

Exhibit No. 201P

Exhibit No.:
Issue(s):
Witness/Type of Exhibit:
Sponsoring Party:
Case No.:

Prudency of Planning
Mantle/Rebuttal
Public Counsel
EF-2022-0155

REBUTTAL TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

**EVERGY MISSOURI WEST, INC. D/B/A
EVERGY MISSOURI WEST**

CASE NO. EF-2022-0155

**

**

Denotes Confidential information that has been redacted

June 30, 2022

PUBLIC

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REBUTTAL TESTIMONY
OF
LENA M. MANTLE
EVERGY MISSOURI WEST, INC.
FILE NO. EF-2022-0155

INTRODUCTION

Q. What are your name and business address?

A. My name is Lena M. Mantle and my business address is P.O. Box 2230, Jefferson City, Missouri 65102.

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

A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Senior Analyst.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the OPC.

Q. Would you identify the OPC witnesses in this case and describe the purpose of each of their rebuttal testimony?

A. The following OPC witnesses have submitted rebuttal testimony.

Witness	Purpose of Testimony
David Murray	Addresses the issues of a fair and reasonable cost of capital for financing of extraordinary costs and the discount rate used by Evergy West to estimate the net present value of securitization as compared to the “customary method of financing.”
John Riley	Provides the income tax implications of the losses incurred by Evergy West due to Storm Uri and describes how the savings on taxes should offset the losses in determining the amount included in securitization.

Lena Mantle	Describes how Evergy West’s imprudence in resource planning impacted the costs Evergy West incurred during Storm Uri and provides a range of costs that should be disallowed due to that imprudence.
John Robinett	Provides testimony documenting the filings with the Commission where OPC expressed concern regarding Evergy West’s resource planning process and resources.

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Q. Would you provide a more detailed description of the purpose of your rebuttal testimony?

A. I am responding to the direct testimony of Evergy Missouri West, Inc. (“Evergy West”) witness John Bridson, who states that the costs incurred by Evergy West were prudently and reasonably incurred as a result of the extreme and anomalous conditions of Winter Storm Uri (“Storm Uri”).¹ It is my testimony that the costs incurred by Evergy West were not the result of the extreme and anomalous conditions of Winter Storm Uri but were the result of poor resource planning decisions. In this testimony, I explain how the imprudent resource planning of Evergy West contributed to it incurring over \$315 million in fuel and purchased power costs to meet its customers’ load requirements during Storm Uri in February of 2021. To give an understanding of the magnitude of Evergy West’s Storm Uri energy costs, Evergy West’s total energy costs for February 2020 were **_____

_____ **

I then recommend that the Commission not allow Evergy West to recover all of its Storm Uri fuel and purchased power costs because of its imprudent planning and because it did not use the option of controlled curtailment during Storm Uri to reduce costs.

I also recommend that the Commission not allow recovery of five percent of the prudent fuel and purchased power costs Evergy West incurred above what

¹ Page 4.

1 was included in base rates during February 2021. The Commission has stated that
2 5% is the appropriate incentive for Evergy West to efficiently manage its fuel and
3 purchased power costs. This incentive for Evergy West to act efficiently should
4 not be recovered from its customers.

5 **Q. Is it your testimony that Storm Uri was not an extreme weather event?**

6 A. No. It was extreme weather that was also experienced by Evergy West's sister
7 utility Evergy Metro, Inc. ("Evergy Metro"). Evergy Metro did not incur great cost
8 during Storm Uri. Rather, it generated revenues during Storm Uri that it passed
9 back to its customers (minus 5%).

10 **Q. Why did Evergy Metro earn revenues and Evergy West incur significant costs**
11 **during Storm Uri?**

12 A. Past resource planning decisions for Evergy Metro have resulted in significant
13 investment in generation capacity for Evergy Metro. Past resource planning
14 decisions for Evergy West have resulted in generation retirements with no
15 comparable replacements for Evergy West.

16 **Q. Would you summarize your testimony?**

17 A. Evergy, Inc. ("Evergy"), the parent company of Evergy Metro and Evergy West,
18 has been playing games with the resource plans of Evergy West ever since Great
19 Plains Energy (now known as Evergy) acquired Aquila, Inc. (now known as Evergy
20 West). Since retirement of its Sibley 3 coal plant in November 2018, Evergy West
21 has needed generation to meet the needs of its customers and the resource adequacy
22 requirements of the Southwest Power Pool ("SPP"). In 2019, Evergy Metro had,
23 and still has, generation far above what is needed for its customers and exceeds the
24 SPP resource adequacy requirements. When Evergy West needed to add generation
25 capacity for Evergy West to meet the SPP resource adequacy requirements, Evergy
26 began submitting to SPP the combined resources and loads of Evergy Metro and

1 Evergy West. In essence, Evergy was saying that Evergy Metro and Evergy West
2 were one utility and the generation of Evergy Metro would cover the generation
3 capacity shortage of Evergy West. Combining the generation resources removed
4 the need for Evergy to invest in additional generation to meet SPP’s resource
5 adequacy requirements. So, to the SPP, Evergy Metro and Evergy West are one
6 utility. This is the least cost resource plan option for **Evergy**.

7 However, Evergy Metro and Evergy West are not one utility. Evergy has
8 chosen to not combine Evergy West and Evergy Metro into one utility. Rather,
9 they operate as one utility but each utility seeks different rates from their customers.
10 To arrive at these rates, the shared services costs are allocated among the utilities.
11 When costs can be directly attributed to one utility or the other, those costs are
12 directly assigned to that particular utility. For instance, the cost of plants that were
13 built by Evergy Metro are assigned to Evergy Metro. These plants are in Evergy
14 Metro’s rate base and increase the revenue requirement and the rates charged to
15 Evergy Metro’s customers. The expected revenues generated from selling the
16 energy produced by the plants is also included in revenue requirement, resulting in
17 a reduction in Evergy Metro’s revenue requirement and reducing the rates charged
18 to Evergy Metro’s customers.

