandy*
Cynthia M. Tandy

/s/ *Jordan Hull*
Jordan Hull

SCHEDULE BJF-d4

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT

THIRD PRUDENCE REVIEW OF COSTS

RELATED TO THE FUEL ADJUSTMENT CLAUSE

FOR THE ELECTRIC OPERATIONS

OF

EVERGY METRO, INC.,

d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”),

f/k/a Kansas City Power & Light Company (“KCPL”)

CASE NO. EO-2020-0263

July 1, 2018 through December 31, 2019

Jefferson City, Missouri
August 28, 2020

** Denotes Confidential Information **

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July 1, 2018 through December 31, 2019

CASE NO. EO-2020-0263

THIRD PRUDENCE REVIEW OF COSTS
RELATED TO THE FUEL ADJUSTMENT CLAUSE
FOR THE ELECTRIC OPERATIONS
OF
EVERGY METRO, INC.

July 1, 2018 through December 31, 2019

CASE NO. EO-2020-0263

I. EXECUTIVE SUMMARY

The Missouri Public Service Commission ("Commission") first authorized a Fuel Adjustment Clause ("FAC") for Evergy Metro, Inc., d/b/a Evergy Missouri Metro ("Evergy Missouri Metro" or "Company"), f/k/a Kansas City Power & Light Company ("KCPL") in Case No. ER-2014-0370. Since then, the Commission has approved continuation of Evergy Missouri Metro's FAC with modifications in its *Report and Order* in the Company's most recent general rate cases: Case Nos. ER-2016-0285 and ER-2018-0145.

Commission Rule 20 CSR 4240-20.090(11)[1] and Missouri Revised Statute Section 386.266.5(4) require that the Commission's Staff ("Staff") conduct prudence reviews of an electric utility's FAC no less frequently than every 18 months. In this prudence review, Staff analyzed items affecting Evergy Missouri Metro's fuel costs; purchased power costs; net emission allowance costs; transmission costs; off-system sales revenues; and renewable energy credit (REC) revenues for the seventh, eighth and ninth accumulation periods of Evergy Missouri Metro's FAC ("prudence review period"). The seventh accumulation period started July 1, 2018 and ended December 31, 2018. The eighth accumulation period started January 1, 2019 and ended June 30, 2019. The ninth accumulation period started July 1, 2019 and ended December 31, 2019. Thus, the 18-month prudence review period is from July 1, 2018 through December 31, 2019 ("Review Period"). This is Staff's third Prudence Review Report for Evergy Missouri Metro's FAC. Table 1 identifies Staff's previous Evergy Missouri Metro FAC prudence reviews.

[1] Effective January 30, 2019.

Table 1: Completed Evergy Missouri Metro FAC Prudence Reviews

Review	File Number	Review Period
First	EO-2017-0231	July 1, 2015 through December 31, 2016
Second	EO-2019-0068	January 1, 2017 through June 30, 2018

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 at the time the decision was made, *i.e.*, without the benefit of hindsight. The decision actually made is disregarded; instead, the review evaluates the reasonableness of the information the decision-maker relied on and the decision-making process the decision-maker employed. 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 refund.

Staff analyzed a variety of items in examining whether Evergy Missouri Metro was imprudent when it incurred the fuel and purchased power costs associated with its FAC. Based on its review, Staff found no evidence of imprudence by Evergy Missouri Metro during the Review Period.[2]

Staff Expert/Witness: Brooke Mastrogiannis

II. INTRODUCTION

A. General Description of Evergy Missouri Metro's FAC

Table 2 identifies Evergy Missouri Metro's Commission-approved FAC tariff sheets which were applicable for service provided by Evergy Missouri Metro to its customers during the period July 1, 2018 through December 31, 2019:

[2] Staff would like to note that, in Case No. EO-2020-0227, Staff recommended several disallowances to Evergy Missouri Metro's Demand Response programs. Evergy Missouri Metro filed a *Motion to Limit Scope of Proceeding* in that case on July 29, 2020, arguing that those disallowances recommended by Staff were best addressed in this docket. The Commission rejected Evergy Missouri Metro's motion on August 19, 2020.

Table 2

Evergy Missouri Metro's Commission-approved FAC Tariff Sheets

July 1, 2018 through December 31, 2019

July 1, 2018 through December 5, 2018	December 6, 2018 through December 31, 2019
Second Revised Sheet No. 50.11	Original Sheet No. 50.21
Second Revised Sheet No. 50.12	Original Sheet No. 50.22
Second Revised Sheet No. 50.13	Original Sheet No. 50.23
Second Revised Sheet No. 50.14	Original Sheet No. 50.24
Second Revised Sheet No. 50.15	Original Sheet No. 50.25
Second Revised Sheet No. 50.16	Original Sheet No. 50.26
Second Revised Sheet No. 50.17	Original Sheet No. 50.27
Second Revised Sheet No. 50.18	Original Sheet No. 50.28
Second Revised Sheet No. 50.19	Original Sheet No. 50.29
	Original Sheet No. 50.30

For each accumulation period ("AP"),[3] Evergy Missouri Metro's Commission-approved FAC allows Evergy Missouri Metro to recover from (if the actual net energy costs exceed) or refund to (if the actual net energy costs are less than) its ratepayers ninety-five percent (95%) of its Missouri jurisdictional[4] actual net energy costs ("ANEC")[5] less net base energy cost ("B")[6] which is identified as (ANEC – B)*J in Evergy Missouri Metro's FAC.[7] Evergy Missouri Metro accumulates variable fuel costs, purchased power costs, transmission costs and

[3] Accumulation periods are June through November and December through May.

[4] Missouri jurisdictional factor J is defined on Evergy Missouri Metro's Original Sheet No. 50.28 as Missouri Retail Energy Ratio = (MO Retail kWh sales + MO Losses) / (MO Retail kWh Sales + MO Losses + KS Retail kWh Sales + KS Losses + Sales for Resale, Municipals kWh Sales [including border customers] + Sales for Resale, Municipals Losses), where MO Losses = 6.32%; KS Losses =7.52%; Sales for Resale, Municipals Losses = 6.84%.

[5] "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 Metro's Original Sheet No. 50.22.

[6] Net base energy costs (B) is defined on Evergy Missouri Metro's Original Sheet No. 50.28 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 Fuel and Purchased Power Adjustment ("FPA"). Net base energy costs will be calculated as shown below S_{AP} x Base Factor ("BF").

[7] For the seventh, eighth and ninth accumulation periods, the (ANEC - B)*J amounts are included on line 5 of Evergy Missouri Metro's 1st Revised Sheet No. 50.31, 2nd Revised Sheet No. 50.31, and 3rd Revised Sheet No. 50.31, respectively.