19 Similarly, the cost of plants that were built by Evergy West are assigned to
20 Evergy West for cost recovery from Evergy West’s customers. When the
21 generation from Evergy West’s plants is not enough to meet the needs of Evergy
22 West’s customers, it purchases energy from the SPP market to cover its customers’
23 loads. Although Evergy Metro’s additional generation allows Evergy West to meet
24 SPP’s resource adequacy requirement, the energy Evergy Metro sells into the
25 market does not offset the cost to purchase energy from the SPP to meet Evergy
26 West’s customers’ load.

27 Absent a fuel adjustment clause (“FAC”), the risk of this strategy—
28 depending on an energy market—would fall on Evergy West. However, because

1 Evergy West has a FAC that allows cost recovery from customers of its market
2 purchases, the risk of depending on the market shifts to Evergy West’s customers.
3 Whenever market costs are low and stable the cost of this risk is low. However,
4 when market prices skyrocket, the cost of the risk pushed onto customers also
5 skyrockets.

6 The Commission is the only protection the customers have from the
7 imprudent strategy chosen by Evergy in operating Evergy West and Evergy Metro
8 as one utility, but charging the customers as if the two were stand-alone utilities. If
9 there are savings from combining the two utilities, then all customers should realize
10 the benefits of those savings and the two utilities should be combined. If Evergy
11 continues to insist that these are two separate utilities, then it should provide Evergy
12 West’s customers with the protection of generation that meets the requirements of
13 a stand-alone utility.

14 **Q. What amount of the fuel and purchased power costs Evergy West is seeking to**
15 **securitize are you recommending that the Commission authorize it to recover?**

16 A. In this case, the Commission should not place the impact of Evergy’s resource
17 planning decisions on the backs of Evergy West’s customers. To accomplish this,
18 it should not allow Evergy to recover the full cost of fuel and purchased power
19 incurred in February 2021. I am recommending that, rather than the
20 ****_____****² of fuel and purchase power costs for February 2021 it seeks,
21 the Commission allow Evergy West to recover in the range of \$42,486,659 to
22 \$161,540,730. The calculation of this amount is shown on Schedule LMM-R-1.

² This amount is Evergy West’s February 2021 fuel and purchased power costs minus the average February fuel and purchased power costs that were included in Evergy West’s FAC for the 28th accumulation period. It also includes the 5% the Commission has designated as the incentive for Evergy West to efficiently manage its fuel and purchased power costs.

1 **Q. Would you briefly explain how you calculated this range?**

2 A. The workpapers provided by Evergy West for the FAC accumulation period that
3 includes February 2021³ shows a SPP netting amount for February 2021 of
4 ****_____****. This is a proxy for the cost of Evergy West not having
5 enough generation to cover its load costs in the SPP. To arrive at the floor of the
6 amount the Commission should allow for recovery, I reduced the total cost of fuel
7 and purchased power in February 2021 (****_____****) by the SPP netting
8 amount for February 2021 (****_____****), reduced that amount by the fuel
9 and purchased power cost recovery provided in base rates (****_____****),
10 applied the jurisdictional allocation factor for February 2021 (****_____****) and
11 then reduced this amount by the 5% that the Commission has determined is the
12 correct incentive for efficient management of fuel and purchased power (0.95). I
13 removed the amount of ****_____**** that was recovered through the FAC to
14 determine my recommendation of \$42,486,659.

15 I realize that Evergy West's customers would have been paying higher rates
16 had Evergy West added generation instead of relying on the market for energy for
17 its customers. It is near impossible to determine what the rates would have been
18 and how this generation would have affected revenue requirement. However,
19 customers, at a minimum, should not be expected to shoulder more of the costs of
20 imprudence than the shareholders of Evergy. So, to account for the revenue
21 requirement that Evergy West's customers have not paid and to arrive at the ceiling
22 amount the Commission should allow for recovery in this case, I repeated the
23 calculation above with the disallowance being one half of Evergy West's SPP
24 netting in February 2021 resulting in a ceiling on the costs customers should pay of
25 \$161,540,730. I further explain SPP netting later in this testimony.

³ Substitute West Section 8 Filing – 28th Accum Period – May 2021.xlsx

1 **Q. What are your experience, education, and other qualifications for testifying on**
2 **these matters?**

3 A. I began employment at the OPC in my current position as Senior Analyst in August
4 2014. In this position, I have provided expert testimony in electric, natural gas, and
5 water cases before the Commission on behalf of the OPC. I am a Registered
6 Professional Engineer in the state of Missouri.

7 Prior to being employed by the OPC, I worked for the Staff of the Missouri
8 Public Service Commission (“Staff”) from August 1983 until I retired as Manager
9 of the Energy Unit in December 2012. During my employment at the Missouri
10 Public Service Commission (“Commission”), I worked as an Economist, Engineer,
11 Engineering Supervisor and Manager of the Energy Unit. Attached as Schedule
12 LMM-R-6 is a brief summary of my experience with the OPC and Staff, and a list
13 of the Commission cases in which I filed testimony, Commission rulemakings in
14 which I participated, and Commission reports in rate cases to which I contributed
15 as Staff.

16 **Q. What is your experience in electric utility resource planning, in particular the**
17 **resource planning of Missouri investor-owned utilities?**

18 A. When I was employed by the Commission, I was a part of a team that, at the request
19 of the Commission, researched the resource planning practices of the electric
20 utilities in the late 1980s and developed the Commission’s Chapter 22 Electric
21 Utility Resource Planning rules that became effective June 12, 1993. During the
22 remainder of my time at the Commission until my retirement in 2012, I reviewed
23 every electric utility resource planning filing before this Commission. Before my
24 retirement from the Commission I also supervised the revision of Chapter 22 that
25 became effective in 2010. I have continued my involvement with the resource plans
26 of Missouri investor-owned electric utilities since my employment at the OPC in
27 August 2014.

1 **Q. What has the Commission said about the purpose of resource planning?**

2 A. According to the Commission’s electric utility resource planning rule 20 CSR
3 4240-22.010(2):

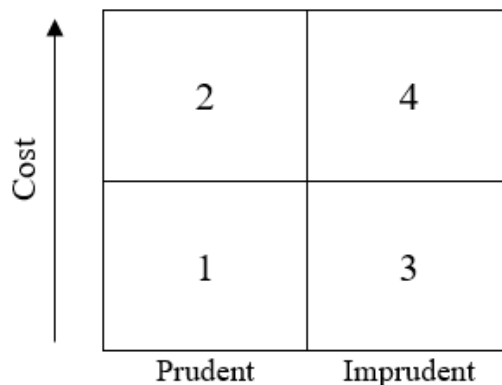
4 The fundamental objective of the resource planning process at electric
5 utilities shall be to provide the public with energy services that are safe,
6 reliable, and efficient, at just and reasonable rates, in compliance with all
7 legal mandates, and in a manner that serves the public interest and is
8 consistent with state energy and environmental policies.

9 **Prudence**

10 **Q. What is your understanding of the relationship between prudence and costs?**

11 A. Figure 1 below depicts the realm of possibilities regarding prudence/imprudence
12 and costs.

13 Figure 1: Relationship Between Prudence and Costs



15 Boxes 1 and 2 represent prudent decisions. Box 1 is the ideal - a prudent decision
16 with low costs. While one of the objectives of a prudent decision is low cost, in
17 reality, prudent decisions can sometimes result in increased cost. This is what Box
18 2 in the diagram illustrates.

19 Boxes 3 and 4 represent imprudent decisions. Box 3 is a decision that is
20 imprudent but does not result in increased costs. Box 4 is a costly, imprudent
21 decision.

1 **Q. What does this relationship between prudence and costs have to do with**
2 **Evergy West’s Storm Uri purchased power and fuel costs?**

3 A. Simply put, Evergy West is imprudent because it does not have enough generation
4 resources to meet the energy requirements of its customers. Evergy West’s
5 resource planning decisions have been imprudent because Evergy West is relying
6 on the energy from other utilities in the SPP to meet its customers’ needs. Prior to
7 Storm Uri, customers did not see an increased cost due to the implementation of
8 Evergy West’s imprudent resource planning decisions. Its imprudence was Box 3
9 in the chart in the response to the prior question. Its decisions were imprudent but
10 those decisions did not result in harm to customers. Storm Uri moved Evergy
11 West’s imprudence from Box 3 (an imprudent decision with low cost) into Box 4
12 (an imprudent decision with extreme cost).

13 **Q. Has OPC previously raised any concerns regarding Evergy West’s resource**
14 **planning process prior to Storm Uri?**

15 A. Yes. OPC has raised its concerns regarding Evergy West’s resource plan’s
16 increased reliance on energy purchased from the SPP market in at least the
17 following cases:

EO-2017-0230	2017 Annual Resource Plan Update
EO-2018-0045	Contemporary Resource Planning Issue
ER-2018-0146	General Rate Increase Case
EO-2018-0269	Evergy West Triennial Resource Planning Compliance filing

18 OPC witness John A. Robinett further describes OPC’s filings in these cases in his
19 rebuttal testimony.

20 **Q. Were not the fuel and purchased power costs that Evergy West incurred due**
21 **to Storm Uri beyond Evergy West’s control?**

22 A. Yes and no. In the short-term, yes, the fuel and purchased power costs Evergy West
23 incurred in February 2021 were out of its control. This is one of the assumed risks
24 for which the Commission has rewarded Evergy West a return for years.

1 However, Evergy West incurred much of the extraordinary cost associated
2 with Storm Uri as the consequence of Evergy West’s lack of generation resources.
3 As Evergy West witness John Bridson stated in his direct testimony “company
4 owned and PPA generation revenue was critical in [sic] mitigated some exposure
5 to elevated wholesale market prices in SPP.”⁴ To the extent that it could, Evergy
6 West’s resources did just that – they mitigated the high market prices that SPP
7 charged Evergy West for the energy required to meet its customers’ energy needs.
8 If it had prudently completed its resource planning, Evergy West would have had
9 generation resources that would have mitigated the cost of energy and avoided
10 much of the cost it incurred during Storm Uri. This is explained further in the
11 whitepaper titled, “Resource Planning of a Vertically Integrated Utility in the
12 [Regional Transmission Organization (“RTO”)] World” that is attached to this
13 testimony as Schedule LMM-R-2.

14 The lack of energy resources to mitigate the market prices is imprudent.
15 Evergy has made the decision to not add any dispatchable resources to Evergy
16 West’s resource portfolio while retiring 550 megawatts (“MW”) of dispatchable
17 resources. The magnitude of the fuel and purchased power costs Evergy West
18 incurred for February 2021 is a direct result of the imprudent resource planning
19 decisions made by Evergy on Evergy West’s behalf. Evergy West’s customers
20 should not be required to pay for the total cost consequences of these bad decisions
21 for the next 15 years.

22 **Q. Are you saying that to be considered prudent Evergy West should have**
23 **generating resources to satisfy its customers’ load at all times including all**
24 **extreme events?**

25 **A.** No. There is no way to accurately plan for all extreme circumstances. Adding
26 generation resources should be a balance between cost and reliability. While

⁴ Page 17.

1 economics is important, so is looking at the probability customers will be without
2 energy. A proper balance in the resource planning process will mitigate any
3 volatility in the energy market.

4 Evergy West has made the assumption in its resource planning that because
5 it is a member of SPP, it does not need to add dispatchable resources or even have
6 enough resources to meet its forecasted peak load that is based on normal weather.
7 It is depending on its customers always having energy available to them, because it
8 assumes that it can always get energy from SPP. This strategy pushes market price
9 and volatility risk upon its customers. Storm Uri exposed the cost of this risk. Now
10 Evergy West is asking the Commission to make sure that its customers not only
11 pay for the costs of this strategy, but also pay it a weighted average cost of capital
12 return on that cost.

13 **Q. In your opinion, if Evergy West had taken into account in its resource planning**
14 **process both economics and reliable provision of energy by Evergy West,**
15 **would it have incurred such a great cost during Storm Uri?**

16 A. No. While there may have been some forced outages or derates of some of its
17 resources that resulted in some resources not being available to generate energy,
18 the high market prices paid by SPP for generation during Storm Uri would have
19 resulted in a market margin large enough to not only cover the load costs but also
20 the increased fuel costs.

21 **Q. What is the difference between energy and capacity?**

22 A. In the simplest terms, capacity is the maximum output an electricity generator can
23 physically produce, measured in megawatts (“MW”). Energy is the amount of
24 electricity a generator produces over a defined period of time. For example, a
25 generator with a capacity of 100 MW that runs at full capacity for 10 hours
26 generates 1,000 MWh (100 MW * 10 hours = 1,000 MWh) of energy.