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 ("RP")[8] when 95% of the (ANEC – B)*J amount (including the monthly application of interest)[9] is recovered from or returned to ratepayers through an increase or decrease in the FAC Fuel Adjustment Rates ("FAR") during the twelve-month RP. Because the FAR rarely, if ever, will exactly match the required offset, Evergy Missouri Metro'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[10] 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:

> [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.[11]

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[8] Recovery periods are: October through September and April through March.

[9] *See* SECTION IV. INTEREST, of this Prudence Review Report.

[10] *See* PRUDENCE REVIEWS on Evergy Missouri Metro's Original Sheet No. 50.30.

[11] 954 S.W.2d 520, 528-29 (Mo. App. W.D., 1997) (citations omitted).

In reversing the Commission 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.[12] This is the prudence standard Staff has followed in this review. Staff reviewed for imprudence the areas identified and discussed below for Evergy Missouri Metro's seventh, eighth, and ninth six-month accumulation periods.

Staff Expert/Witness: Brooke Mastrogiannis

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

Evergy Missouri Metro's FAC includes four major components of costs: fuel costs, purchased power costs, net emission costs and transmission 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 Metro's fuel costs, purchased power costs, net emission costs, transmission costs, off-system sales revenues, and renewable energy credit revenues for the period of July 1, 2018, through December 31, 2019:

Continued on next page

[12] *Id*. at 529-30.

Table 3 - Confidential

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Staff Experts/Witnesses: Brooke Mastrogiannis, Lisa Wildhaber, Cynthia M. Tandy

A. Utilization of Generation Capacity

1. Description

The purpose of this section is to provide an overview of Evergy Missouri Metro'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 Metro's generating units consist of a mixture of coal, nuclear, natural gas, diesel, and wind as indicated in Table 4[13] below titled Supply Side Resources. Table 5 provides a list of Evergy Missouri Metro's long-term Power Purchase Agreements ("PPA"). Table 6 contains a capacity summary for Evergy Missouri Metro's current fleet.

Table 4 - Confidential

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[13] Evergy Missouri Metro response to Data Request No. 0013.

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Table 5 – Confidential

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<u>Table 6 – Confidential</u>

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2. Summary of Cost Implications

In SPP's Integrated Marketplace ("SPP IM"), the vast majority of generation dispatch decisions are made by SPP via established market requirements and processes. SPP market rules currently must offer requirements both for the Day Ahead Market ("DA") and the Real Time Balancing Market ("RT"). With respect to the DA, there is a Day Ahead Must Offer requirement which essentially states that Market Participants ("MP") must offer enough generation to cover that MP's next day projected peak load, ancillary service obligations and any firm sales the MP has made. In addition, the SPP Market Monitoring Unit monitors for Physical Withholding of generation, which further incentivizes MPs to offer much of their available generation in the DA, even if they have already met their Must Offer requirement. With respect to the RT, SPP requires that all physically available generation be offered to the market. In accordance with SPP rules and requirements, Evergy Missouri Metro submits generation offers in the DA and RT. Once these offers have been submitted, the SPP market co-optimization processes take over from there. SPP market applications consider inputs such as system-wide requirements, generator operating parameters, offers from all MPs, and transmission system topology to arrive at the most cost effective and reliable generation solution possible. Some of these applications include the Security Constrained Unit

Commitment ("SCUC") and Security Constrained Economic Dispatch ("SCED") tools. Once the least cost viable solution is arrived at, SPP issues operating instructions to MPs. Under the SPP market construct, MPs are given the flexibility to let the SPP market decide entirely on its own when to commit a given unit or to self-commit the generator. A common example of the latter is if a unit needs to be online for required testing on a given day. Even if a generator is self-committed, this simply establishes that the unit will be online. SPP will still dispatch the unit via the SCED tool within its dispatchable range as established through the market submissions process.

3. Conclusion

Staff did not observe any evidence of imprudent utilization of generation resources during the time period examined in this prudence review.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0002, 0003, 0010, 0011, 0012, 0013, 0015, 0017, 0018, 0021, 0022, 0041, 0043, and 0053.

Staff Expert/Witness: Jordan Hull

B. Heat Rates

1. Description

Heat rates of generating units are an indicator of each unit's performance. A heat rate is a calculation of total volume of fuel burned for electric generation multiplied by the average heat content of that volume of fuel for a given time period divided by the total net generation of electricity in kilowatt hours (kWh) for that same 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 indicate 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, shutdowns and startups, unit outages, derates, and weather conditions. Therefore, a good indication of unit performance for frequently used units 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. This typically occurs when additional emissions reduction equipment is added to the exhaust of the generating unit. Continued utilization of units with sustained elevated heat rates could result in

Evergy Missouri Metro incurring higher fuel costs per unit of electricity generated than it would otherwise have incurred. If Evergy Missouri Metro 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 Metro's FAC charges.

** ____ **[14]

** ____ **[15]

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0018, and 0065; and
b. Monthly Outage data in the Monthly Reports submitted by Evergy Missouri Metro in compliance with Rule 20 CSR 4240-3.190.

Staff Expert/Witness: Jordan Hull

C. Plant Outages

1. Description

Generating stations' outages generally can be classified as scheduled outages, forced outages, or partial outages. 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. Outages are planned and scheduled over one year in advance. The exact start date depends on freezing temperatures and natural gas availability. 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

[14] Response to Data Request No. 0065.

[15] Capacity factor is defined as the ratio between what a generation unit is capable of generating at maximum output versus the unit's actual generation output over a period of time.

outage that cannot be deferred beyond the next weekend, and a partial outage, or derating, is a condition that requires the unit to be limited to an energy output below maximum capacity.

Outages taken at any of the generating units have an impact on how much Evergy Missouri Metro will pay for fuel and purchased power. Any planned outage during peak load demand times or a period of high replacement energy prices has the potential result of Evergy Missouri Metro paying more for fuel and purchased power costs 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 prices, 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 loaded unit during a time of peak load or a period of high replacement energy prices.

Evergy Missouri Metro 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. The Company has no control over the timing of planned outages for generating stations it does not operate. These types of outages are not included as a part of this prudence review.

2. Summary of Cost Implications

An imprudent planned outage could result in an increased cost of purchased power by Evergy Missouri Metro from the SPP IM as well as a decrease in off-system sales revenues through the SPP IM.

3. Conclusion

Staff did not find any evidence of imprudent planned outages by Evergy Missouri Metro during the Review Period.

4. Documents Reviewed

a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0004, 0005, 0005.1, 0006 and 0047.