1 Having enough capacity is essential to having enough energy to meet
2 customers’ load requirements. However, having enough capacity does not
3 necessarily ensure that energy will be available when it is needed. For instance,
4 Evergy West does not have enough generation capacity through its owned resources
5 and purchased power agreements to meet the SPP resource adequacy standards. It
6 can only meet the SPP resource adequacy standards when combined with Evergy
7 Metro. Evergy West’s resource plan depends on Evergy Metro to provide capacity
8 and on SPP to provide energy.

9 **Q. Did all of Missouri’s investor-owned electric utilities incur the same extreme**
10 **costs from Storm Uri?**

11 A. No. Evergy Metro, due to its excess of generation resources, actually generated
12 enough revenues during Storm Uri to cover its load costs, the fuel costs of its
13 generation, and an extra \$58.2 million of revenue.

14 The Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”),
15 a member of the Midcontinent Independent System Operator (“MISO”) RTO, also
16 incurred purchased power and fuel costs greater than its revenues, but the difference
17 was not extraordinary. Ameren Missouri passed its February 2021 fuel and
18 purchased power costs to its customers through its FAC and, in doing so, absorbed
19 5% of the costs. In my opinion, Ameren Missouri would have had sufficient
20 revenues to exceed its fuel and purchased power costs had Ameren Missouri’s
21 Callaway Energy Center been operational during Storm Uri.

22 The other investor-owned electric utility in Missouri, The Empire District
23 Electric Company (“Empire”), like Evergy West incurred considerable costs in
24 February 2021. Empire also is requesting the Commission authorize it recover its
25 February 2021 costs through securitization in case EO-2022-0040. In that case,
26 similar to this case, OPC has requested the Commission find Empire was imprudent
27 in its resource planning and not be allowed to recover all of its fuel and purchased
28 power costs from February 2021.

1 **Evergy West’s Resource Planning**

2 **Q. How do you know that Evergy West’s long-term decisions with respect to its**
3 **generation resources are imprudent?**

4 A. The consistent amount of energy Evergy West purchases above the amount of
5 energy it sells into the market demonstrates that Evergy West’s generation
6 resources cannot meet its customers’ load and therefore its resource planning is
7 imprudent.

8 In February 2021, Evergy West’s SPP netting, calculated as required by the
9 Federal Energy Regulatory Commission’s (“FERC”) Order 668 as purchased
10 energy net of energy sold into the market, was **_____**⁵ This
11 means Evergy West, over the month of February 2021, made purchases in the SPP
12 market of **_____** more than the revenues the SPP paid Evergy West for
13 energy sold into the market. For context, the SPP netting for the two months prior
14 to February 2021 was **_____**.

15 **Q. Would you explain FERC Order 668?**

16 A. In December 2005, FERC determined its Uniform System of Accounts (“USofA”)
17 needed to be revised to accommodate the restructuring changes that were occurring
18 in the electric industry due to the availability of open-access transmission service
19 and increasing competition in wholesale bulk power markets. FERC, in its Order
20 668, concluded that a change was necessary to accurately reflect what utilities
21 would have recorded on their books and records in the absence of the use of an
22 RTO energy market to serve their native load. Therefore, FERC ordered that it
23 was appropriate for RTO energy market transactions to be recorded on a net basis

⁵ SPP netting Ancillary services and SPP netting FERC order 668 as reported in the “substitute West section 8 filing – 28th accumulation period – May 2021” workpaper, tab “8 A 2.A (V)” provided in the FAC rate change case ER-2022-0025

1 since purchase and sale transactions taking place in the same reporting period to
 2 serve native load are done in contemplation of each other and should be combined.⁶

3 The large netting value indicates that Evergy West did not have sufficient
 4 revenues from generation resources to offset the incurred cost of energy from SPP
 5 for its load. It also signifies that, in the absence of the SPP, Evergy West would
 6 not have been able to meet its customers’ requirements.

7 **Q. Is this large amount of netting surprising to you?**

8 A. No, it is not. Table 1 below is Evergy West’s capacity and energy resources as
 9 provided in its 2020 Annual Resource Plan update in Case No. EO-2020-0281.⁷

10 Table 1
 11 2020 Capacity and Energy Sources
 12 EO-2020-0281

Capacity by Fuel Type	Capacity (MW)	Capacity (%)	Energy (MWh)	Energy (%)
Coal	462	20.2%	2,058,414	46.5%
Nat’l Gas & Oil	1,169	51.1%	249,796	5.6%
Liquefied NG	1.6	0.1%	6,294	0.1%
Total Dispatchable	1,632.6	68%	2,314,504	52.2%
Wind	653	28.5%	2,109,622	47.6%
Solar	3	0.1%	4,545	0.1%
Total	2,270.6	100%	4,428,671	100%
SPP Accredited Capacity: ⁸ ** _____ **				

13 In this filing, Evergy West estimated that its peak demand for 2020 would be
 14 ** _____ ** MW and net system input⁹ would be ** _____ ** MWh. Evergy

⁶ Final Rule at 39, Accounting and Financial Reporting for Public Utilities Including RTOs, Order No. 668, (Federal Energy Regulatory Commission Docket No. RM04-12-000), (Dec. 16, 2005), available at https://www.ferc.gov/sites/default/files/2020-05/E-1_83.pdf.

⁷ The last resource plan provided to the Commission before Storm Uri occurred in February 2021.

⁸ With wind accreditation as provided in the capacity balance sheet in this filing.

⁹ Net system input (“NSI”) is the amount of generation necessary to meet the customer’s energy needs plus system loss and company use.

1 West's SPP accredited generation capacity was **____ ** Evergy West's
2 forecasted peak. Its expected generation was **____ ** of its forecasted net system
3 energy for 2020.

4 **_____

5 _____

6 _____ **

7 **Q. Does Evergy West purchase a large amount of energy every month?**

8 A. Yes. The workpapers provided by Evergy West with its FAC rate change cases
9 show that typically Evergy West purchases a large percentage of its customers'
10 energy requirements from the SPP. The graph¹⁰ below shows the net energy
11 purchases from the SPP as a percent of the energy requirements of Evergy West's
12 customers for the 12 months of June 2020 through May 2021.

13 Figure 2

14 **

15

16 **

¹⁰ "West Section 8 Filing – 27th Accum Period – Nov 2020" and "substitute West Section 8 Filing – 28th Accum Period – May 2021."

1 **Q. Would you explain Evergy West’s resource planning strategy that has resulted**
 2 **in Evergy West requiring such a large amount of energy from the SPP energy**
 3 **market?**

4 A. While there have been resource planning reports filed with the Commission on
 5 behalf of Evergy West, since the acquisition of Evergy West (then known as Aquila,
 6 Inc.) by Evergy (then known as Great Plains Energy) resource planning has been
 7 conducted based on what is best for all of Evergy’s utilities – Evergy West, Evergy
 8 Metro, and Evergy Kansas Central after it was acquired by Evergy. Evergy Metro
 9 and Evergy Kansas Central have more than enough generation resources to meet
 10 their customers’ capacity and energy requirements. Evergy West does not.

11 Table 2 below shows Evergy West’s 2012 generation resources provided in
 12 the first triennial resource plan filing after it was acquired by Evergy in Case No.
 13 EO-2012-0324.

14 Table 2
 15 2012 Capacity and Energy Sources
 16 EO-2012-0324

Capacity by Fuel Type	Capacity (MW)	Capacity (%)	Energy (MWh)	Energy (%)
Coal	1,015	43%	5,573,965	86%
Nuclear ¹¹	75	3%	578,889	9%
Oil	61	2%	52	0%
Nat’l Gas	1,062	45%	163,593	3%
Liquefied NG	2	0.1%	10,138	0.2%
Total Dispatchable	2215	93%	6,326,638	98%
Wind	159	7%	123,408	2%
Total	2,374	100%	6,450,046	100%
SPP Accredited Capacity: 2215 MW ¹²				

17
¹¹ Nuclear and wind were purchased power agreements.

¹² The SPP accreditation of the 159 MW of wind capacity as shown in the capacity balance sheet in Volume 1: Executive Summary, page 26 was 0 MW.

1 As provided above in Table 1, by 2020, Evergy West’s SPP accredited capacity for
2 generation resources had fallen to ****_____**** MW.

3 As a result of combined planning of Evergy, Evergy West’s “plan” has been
4 to retire 550 MW of coal generation owned by Evergy West, enter into
5 capacity-only PPAs with Evergy Metro, and depend on the SPP market for the
6 energy needed by Evergy West’s customers. The only generation resources that
7 have been added to Evergy West’s portfolio since it was acquired by Evergy has
8 been a small amount of solar power (3 MW) and purchased power agreements
9 (“PPAs”) for wind generation that are entered into by Evergy, not because the
10 energy and capacity is needed by Evergy’s utilities, but for “economic” reasons.¹³
11 After entering into these PPAs, Evergy allocated the PPAs to its three utilities
12 including Evergy West.

13 **Q. What are “capacity-only” purchased power agreements?**

14 A. A capacity-only PPA transfers the capacity of generation resources for a payment.
15 It does not include any energy from that generation.

16 **Q. What benefit did the capacity-only PPAs Evergy West has with Evergy Metro
17 provide for Evergy West in February 2021?**

18 A. It provided no benefit for Evergy West or its customers in February 2021.

19 **Q. Did it not provide the benefit of Evergy West meeting SPP’s winter resource
20 adequacy requirements?**

21 A. No. While SPP has a winter resource adequacy requirement, it is my understanding
22 there is no penalty for not meeting the requirement. Therefore, the capacity-only
23 PPA with Evergy Metro provided no benefit to Evergy West in February 2021.

¹³ Evergy has stated that it entered into these PPAs because it believes that they will generate revenues on the market greater than the charge for the power over the life of the PPA. At the time of the writing of this testimony, these PPAs have cost Evergy West customers over \$141 million in losses.

1 **Q. What benefit did the capacity-only PPAs provide for Evergy Metro in**
2 **February 2021?**

3 A. Because its PPAs with Evergy West are for capacity only, all of the energy
4 generated by Evergy Metro's generation, including the energy provided by Evergy
5 Metro's generation capacity that was contracted by Evergy West, was attributed to
6 Evergy Metro meaning that in February 2021 Evergy Metro received revenue for
7 the capacity from Evergy West and revenue from the SPP for the energy generated
8 by that capacity.

9 **Prudent Resource Portfolios**

10 **Q. What is a prudent resource portfolio for a vertically-integrated electric utility?**

11 A. A good resource portfolio is one that contains diverse types of generation resources,
12 each with its own strengths and weaknesses that is chosen to meet the unique load
13 demands of the utility's customers at all times while also minimizing the risk of
14 high utility bills and loss of service. When determining the acquisition,
15 continuation, or retirement of any resource, the availability of fuel and the
16 dispatchability of the resource, along with meeting environmental regulations needs
17 to be considered. No one type of resource on its own can meet all of the
18 requirements of a prudent resource plan. However, a diverse portfolio of resources
19 will.

20 **Q. What do you mean by dispatchability of the resource?**

21 A. Dispatchability refers to being able to depend on a resource to provide electricity
22 when the electricity is needed. Fossil fuel units are units that can be relied on to
23 generate electricity when needed, i.e. dispatched, when fuel is available. When it
24 is not needed to generate electricity, the plant does not generate. Renewable
25 generation is not completely dispatchable. It cannot be counted on to provide
26 electricity upon customer demands but it can be reduced when its generation is
27 greater than demand. If the headwater is available (hydro), the wind blowing, or

1 the sun shining, renewable generation can provide electricity. However, when the
2 headwater is not available, the wind is not blowing, and the sun is not shining, these
3 resources cannot generate electricity.

4 **Q. Evergy West witness John Bridson provided a list of Evergy’s resources in his**
5 **direct testimony.¹⁴ Is this not a diverse set of resource types?**

6 A. No. It is heavily reliant on combustion turbine peaking generation units that are
7 relatively inexpensive to build but have high variable (fuel) costs. Peaking
8 generation makes up 60% of Evergy West’s SPP accredited capacity. Baseload
9 coal plants make up is 25% of its resources. Baseload plants are expensive to build
10 but have low variable costs to generate energy. The other 15% is renewable
11 generation consisting mostly of wind PPAs that have proven to be very costly to
12 Evergy West’s customers.