Staff Expert/Witness: Jordan Hull

D. Self-Commitment of Baseload Generation Facilities into SPP

1. Description

During this FAC prudence review, Staff conducted a review of commitment status of Evergy Missouri Metro's generation facilities into SPP in an effort to determine any negative impacts that might be occurring because of such actions. Evergy Missouri Metro has large and varied electric generation facilities that are designed to provide varying types of services to its customers. These generation facilities include nuclear, coal, natural gas, PV solar, and wind turbines. Each one of Evergy Missouri Metro'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 Metro's plant operations team to determine optimal plant reliability and manufacturer operational guidelines. ** ____ **[16] With these tools the Company can develop a day-ahead load bidding strategy based on current projections and historical trends.

"The SPP Integrated Marketplace attempts to minimize the cost to serve load subject to transmission and generator constraints. The day-ahead market does this by using two main tools: centralized unit commitment and economic dispatch. Centralized unit commitment sorts the available generators from least expensive to most expensive and then selects the least expensive units that can achieve the objective without violating the constraints of the optimization. Economic dispatch then uses the results of the unit commitment process as inputs to its own separate optimization. The results of which produce two key, time-based outputs: the megawatts each generator should produce at the corresponding locational prices. Centralized unit commitment and economic dispatch processes are designed to work together to make the market more efficient."[17] 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[18] for its market participants ("MP"):

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[16] Response to Staff Data Request No. 0055.

[17] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.

[18] *Id*, Page 5.

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.

** **[19]

SPP Market participants have stated the following reasons for self-commitment:[20]

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

[19] Response to Staff Data Request No. 0055.

[20] SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Pages 7 and 8.

- Weather
- Long lead times
- 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 contracts, or commitment bridging are economic in nature and can be handled within the market 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."[21]

Staff analyzed data received from Evergy Missouri Metro to determine the financial impacts of the self-commit units as offered and cleared into the SPP Day-Ahead and Real-time market. Table 7 provides the summary of Staff's review by generating unit for the Review Period of July 1, 2018 through December 31, 2019. Staff reviewed the hourly 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 Staff compared the number of positive "In the Money" hourly transactions to the negative "Out the Money" hourly transactions. Results are show below in Table 7. Staff then decided to take it a step further and 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 money" to the "Out money" transactions to show an overall revenue associated with

[21] *Id*, Page 8.

self-commitment. Staff is providing Table 7 as actual financial results of Evergy Missouri Metro's current practice of Self-Commit of its baseload generation units as described below.

Table 7 – Confidential

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Staff 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.[22]

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 Metro would have designated these units as "Market" instead of "Self-Commit." This is the first review of the commitment statuses for Evergy Missouri Metro in a FAC prudency review, but Staff plans to compare this review to future reviews to see what trend self-commitment is following for Evergy Missouri Metro. SPP acknowledged in its Market Report for Winter of 2020 that self-commitment is on a "downward trend"[23] market wide. Based on the information provided by Every Missouri Metro and Staff's knowledge of general trends in market commitment behavior, Staff is not aware of any prudency issues related to Evergy Missouri Metro's practice of self-commitment.

2. Summary of Cost Implications

Imprudent Unit Generation commitment could result in increased cost of purchased power by Evergy Missouri Metro from the SPP IM as well as a decrease in off-system sales revenues through the SPP IM.

3. Conclusion

Staff did not find any evidence of imprudent generation unit self-commitment by Evergy Missouri Metro during the Review Period.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0055;
b. File No. EW-2019-0370, Supplemental Reports; and
c. SPP Documents: Market Report for Winter 2020 and Self-committing in SPP markets: Overview.

Staff Expert/Witness: Jordan Hull

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

[23] SPP Market Report for Winter 2020, Generation Scheduling, Published May 18, 2020, Page 21.

E. Natural Gas Costs

1. Description

For the Review Period, $** ________ ** or ** _ ** % of Evergy Missouri Metro'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 Metro's natural gas price averaged $** ____ ** per MMBtu, based on ** ________ ** MMBtu of actual natural gas burned and costs of $** ________ **. Staff reviewed the contract terms and a sampling of invoices for gas purchased. Evergy Missouri Metro receives natural gas services from 23 gas supply companies and 5 natural gas transportation companies. The companies are identified in Table 8:

<u>Table 8 - Confidential</u>

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Table 9 lists the Gas Transportation Contracts in effect for the Review Period:

<u>Table 9 – Confidential</u>

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Table 10 identifies Evergy Missouri Metro's intermediate and peaking generating units that burn natural gas:

<u>Table 10 – Confidential</u>

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2. Summary of Cost Implications

If Evergy Missouri Metro 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 Metro's purchases of natural gas were imprudent during the Review Period.

4. Documents Reviewed

a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0024, 0035, 0035.1, 0045, 0066; and

b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for AP 7, 8, and 9.

Staff Expert/Witness: Lisa Wildhaber

F. Coal and Rail Transportation Costs

1. Description

For the Review Period, $** ________ ** or **__ ** % of Evergy Missouri Metro’s total fuel costs, purchased power costs, transmission costs, and net emission allowance costs was associated with the coal used in generating electricity. The cost of coal includes various miscellaneous charges such as rail and other ground transportation service charges, and other fuel handling expenses. Staff reviewed the contract terms of six (6) short and long-term coal purchase contracts, as well as a sampling of invoices for coal purchased and delivered. The counterparties for the contracts are identified in Table 11:

<u>Table 11 - Confidential</u>

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The contracts provide coal delivery to Evergy Missouri Metro’s Hawthorn 5, Iatan 1 and 2, LaCygne 1 and 2, and Montrose 2 and 3. 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 index-based.

2. Summary of Cost Implications

If Evergy Missouri Metro 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 that Evergy Missouri Metro's purchases and transportation of coal or its coal-related contracts were imprudent during the Review Period.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0021, 0023, 0031, 0035, 0035.1, 0045, 0066; and

b. Evergy Missouri Metro's monthly reports, FAR Filings and related work papers for AP 7, 8, and 9.

Staff Expert/Witness: Lisa Wildhaber

G. Fuel Oil Costs

1. Description

For the Review Period, $** ________ ** or ** _ ** % of Evergy Missouri Metro's total fuel costs, purchased power costs, transmission costs, and net emission allowance 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 Metro's two (2) 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 Metro purchases the fuel oil. The counterparties for the fuel oil contracts are identified in Table 12:

<u>Table 12 - Confidential</u>

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

2. Summary of Cost Implications

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0023, 0025, 0035, 0035.1, 0045, 0066; and

b. Evergy Missouri Metro's monthly reports, FAR Filings and related work papers for AP 7, 8, and 9.