13 **Q. Have you reviewed Evergy West’s resources in the past?**

14 A. Yes. I have been reviewing Evergy West’s generation resources and resource
15 planning process for the last 30 years. Evergy West has always struggled in its
16 resource planning even prior to its acquisition by Great Plains Energy (Evergy).
17 However, the decision of Evergy to retire Evergy West’s baseload plants and not
18 replace them with additional dispatchable resources is imprudent.

19 **Resource Planning**

20 **Q. Did the Commission approve Evergy West’s resource plans?**

21 A. No. Chapter 22 Electric Utility Resource Planning rule 20 CSR 4240-22.010(1)
22 specifically states:

23 Compliance with these rules shall not be construed to result in commission
24 approval of the utility’s resource plans, resource acquisition strategies, or
25 investment decisions.

¹⁴ Pages 4-5.

1 The Commission, in the last Evergy West triennial resource planning case, Case
2 No. EO-2018-0269, did not approve Evergy West’s resource plan, but, instead
3 approved the remedies to alleged deficiencies and concerns of parties to the case
4 and found the filings demonstrated compliance with the Commission’s Chapter 22
5 Electric Utility Resource Planning requirements.¹⁵

6 **Q. What is the purpose of the Commission’s electric utility resource planning**
7 **compliance filings?**

8 A. Chapter 22 contains minimum standards regarding *the data* the electric utilities
9 should review and *the methodologies* to be used for analyzing the data. The
10 decisions regarding resource acquisition strategies are the decisions of utility
11 management. Chapter 22 does not take away management’s control of the resource
12 planning process or the implementation of a resource plan, but requires electric
13 utilities to look at a minimum set of data and to include an analysis of risk to inform
14 the decision makers in their resource planning processes.

15 **Q. Are you aware whether the results of Evergy West’s resource planning**
16 **processes ever show that any of its resource plans cannot meet the**
17 **requirements of its customers?**

18 A. No. Given how Evergy conducts its resource planning process for Evergy West, its
19 models will never show customer energy load not being met.

20 **Q. Why not?**

21 A. In its resource planning analysis, Evergy combines the generating resources of
22 Evergy Metro and Evergy West, and, with the most recent filings, Evergy Kansas
23 Central. Evergy Metro and Evergy Kansas Central have a surplus of generation
24 resources. Evergy also inputs into the analysis that energy is available from SPP.

¹⁵ Order Regarding the 2018 Integrated Resource Plans, Page 3.

1 **Q. Is this a reasonable process?**

2 A. No. While it can show the least cost method of meeting the capacity and energy
3 requirements of the combined three utilities, they are not a combined utility.
4 Customers of each utility pay for the resources of that utility. And they pay the
5 consequences resulting from the impact of the combined decision on each utility.

6 **Q. How did Storm Uri impact Evergy as a total company?**

7 A. According to the presentation to Evergy's Board of Directors on May 4, 2021,
8 obtained in response to OPC data request 3014 in Case No. ER-2022-0129

9 ** _____
10 _____
11 _____
12 _____

13 _____

15 _____
16 _____
17 _____

¹⁶ Page 19.

¹⁷ Page 20.

1 _____
2 _____
3 _____
4 _____
5 _____
6 _____

7 _____ ** This shows the impact on Evergy West’s customers of the resource
8 planning choices made for Evergy West by Evergy.

9 This presentation to the Evergy Board of Directors also states that the total
10 cost impact to Evergy was _____

11 _____
12 _____

13 _____ ** I have attached a copy of this presentation to my testimony as Schedule
14 LMM-R-3.

15 **Q. Does this presentation include a description of why Evergy West does not have**
16 **resources it needs to cover its customers’ energy requirements?**

17 A. ** _____
18 _____

19 _____ **

20 **Q. Does Evergy’s resource planning process of combining its three electric**
21 **utilities loads and resources give the Commission an accurate portrayal of how**
22 **Evergy West’s resources meet Evergy West’s energy loads?**

23 A. No. How well Evergy West’s resources meet Evergy West’s customers' energy
24 loads can only be seen in model runs that do not include Evergy Metro, Evergy
25 Kansas Central, and access to SPP energy. A comparison of a stand-alone resource
26 plan and a resource plan with Evergy Metro and Evergy Kansas Central would
27 show the reliance of Evergy West on the other two utilities. A comparison of a

1 stand-alone plan that allows access to SPP will give an idea of the market risk
2 Evergy is placing on Evergy West’s customers.

3 **Q. Has Evergy West done such an analysis?**

4 A. Not to my knowledge. In its recent Evergy West triennial update in Case No. EO-
5 2022-0202, Evergy discusses how its resource planning process assesses the ability
6 of Evergy’s resource plan to provide reliable service for its customers.¹⁸ It does
7 not discuss how its resource planning process assesses the ability of Evergy West
8 to provide reliable service to Evergy West’s customers.

9 As Storm Uri demonstrated, the impact on customers of Evergy Metro and
10 Evergy Kansas Central is completely different from the impact on customers of
11 Evergy West.

12 **Evergy West’s Resources Do Not Meet SPP Resource Adequacy Requirements**

13 **Q. What is the SPP’s resource adequacy requirement?**

14 A. The SPP requires its load serving entities (“LSE”) to have a reserve margin of 12%.
15 What this means is that each LSE has to have enough capacity to meet 1.12 times
16 its projected summer and winter peak demands. However, since 2018, Evergy West
17 and Evergy Metro have combined their resources to meet the 12% reserve margin
18 requirement.

19 **Q. Why is Evergy West not required to meet this requirement on a stand-alone
20 basis?**

21 A. According to Evergy West’s (then KCP&L Greater Missouri Operations Company
22 or “GMO”) response to OPC data request 8535 in Case. No. ER-2018-0146¹⁹
23 attached as Schedule LMM-R-4, SPP’s Open Access Transmission Tariff
24 (“OATT”) allows Evergy to comply with the SPP resource adequacy requirement

¹⁸ Page 85 and 86.

¹⁹ Without the SPP OATT that was attached to the response.