Staff Expert/Witness: Lisa Wildhaber

H. Transmission Costs

1. Description

For the Review Period, $** ________ ** or ** __ ** % of Evergy Missouri Metro's total fuel cost, purchased power costs, transmission costs and net emission costs was associated with transmission costs. There were two tariff sheets that were in effect during this Review Period. Evergy Missouri Metro's FAC Second Revised Sheet No. 50.14 (Applicable to Service Provided July 1, 2018 through December 6, 2018), defines the "TC" component as:

> Transmission Costs:
>
> The following costs reflected in FERC Account Number 565:
>
> Subaccount 565000: non-SPP transmission used to serve off system sales or to make purchases for load and 20.91% 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
>
> 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.

Evergy Missouri Metro's FAC Original Sheet No. 50.24 (Applicable to Service Provided December 6, 2018 through December 31, 2019), defines the "TC" component as:

Transmission Costs:

The following costs reflected in FERC Account Number 565:

Subaccount 565000: non-SPP transmission used to serve off system sales or to make purchases for load and 26.40% of the SPP transmission service costs which includes the schedules listed below as well as any adjustments to the charges in the schedules below:

Schedule 7 – Long-term Firm and Short-term Point to Point Transmission Service
Schedule 8 – Non Firm Point to Point Transmission Service
Schedule 9 – Network Integration Transmission Service
Schedule 10 – Wholesale Distribution Service
Schedule 11 – Base Plan Zonal Charge and Region Wide Charge

Excluding amounts associated with portions of purchased power agreements dedicated to specific customers under the Renewable Energy Rider tariff.

Subaccount 565020: the allocation of the allowed costs in the 565000 account attributed to native load;

Subaccount 565027: the allocation of the allowed costs in the 565000 account attributed to transmission demand charges;

Subaccount 565030: the allocation of the allowed costs in account 565000 attributed to off-system sales.

For calculating TC, Evergy Missouri Metro 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 20.91% of the SPP transmission service costs are included (from the beginning of the Review Period through December 5, 2018) and only 26.40% of the SPP transmission service costs are included (from December 6, 2018 through the end of the Review Period).[24] Evergy Missouri Metro's transmission costs during the Review Period are $** ________ **.

2. Summary of Cost Implications

If Evergy Missouri Metro imprudently included transmission costs in the FAC, ratepayer harm could result from increased FAC charges.

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri Metro's General Ledger;

b. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0023, 0040, 0045, and 0046; and

c. AP 7, 8 and 9 FAR and other supporting work papers.

Staff Expert/Witness: Brooke Mastrogiannis

I. Nuclear Fuel

1. Description

For the Review Period $** ________ ** or ** ___ ** % of Evergy Missouri Metro's fuel costs, purchased power costs, transmission costs, and net emission allowance costs is associated with nuclear fuel used in the generation of electricity at the Wolf Creek Nuclear Operating Corporation's generating unit. Evergy Missouri Metro owns 47% of Wolf Creek Nuclear Operating Corporation.

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent in its purchasing decisions relating to nuclear fuel, ratepayer harm could result from increased FAC charges.

3. Conclusion

Staff found no indication that Evergy Missouri Metro nuclear fuel costs were imprudent during the Review Period.

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[24] During the last general rate case, Case No. ER-2018-0145, the Commission, in its *Order Approving Stipulations and Agreements* issued on October 31, 2018, approved the change of the FAC transmission percentage from 20.91% to 26.40%.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0023, 0035, 0045, 0066; and

b. Evergy Missouri Metro's monthly reports, FAR Filings and related work papers for AP 7, 8, and 9.

Staff Expert/Witness: Lisa Wildhaber

J. 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. According to Evergy Missouri Metro, 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, had continued under CSAPR.

To comply with CSAPR, Evergy Missouri Metro established an inventory for SO_2 and NO_x. Evergy Missouri Metro 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, 158201 and 158500 for Emission Allowance REC inventories. The Evergy Missouri Metro SO_2 and NO_x allowance inventories are valued at average 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 December 31, 2019 was $** ____ **. The Company annually balances account 509000 when the EPA yearly awards the additional allowances.

For the Review Period, Evergy Missouri Metro's total net emission allowance cost was $** ________ **.[25]

2. Summary of Cost Implications

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

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri Metro's response to Staff's Data Request Nos. 0032, 0034, 0039, 0045, 0059, 0060, 0061 and 0062;
b. Evergy Missouri Metro's monthly reports for the time period July 1, 2018 through December 31, 2019 required by 20 CSR 4240-20.090(5); and
c. Section 8 Filings – 7th, 8th and 9th Accumulation Periods (ending December 2018, June 2019, December 2019 respectively).

Staff Expert/Witness: Cynthia M. Tandy

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[25] ** ______________________________ **

K. Off-System Sales Revenue

1. Description

Off-system sales revenues ("OSSR") is a component in the calculation of Evergy Missouri Metro's FAR used to charge or refund fuel and purchased power costs to its customers. There were two tariff sheets that were in effect during this Review Period. The following language was in effect during the Review Period includes:

> Evergy Missouri Metro's FAC P.S.C. MO No. 7, Second Revised Sheet No. 50.14, applicable to service provided from June 8, 2017 through December 6, 2018, 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 including, energy, ancillary services, revenue sufficiency (such as make whole payments and out of merit payments and distributions), revenue neutrality payments and distributions, over collected losses payments and distributions, TCR and ARR settlements, demand reductions, virtual energy costs and revenues and related fees where the virtual energy transaction is a hedge in support of physical operations related to a generating resource or load, generation/export charges, ancillary services including non-performance and distribution payments and SPP uplift revenues or credits. Off-system sales revenues from full and partial requirements sales to municipalities that are served through bilateral contracts in excess of one year shall be excluded from OSSR component;
>
>   Subaccount 447012: capacity charges for capacity sales one year or less in duration;
>
>   Subaccount 447030: the allocation of the includable sales in account 447020 not attributed to retail sales.

Evergy Missouri Metro's FAC P.S.C. MO No. 7, Original Sheet No. 50.24, applicable to service provided from December 6, 2018 through December 31, 2019 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, or other IMs, including, energy, ancillary services, revenue sufficiency (such as make whole payments and out of merit payments and distributions), revenue neutrality payments and distributions, over collected losses payments and distributions, TCR and ARR settlements, demand reductions, virtual energy costs and revenues and related fees where the virtual energy transaction is a hedge in support of physical operations related to a generating resource or load, generation/export charges, ancillary services including non-performance and distribution payments and SPP uplift revenues or credits, but excluding (1) off-system sales revenues from full and partial requirements sales to municipalities that are served through bilateral contracts in excess of one year and (2) the amounts associated with purchased power agreements associated with the Renewable Energy Rider tariff. Additional revenue will be added at an inputed 75% of the unsubscribed portion associated with the Solar Subscription Rider valued at market prices;

    Subaccount 447012: capacity charges for capacity sales one year or less in duration;

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

Staff reviewed the off-system sales quantities and revenues over the Review Period, and Evergy Missouri Metro's off-system sales revenue recoverable under the FAC was in the amount of $** ________ **.

2. Summary of Cost Implications

Evergy Missouri Metro's revenues from off-system sales are an offset against total fuel and purchased power costs, transmission costs and net emission costs. This is because Evergy Missouri Metro's ratepayers pay for the resources used to produce any energy that

Evergy Missouri Metro sells. Since implementing the IM, SPP has controlled the economic dispatch of Evergy Missouri Metro's generation. During times that Evergy Missouri Metro's generation exceeds Evergy Missouri Metro's retail customers' needs, Evergy Missouri Metro becomes a net seller in the SPP IM. If Evergy Missouri Metro did not make available its generating units in the SPP IM for off-system sales to be made, ratepayers could be harmed by such imprudence by an increase in Evergy Missouri Metro's FAC charges.

3. Conclusion

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

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0023, 0045 and 0056;
b. Evergy Missouri Metro's FAC tariff sheet during the Review Period; and
c. Evergy Missouri Metro's monthly reports and FAR filing work sheets.

Staff Expert/Witness: Cynthia M. Tandy

L. Renewable Energy Credit Revenues

1. Description

The Missouri Renewable Energy Standard ("RES")[26] requires all investor-owned electric utilities in Missouri to provide at least two percent (2%) of their retail electricity sales using renewable energy resources in each calendar year 2011 through 2013, and to increase that percentage over time to at least fifteen percent (15%) by 2021. Commission rule 20 CSR 4240-20.100, Electric Utility Renewable Energy Standard Requirements, which first became effective September 30, 2010, contains the definitions, structure, operations, and procedures for implementing the RES.

The RES rule creates two categories of energy-generating resources: non-renewable energy resources (including purchased power from non-renewable energy sources) and renewable energy resources (including purchased power from renewable energy sources).[27] Renewable energy resources produce electrical energy and are wind, solar sources, thermal

[26] Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.
[27] 20 CSR 4240-20.100(5)(B).

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")[28]. Once an energy resource is certified, it begins producing 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.[29] The cost of a REC (as a RES compliance cost) cannot be recovered through the FAC.[30] 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 Metro to serve at least 10% of its retail load using renewable energy resources.

In Staff Data Request No. 0058, Staff asked, "Did Evergy Missouri Metro sell any RECs (wind, solar, etc.) during the review period of July 1, 2018 through December 31, 2019? If yes, a list of data was requested. "If no, please provide the reason why no RECS were sold." Evergy Missouri Metro responded, "Evergy Missouri Metro did not sell any RECs during the review period of July 1, 2018 through December 31, 2019… Evergy RECs are expired rather than sold to ensure our customers receive as much renewable energy as possible since we cannot double count sold RECs as renewable energy delivered to customers."

Review of Data Request No. 0042 in this case along with review of this issue in Case Nos. EO-2020-0280[31] and EO-2020-0331[32], suggests the number of RECs will increase significantly in the coming years with more production of renewable energy. Even when the maximum level of the RES rule requirement of 15% is reached in 2021, the Company's excess RECs are forecasted to increase significantly in the coming years. The following table is information on this issue from 2018 to 2019:

[28] Prior Department of Economic Development – Division of Energy.

[29] 20 CSR 4240-20.100(6)(B)(5)(J).

[30] 20 CSR 4240-20.100(6)(A)(16).

[31] The 2020 Integrated Resource Plan Annual Update for Evergy Missouri Metro.

[32] The 2020 Renewable Energy Standard Compliance Plan for Evergy Missouri Metro.

<u>Table 13 - Confidential</u>

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Staff raised this concern in its previous Evergy Missouri Metro FAC Prudence Review[33] and recommended a disallowance for the expired RECs. However, in its *Report and Order* in that case, the Commission denied Staff's recommended disallowance. Staff remains concerned with the continued growth of expired RECs in this Review Period and the likelihood of even more significant growth of expired RECs in subsequent years following this Review Period due to the additional wind PPAs discussed in the PPA section of this Staff Report. According to Staff calculations, the Missouri jurisdictional annual generation is expected to be well in excess of the projected 2022 RES compliance. The Company has indicated that this is being monitored, but the concern still exists. Staff too will continue to monitor this issue and reserves the right to bring this issue, and any ratepayer implications due to this issue, up in future prudence reviews.

Evergy Missouri Metro's annual REC production/acquired from existing non-solar resources for the Review Period was ** ________ ** RECs, well in excess of the actual requirements of ** ________ **, with ** ________ ** RECs that expired.

2. Summary of Cost Implications

If Staff found that Evergy Missouri Metro was imprudent in its management of RECs, by including the cost of RECs in calculating its FAC charges, ratepayer harm could result from increased costs or decreased revenues in its FAC charges. Potential ratepayer harm could result if excess RECs are continued to be allowed to expire rather than be sold.

[33] Case No. EO-2019-0068 consolidated into Case No. EO-2019-0067.

3. Conclusion

With regards to FAC prudency, Staff did not find evidence that Evergy Missouri Metro's management of its RECs during the Review Period was imprudent. However, this is an issue that needs to be closely monitored and Staff will continue to address this issue in future prudence reviews.

4. Documents Reviewed

a. Staff Data Request Nos. 0042, 0042.1 0057 and 0058;

b. The 2020 Integrated Resource Plan Annual Update for Evergy Missouri Metro;

c. The 2020 Renewable Energy Standard Compliance Plan for Evergy Missouri Metro; and

d. Case Nos. EO-2019-0068 and EO-2019-0067.

Staff Expert/Witness: Cynthia M. Tandy

M. Montrose Generating Unit

1. Description

In Case No. ER-2020-0221, FAR filing for AP9, which covers the AP months of July 2019 through December 2019, Evergy Missouri Metro agreed to remove all fuel residuals costs subsequent to the retirement of the Montrose generating station at the end of December 2018 in their substitute tariff filing filed on February 25, 2019. AP9 was the first filing in which the Company agreed to exclude any Montrose costs in future FAC filings. This resulted in a total reduction of $122,874. These costs were described in detail as ash cleanup and landfill work at the Montrose generating station.[34] Evergy Missouri Metro also stated in this substitute tariff filing that "Finally, the Company included fuel residual costs totaling $122,874 for recovery in this filing. These expenses consist of ash disposal costs, contractor costs, materials and landfill work that continues at the Montrose generating station in order to appropriately dispose of the residuals. Based on internal discussions following MPSC Staff's review of the filing, the Company will remove the costs for recovery through the FAC."[35] There were two remaining adjustments amounting to $9,397 that the Company discussed with Staff. These two components were: $7,723 for an invoice that was coded incorrectly to Montrose, which was

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[34] Lisa A. Starkebaum's supplemental testimony filed on 2/25/2020, in Case No. ER-2020-0221 Page 2, Lines 3 and 4.