1 to serve the combined loads of Evergy West and Evergy Metro with a combined
2 set of designated resources. Evergy West goes on in this response to state:

3 This combined view reduces the chances that [Evergy West] or [Evergy
4 Metro] on an individual basis would fail to meet the SPP resource adequacy
5 requirement. For example, if [Evergy West] did not have sufficient capacity
6 to meet the 12% reserve margin requirement and [Evergy Metro] had
7 sufficient capacity to cover the shortfall, no penalties would be incurred by
8 [Evergy West] for a failure to meet the resource adequacy requirement as
9 compliance would be determined on a combined basis.

10 **Q. Did Evergy West ever have sufficient capacity to meet SPP’s reserve margin**
11 **requirement?**

12 A. According to the SPP 2017 Resource Adequacy Report published on June 19, 2017,
13 Evergy West had resources to meet the 12% reserve margin in 2017 and 2018. It
14 also shows that Evergy West would not have met the requirement beginning in
15 2019.

16 **Q. Did Evergy West have *generation resource capacity* to meet the 12% reserve**
17 **margin in the summer of 2020?**

18 A. No. According to the capacity balance sheet Evergy West filed with its 2020
19 Annual Resource Planning update, Evergy West did not have the generation
20 resources to meet its peak let alone an extra 12% in the summer of 2020.

21 **Q. Did Evergy West have *capacity* to meet the 12% reserve margin in the summer**
22 **of 2020?**

23 A. Yes. To remedy its shortage in generation capacity, Evergy West entered into
24 capacity only contracts with Evergy Metro to meet the 12% reserve margin in the
25 summer of 2020. This means Evergy West received credit for some of Evergy
26 Metro’s excess capacity but was not entitled to any of the energy generated by that
27 capacity.

1 **Q. Why should a utility that is part of a RTO be concerned about resource**
2 **adequacy if it satisfies the RTO’s reserve margin requirement for it?**

3 A. While the customers of utilities that are members of RTOs are likely to have the
4 energy they need available from the RTO, relying on the market exposes customers
5 to high energy price risk. If a utility has adequate resources, the cost of extreme
6 weather events such as Storm Uri will be significantly lower.

7 The circumstances surrounding Storm Uri show that there is a possibility of
8 a RTO not having energy to meet the demands of its members. An assumption that
9 energy will be available for all members of a RTO at any time is unrealistic.
10 Customers needed energy to heat their homes at a time when SPP required its
11 members to curtail their loads so that its system would not crash. SPP came very
12 close to not having enough generation to supply the need.

13 **Q. Is it reasonable to assume that the SPP may not have the energy its members**
14 **need in the near future?**

15 A. Yes. While the probability may not be high, it is reasonable to expect utilities to
16 assume that it could happen, to test the robustness of their resource plans to meet
17 that possibility, and to use the results of that testing to prepare for such an
18 occurrence. The North American Energy Reliability Corporation (“NERC”)
19 assessed SPP’s reliability for this summer on page 28 of its 2022 Summer
20 Reliability Assessment report attached as Schedule LMM-R-5. In this report,
21 NERC provides the following assessment for SPP for the summer of 2022:

22 Expected resources meet operating reserve requirements under normal
23 peak-demand scenarios. Above-normal summer peak load and outage
24 conditions could result in the need to employ operating mitigations (i.e.,
25 demand response and transfers) and [energy emergency alerts]. Load
26 shedding may be needed under extreme peak demand and outage scenarios
27 studied.

1 **Q. How should a utility prepare for such circumstances?**

2 A. By not relying on the market to meet its customers' energy needs and using the
3 market to supplement owned resources. In the long-term, generation resources are
4 hedges in the energy market. Some types of generation are better hedges against
5 market energy availability (dispatchable) than others (intermittent). In the short-
6 term, utilities should prepare their customers for potential curtailment.

7 **Q. How are generation resources hedges?**

8 A. The benefit of any resource in the energy market is the difference between the cost
9 to produce energy and the market price for that energy.

10 For example, if a utility owns its wind resources, the entire revenue
11 provided by the market is a benefit. Whenever owned wind resources are
12 generating and market prices are positive, the wind resources are a hedge against
13 prices regardless of whether the price is high or low. This is the benefit of an owned
14 wind resource. However, the intermittent availability of wind often means that
15 revenues from owned wind resources cannot be maximized when the market price
16 is the highest. These resources respond to the availability of wind, not the market.

17 Dispatchable resources, on the other hand, provide a hedge when the market
18 price is greater than the cost for that resource to produce electricity. When market
19 prices are high and the dispatchable resources are producing electricity, the
20 dispatchable resources are a hedge against market prices because they are able to
21 provide electricity at the time when market prices exceed the cost for that resource
22 to produce electricity. However, this excess revenue should not be the sole reason
23 for a utility to have the dispatchable resource. Rather, having the resource available
24 to offset high market prices should be.

25 The difference in the value of the resources is the dependability of the
26 source of energy used to create electricity. Intermittent resources provide benefits
27 when their energy source—water, wind, or light—is available. Dispatchable
28 resources use energy sources that are typically available upon demand. Every

1 witness Bridson in his direct testimony touts as valuable the dispatchable resources
2 that Evergy West had that had fuel on site during February 2021.²⁰ This adds value
3 to these resources.

4 **Q. Given the recent time of extreme market prices in February 2021, were both**
5 **types of resources hedges against market prices?**

6 A. Yes. Every resource that could generate electricity was a hedge against market
7 prices. February 2021 is the only month that all of Evergy West’s wind resources
8 generated more revenues than they cost the customers. However, dispatchable
9 resources with on-site fuel were better hedges because they were more dependable.

10 **5% of FAC Costs**

11 **Q. Why should the Commission exclude five percent of Evergy West’s**
12 **extraordinary February 2021 fuel and purchased power costs in addition to a**
13 **disallowance to account for imprudence?**

14 A. There are at least three reasons the Commission should exclude 5% of February
15 2021 fuel and purchased power costs in addition to a disallowance to account for
16 imprudence. First, if the Commission allows Evergy West to recover this 5%,
17 through securitization or customer rates, then the Commission, in effect, has
18 removed any incentive for Evergy West to plan for and to efficiently manage
19 extraordinary events that impact its biggest cost—fuel and purchased power.
20 Evergy West should be on the hook for this 5%.