[35] *Ibid.*

corrected in February 2020 and will be included in the next FAR filing for AP10; and $1,674 for severance and Ad-Valorem Tax True-up adjustments for 2017 coal shipments received from a supplier in 2019. The discussion satisfied Staff's concerns, and Staff recommended approval of the substitute tariff filing in Staff's Recommendation filed on February 28, 2020.

In Case No. ER-2020-0025, FAR filing for AP8, which covers the AP months of January 2019 through June 2019, Evergy Missouri Metro included Montrose costs netted to a credit of ($16,185) included for recovery in the FAR filing. Staff conducted its review of the filing and recommended approval in Staff's Recommendation filed on August 29, 2019.

This Review Period also encompasses the FAR filing for AP7, Case No. ER-2019-0223, for the AP months of July 2018 through December 2018. Even though the Montrose generation facility did not retire until December 2018, it remains Staff's due diligence to review the costs associated with Montrose to ensure there was no inclusion of costs/revenues related to the retirement of the Montrose generation facility similar to those that the Company previously agreed to remove during those accumulation period months as well.

During Staff's investigation, Staff found that the Company included costs totaling $1,159,839 for recovery in November and December 2018 associated with Montrose. This $1,159,839 is comprised of $723,237 for the cost of coal PRB, $76,303 for the cost of oil PRB, $332,603 for the cost of coal PRB physical inventory adjustment, $8,420 for fuel additives, and $19,276 for fuel residuals.[36] The Company states that it does not consider the expenses recorded in November and December 2018 to be retirement or decommissioning costs. It also states these costs were recorded in the appropriate expense accounts that are allowed to flow through the FAC as set forth in the Evergy Missouri Metro FAC tariff with specific language under fuel costs, subaccount 501000:

- Coal commodity and transportation
- Unit train maintenance, leases, taxes and depreciation
- Fuel quality adjustments
- Oil costs for commodity
- Coal and oil inventory adjustments

[36] Response to Staff Data Request Nos. 0064.1 and 0064.2.

The Company also states:

> Montrose did generate MWh's in December 2018 even though it was retired later that month. The Montrose retirement does not follow the same fact pattern as Sibley, so yes, those costs incurred during November-December 2018 timeframe are indeed different than costs incurred for Sibley in November 2018. Fuel expense was incurred at Montrose during December 2018 because Montrose unit 3 burned both coal and oil and generated electricity in early December until a forced outage on December 10, 2018 and therefore are recoverable through the FAC.[37]

Staff has reviewed the Company's workpapers to verify that Evergy Missouri Metro did have 11,887 tons of coal and 851 barrels of oil burned during December 2018, along with generating $14,571 net MWhs that created the cost of coal and oil included in fuel expense for December 2018.

Staff also reviewed workpapers the Company provided to support the costs associated with coal PRB and oil PRB, as these are costs related to Fuelworx ("FWX"), which is a software package interface to the general ledger. FWX tracks fuel receipts and inventory levels and calculates fuel expenses based on the average inventory cost and the amount of fuel burned as reported by the generating stations. Evergy Missouri Metro has used the FWX software since the FAC has been in place, and FWX is the primary source of Evergy Missouri Metro's fuel expense calculations that are recorded to the general ledger each month. Evergy Missouri Metro also provided additional information supporting the physical inventory adjustment. As described in response to Data Request No. 0064.2, Evergy Missouri Metro states, "there were no remaining tons of usable coal available for use at Montrose. Once all usable coal had been burned, a physical inventory adjustment of 6,611 tons was recorded to reduce the book inventory to zero. The process of measuring the amount of coal burned is not a precise process and therefore physical inventories are performed annually to ensure that the inventory amount recorded on the books and the inventory amount physically on the ground stay in a reasonably close relationship to each other. The physical inventory adjustment of 6,611 tons and $332,603 in expense was the difference in the amount of inventory recorded on the books and the physical inventory at the plant, which was zero."[38] Staff agrees with the cost of coal PRB physical

[37] Response to Staff Data Request No. 0064.2.

[38] Response to Staff Data Request No. 0064.3.

inventory adjustment because it was a physical inventory accounting adjustment necessary to get the books to zero once all the coal had been burned. In addition, the Evergy Missouri Metro tariff sheet specifically states that coal and oil inventory adjustments are allowable under account 501000.

2. Summary of Cost Implications

If Evergy Missouri Metro's use of the FAC to recover Montrose generation plant costs was imprudent, ratepayer harm could result from an increase in FAC charges.

3. Conclusion

Staff found no indication that Evergy Missouri Metro imprudently included costs associated with the retirement of Montrose during the Review Period.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0064, 0064.1, 0064.2, 0064.3, and 0064.4;

b. Evergy Missouri Metro's General Ledger; and

c. FAR supporting workpapers in Case Nos. ER-2019-0221, ER-2020-0025, and ER-2020-0221.

Staff Expert/Witness: Brooke Mastrogiannis

N. Cimarron 2 Wind Farm Purchased Power Agreement

1. Description

Evergy Missouri Metro has a long-term (20-year) PPA with CPV Cimarron II Renewable Energy Company, LLC for energy and RECs generated by the Cimarron 2 Wind Farm located in Kansas. The contract is based on ** ___ ** MW of capacity that Evergy Missouri Metro began receiving on June 1, 2012 at a fixed price of $** ____ ** per MWh. The contract is a "take-or pay" contract (i.e., Evergy Missouri Metro 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 Metro stated, "Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through December 31, 2019." Total costs of electricity under the Cimarron 2 PPA was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** for the Review Period.

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a cost that exceeded Evergy Missouri Metro'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 Metro'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 Metro imprudently included the Cimarron Wind Farm PPA costs in the FAC.

3. Conclusions

Staff has identified that the Cimarron Wind Farm PPA is creating a significant amount of additional costs compared to the revenue received. Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. Staff is not recommending a disallowance related to this issue at this time.

4. Documents Reviewed

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

b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2018-0290; and

e. Staff Report in Case No. EO-2019-0317.

Staff Expert/Witness: Brooke Mastrogiannis

O. Slate Creek Wind Project Purchased Power Agreement

1. Description

Evergy Missouri Metro has a long-term (20-year) PPA with Slate Creek Wind Project, LLC for energy and RECs generated by the Slate Creek Wind Project beginning in November 2015. The contract is also a "take-or pay" contract for renewable wind energy and RECs (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price of $** ____ ** per MWh and a capacity of **___ ** MW. In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated, "Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through

December 31, 2019". Cost of electricity under the Slate Creek Wind Project PPA was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** for the Review Period.

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a cost that exceeded Evergy Missouri Metro'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 Metro'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 Metro imprudently included the Slate Creek Wind Farm PPA costs in the FAC.

3. Conclusions

Staff has identified that the Slate Creek Wind Farm PPA is creating a significant amount of additional costs compared to the revenue received. Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. Staff is not recommending a disallowance related to this issue at this time.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0020, 0023, 0043, 0045, 0046, 0053, and 0058;
b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
d. Staff Report in Case No. EO-2018-0290; and
e. Staff Report in Case No. EO-2019-0317.

Staff Expert/Witness: Brooke Mastrogiannis

P. Osborn Wind Energy Purchased Power Agreement

1. Description

Evergy Missouri Metro 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 price of $** ____ ** per MWh and ** ___ ** MW of capacity that Evergy Missouri Metro began receiving in December 2016. In its response to Staff Data

Request No. 0058 Evergy Missouri Metro stated, “Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through December 31, 2019”. The contract is a “take-or pay” contract (i.e., Evergy Missouri Metro 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. Cost of electricity under the Osborn Wind Energy PPA was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** for the Review Period.

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a cost that exceeded Evergy Missouri Metro’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 Metro’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 Metro imprudently included the Osborn Wind Farm PPA costs in the FAC.

3. Conclusions

Staff has identified that the Osborn Wind Farm PPA is creating a significant amount of additional costs compared to the revenue received. Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. Staff is not recommending a disallowance related to this issue at this time.

4. Documents Reviewed

a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0002, 0020, 0023, 0043, 0045, 0046, 0053, and 0058;
b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
d. Staff Report in Case No. EO-2018-0290; and
e. Staff Report in Case No. EO-2019-0317.

Staff Expert/Witness: Brooke Mastrogiannis

Q. Spearville 3 Wind Energy Facility Purchased Power Agreement

1. Description

Evergy Missouri Metro has a long-term (20-year) PPA with Spearville 3, LLC for energy and RECs generated by the Spearville 3 Wind Energy Facility located in Kansas. The contract is based on a fixed price of $** ____ ** per MWh and ** ___ ** MW of capacity that Evergy Missouri Metro began receiving in October 2012. The contract is a "take-or pay" contract (i.e., Evergy Missouri Metro 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 Metro stated, "Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through December 31, 2019". Cost of electricity under the Spearville 3 PPA was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** for the Review Period.

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a cost that exceeded Evergy Missouri Metro'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 Metro'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 Metro imprudently included the Spearville 3 Wind Energy PPA costs in the FAC.

3. Conclusions

Staff has identified that the Spearville 3 Wind Energy PPA is creating a significant amount of additional costs compared to the revenue received. Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. Staff is not recommending a disallowance related to this issue at this time.

4. Documents Reviewed

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

b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;

c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;

d. Staff Report in Case No. EO-2018-0290; and

e. Staff Report in Case No. EO-2019-0317.

Staff Expert/Witness: Brooke Mastrogiannis

R. Waverly Wind Farm Purchased Power Agreement

1. Description

Evergy Missouri Metro has a long-term (20-year) PPA with Waverly Wind Farm, LLC for energy and RECs generated by the Waverly Wind Farm beginning in November 2015. The contract is also a "take-or pay" contract for renewable wind energy and RECs (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price of $** ____ ** per MWh and a capacity of ** ___ ** MW. In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated, "Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through December 31, 2019". Cost of electricity under the Waverly Wind Farm PPA was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** for the Review Period.

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a cost that exceeded Evergy Missouri Metro'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 Metro'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 Metro imprudently included the Waverly Wind Farm PPA costs in the FAC.

3. Conclusions

Staff has identified that the Waverly Wind Farm PPA is creating a significant amount of additional costs compared to the revenue received. Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. Staff is not recommending a disallowance related to this issue at this time.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0020, 0023, 0043, 0045, 0046, 0053, and 0058;
b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
d. Staff Report in Case No. EO-2018-0290; and
e. Staff Report in Case No. EO-2019-0317.

Staff Expert/Witness: Brooke Mastrogiannis

S. Rock Creek Wind Project Purchased Power Agreement

1. Description

Evergy Missouri Metro 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 (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price of $** ____ ** per MWh and a capacity of ** ___ ** MW, beginning August 2017. In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated, "Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through December 31, 2019". Cost of electricity under the Rock Creek Wind Project was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** for the Review Period.

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a cost that exceeded Evergy Missouri Metro'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 Metro'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 Metro imprudently included the Rock Creek Wind Project PPA costs in the FAC.

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. Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. Staff is not recommending a disallowance related to this issue at this time.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0020, 0023, 0043, 0045, 0046, 0053, and 0058;
b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
d. Staff Report in Case No. EO-2018-0290; and
e. Staff Report in Case No. EO-2019-0317.

Staff Expert/Witness: Brooke Mastrogiannis

T. Prairie Queen Wind Purchased Power Agreement

1. Description

Evergy Missouri Metro 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 (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price of $** ____ ** per MWh and a capacity of ** ___ ** MW, beginning May 2019. In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated, "Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through December 31, 2019". Cost of electricity under the Prairie Queen Wind Project was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net gain of $** ____ ** for the Review Period.

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a cost that exceeded Evergy Missouri Metro'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 Metro'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 Metro imprudently included the Prairie Queen Wind PPA costs in the FAC.

3. Conclusions

Staff has identified that the Prairie Queen Wind PPA is creating more revenue received than additional costs. Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. Staff is not recommending a disallowance related to this issue at this time.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0020, 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, and 0070;
b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
d. Staff Report in Case No. EO-2018-0290; and
e. Staff Report in Case No. EO-2019-0317.

Staff Expert/Witness: Brooke Mastrogiannis

U. Pratt Wind Purchased Power Agreement

1. Description

Evergy Missouri Metro 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 a "take-or pay" contract for renewable wind energy and RECs (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs the energy or not), and is based on a fixed energy price of $** ____ ** per MWh and a capacity of ** ___ ** MW, beginning November 2018. In its response to Staff Data Request No. 0058 Evergy Missouri Metro stated, "Evergy MO Metro did not sell any RECs during the Review Period of July 1, 2018 through December 31, 2019". Cost of electricity under the Pratt Wind Project was $** ________ ** with revenue associated with sales of $** ________ ** which resulted in a net loss of $** ________ ** for the Review Period.

2. Summary of Cost Implications

If Evergy Missouri Metro was imprudent by purchasing energy to meet its demand at a cost that exceeded Evergy Missouri Metro'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 Metro'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 Metro imprudently included the Pratt Wind PPA costs in the FAC.