21 Second, the load cost that Evergy West is wanting to pass on to its customers
22 is determined by 1) the load market price, and 2) the magnitude of the load. While
23 Evergy West had no control over the cost that the SPP charged it for load, Evergy
24 West did have control over the other part of the equation – its load.

25 Finally, the Commission should exclude 5% to maintain consistency with
26 the Commission’s treatment of Evergy Metro’s revenues generated during Storm

²⁰ Pages 16 through 17.

1 Uri. The Commission, through Evergy Metro’s FAC, ordered the revenues Evergy
2 Metro received from the SPP in February 2021, be returned to the customers.
3 However, in keeping with the design of the FAC, the amount returned to customers
4 was decreased by 5% to account for the incentive of the FAC. This allowed Evergy
5 Metro to retain 5% of the revenues generated in February 2021. To be consistent,
6 Evergy West’s customers should not have to pay 5% of the fuel and purchased
7 power costs Evergy West incurred due to Storm Uri, which is the amount the
8 Commission has said is sufficient to incentivize Evergy West to efficiently meet its
9 customers’ needs.

10 **Q. Would you further explain the reason for the 5% incentive?**

11 A. Prior to the advent of the FAC, electric utilities carried all the risk of such
12 extraordinary events. In exchange for assuming this risk, the Commission allowed
13 electric utilities to earn a return on their investments.

14 Then in 2005, legislation was passed²¹ that allowed the Commission to
15 approve FACs for the electric utilities that would eliminate most of the risk of not
16 being able to recover the fuel costs associated with providing electricity for their
17 customers. The Legislature included language in the statute that allows the
18 Commission to include a provision in a utility’s FAC to provide an incentive for
19 the electric utility to more efficiently manage its fuel and purchased power costs.
20 The Commission has determined that it is appropriate for utilities, as an incentive
21 to efficiently manage its fuel and purchased power costs, to be at risk for 5% of the
22 cost above what was included in base rates, and be rewarded 5% of the costs below
23 what was included in base rates.²²

²¹ Section 386.266 RSMo.

²² In the Empire rate case, ER-2019-0374, OPC recommended that the sharing mechanism be adjusted from 5% to 15% as an incentive for Empire to act efficiently. In its *Amended Report and Order* in that case, the Commission determined “that based on the facts in this case, the 95/5 sharing mechanism in Empire’s FAC provides the appropriate incentive to properly manage its net energy costs.”

1 I am not aware of any meaningful reduction to the electric utilities'
2 authorized return on equity to account for a decrease in the utilities' risk of not
3 recovering fuel and purchased power costs since the advent of FACs. The risk of
4 fuel cost fluctuations has essentially been moved from utilities to their customers
5 without customers seeing a reduction in rates for taking on this risk.

6 If the Commission allows Evergy West to fully recover this total cost
7 through securitization, then the returns Evergy West has been earning since the
8 Commission first authorized it to use a FAC have falsely compensated Evergy West
9 for an assumed exposure to a risk that did not exist.

10 **Q. You stated there was a resource that Evergy West chose not to use during**
11 **Storm Uri. What was that resource?**

12 A. Evergy West could have reduced its customers' usage when prices increased to an
13 unprecedented amount. It could, and should, have initiated controlled service
14 interruptions to reduce its aggregate cost of energy during Storm Uri.

15 **Q. But did not Evergy West curtail its customers' usage during Storm Uri?**

16 A. Yes, but only when the SPP required it to do so. In all other hours during Storm
17 Uri, Evergy West just assumed that its customers were okay with paying
18 astronomical prices for energy – costs that Evergy West is now asking its customers
19 to pay over the next 15 years.

20 **Q. Is it your opinion that Evergy West should have turned off its customers'**
21 **electricity during a period of extremely cold temperatures before the SPP**
22 **required it to do so?**

23 A. Yes. It is an opinion that does not come easy. I am not saying that Evergy West
24 should have turned off electricity for an extended amount of time for all of its
25 customers. *Controlled service interruptions*, with information relayed on times and
26 places before the commencement of the interruptions, could have reduced the cost

1 that is being requested from customers in this case while taking into account the
2 needs of its customers who provide essential health and public services.

3 **Q. Would not controlled interruptions have inconvenienced Evergy West's**
4 **customers?**

5 A. Yes, for an hour a day every other day for a few days. I am confident that
6 customers, had they known the magnitude of the cost Evergy West was incurring,
7 and intending to pass on to them, would have accepted some short-term
8 inconvenience to mitigate paying hundreds of millions of dollars over the next 15
9 years.

10 **Q. When should Evergy West have begun controlled interruptions?**

11 A. I do not know the exact SPP market price or price duration that should have
12 triggered Evergy West to start interrupting service. However, the Board of
13 Directors presentation that I previously referenced shows **_____

14 _____
15 _____
16 _____
17 _____ **

18 While it is theoretically possible to calculate the potential impact of a
19 controlled interruption, many assumptions would have to be made and it would
20 require information that is not available to me at this time. Therefore, at a
21 minimum, the Commission should not allow Evergy West to recover 5% of the fuel
22 and purchased power costs that could have flowed through Evergy West's FAC.

23 **Q. Do you have an estimate of the dollar amount of the 5%?**

24 A. The dollar amount is dependent upon the total amount of fuel and purchased power
25 expense that the Commission determines was prudent. Table 3 below shows the

1 dollar amount of the 5% for Evergy West’s position and OPC’s floor and ceiling
2 recommendations.

3 Table 3

4 **

5 **

6 **Q. What has been the treatment of the 5% incentive for other electric utilities in**
7 **Missouri?**

8 A. As I stated above, Evergy Metro was allowed to keep 5% of its revenues earned
9 from the sale of energy during Storm Uri. Ameren Missouri who had costs greater
10 than revenues, absorbed 5% of those costs. Empire, like Evergy West, is asking for
11 the 5% to be included in the amount of its securitized bonds for February 2021
12 costs.

13 **Q. Does this conclude your rebuttal testimony?**

14 A. Yes.

²³ Evergy West is requesting recovery of 100% of fuel and purchased power costs.

²⁴ Includes another adjustment that accounts for storm costs paid for through the FAC rates