3. Conclusion

Staff has identified that the Prairie Queen Wind PPA is creating more additional costs compared to the revenue received. Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results during this Review Period. Staff is not recommending a disallowance related to this issue at this time.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0020, 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;
b. Evergy Missouri Metro 2018 Annual Renewable Energy Standard Compliance Plan;
c. Evergy Missouri Metro 2019 Annual Renewable Energy Standard Compliance Plan;
d. Staff Report in Case No. EO-2018-0290; and
e. Staff Report in Case No. EO-2019-0317.

Staff Expert/Witness: Brooke Mastrogiannis

V. Purchased Power Costs

1. Description

Evergy Missouri Metro's FAC Second Revised Sheet No. 50.13, applicable to service provided from July 1, 2018 through December 6, 2018, and Original Sheet No. 50.23, applicable to service provided from December 6, 2018 through the effective date of this tariff sheet and thereafter, define the Purchased Power Costs ("PP") components, which are purchases of power through the SPP IM and not electric generated by the Company.

Staff has determined that Evergy Missouri Metro's total purchased power expense for the prudence Review Period is $** ________ **, as shown previously in Table 3. More detail for the cost of PP is shown in Table 14.

Table 14 – Confidential

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Evergy Missouri Metro had nine long-term purchase power agreements in effect at the start of the Review Period: Cimarron 2, Slate Creek, Spearville 3, Waverly, Osborn, Pratt, Prairie Queen, and The Central Nebraska Public Power and Irrigation District ("CNPPID"). 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.

Cimarron 2, Slate Creek, Osborn, Spearville 3, Waverly, Rock Creek, Prairie Queen and Pratt

Evergy Missouri Metro had long-term purchased power contracts with eight wind farms during the Review Period. A further description of these contracts can be found in Sections III. N, O, P, Q, R, S, T, and U of this report. Not included in these sections of Staff's Report is the new purchased power wind contracts that Evergy Missouri Metro has recently signed into since the associated costs and revenues have not yet 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 Metro 2020 IRP Annual Update[39] concerns with these additional purchased power wind contracts. Given that a majority of Evergy Missouri Metro's current wind PPAs are creating more costs for ratepayers than revenues and additional purchased power wind contracts could put ratepayers at greater risk, Staff notes in its Staff Report in Case No. EO-2020-0280 "that this risk could be addressed fairly through risk mitigation or risk sharing in the Commission-approved fuel adjustment clauses of the Companies."[40]

CNPPID Hydro Power Purchase Agreement

Evergy Missouri Metro has a long-term (10-year) purchase power agreement with Central Nebraska Public Power and Irrigation District ("CNPPID") ending December 31, 2023, for energy generated by several hydroelectric facilities (Jeffery Hydro 1, Jeffery Hydro 2, Johnson Hydro 11, Johnson Hydro 12, and Johnson Hydro 21) located in Nebraska. The contract is based on a fixed energy price of $** ____ ** per MWh and ** __ ** MW of capacity and is a "take-or pay" contract. Costs of electricity under the CNPPID purchase power agreement are $** ________ ** for July 1, 2018 through November 30, 2018.[41] CNPPID is not a Division of Energy certified renewable energy resource.

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[39] Case No. EO-2020-0280.

[40] Case No. EO-2020-0280, Staff Report, Page 7.

[41] During the last general rate case, Case No. ER-2018-0145, the Commission, in its *Order Approving Stipulations and Agreements* issued on October 31, 2018, approved an agreement that the CNPPID contract would no longer be recoverable through Evergy Missouri Metro's FAC as of December 6, 2018.

Non-firm Short-term Energy

Evergy Missouri Metro purchases hourly energy in the SPP IM. Since implementing the SPP IM, SPP has controlled the economic dispatch of Evergy Missouri Metro's generation. During times that Evergy Missouri Metro's load exceeds Evergy Missouri Metro's generation, Evergy Missouri Metro becomes a net purchaser in the SPP market. These SPP market purchases are from other electric suppliers to help meet Evergy Missouri Metro's 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 Metro's generating units. Under the SPP IM, Evergy Missouri Metro'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 entire SPP footprint." Costs for the SPP IM purchases are included as "Non-Firm Short-term Energy" in Table 3 and Table 14 of this report. Further discussion of Evergy Missouri Metro's participation in these markets can be found in Section III.A. of this report.

Short-term Demand

There were no capacity charges for capacity purchases less than 12 months in duration during the Review Period.

2. Summary of Cost Implication

If Evergy Missouri Metro erred when it booked costs from purchased power contracts or if Evergy Missouri Metro 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 Metro related to its purchasing short-term capacity, booking long-term purchased power contracts, or purchasing non-firm short-term energy.

4. Documents Reviewed

a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0002, 0019, 0020, 0023, 0043, 0045, 0046, 0053, 0058, 0067, 0068, 0069, 0070 and 0071;

b. PPA Contracts;

c. Staff Report in EO-2020-0280; and

d. Section III.A. of this report.

Staff Expert/Witness: Brooke Mastrogiannis

IV. INTEREST

1. Description

During each accumulation period, Evergy Missouri Metro is required to calculate a monthly interest amount based on Evergy Missouri Metro's short-term debt borrowing rate that is applied to the under-recovered or over-recovered fuel and purchased power costs. Evergy Missouri Metro'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 Metro's average monthly interest rate from July 1, 2018 through December 31, 2019 was ** ____ ** with the total amount of interest accumulated for the period of $** ________ **. The interest amount is component "I" of Evergy Missouri Metro's FAC.

2. Summary of Interest Implications

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

3. Conclusion

Staff found no evidence Evergy Missouri Metro 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 Metro's responses to Staff Data Request Nos. 0001 and 0044;

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

c. Company Files: q0001 conf Metro section 8 filing – 7^{th} accum – dec 2018; q0001 conf Metro section 8 filing – 8^{th} accum – jun 2019; and, q0001 conf Metro section 8 filing – 9^{th} accum – dec 2019.

Staff Expert/Witness: Cynthia M. Tandy

<u>BEFORE THE PUBLIC SERVICE COMMISSION</u>

<u>OF THE STATE OF MISSOURI</u>

In the Matter of the Third Prudence Review of Costs Subject to the Commission- Approved Fuel Adjustment Clause of Evergy Metro, Inc. d/b/a Evergy Missouri Metro	))))	Case No. EO-2020-0263

AFFIDAVIT OF JORDAN HULL,
CYNTHIA M. TANDY, LISA WILDHABER

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

COME NOW Jordan Hull, Cynthia M. Tandy, Lisa Wildhaber, and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing *Direct Report*; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

<u>/s/ Jordan Hull</u>
Jordan Hull

<u>/s/ Cynthia M. Tandy</u>
Cynthia M. Tandy

<u>/s/ Lisa Wildhaber</u>
Lisa Wildhaber

SCHEDULE BJF-d6

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY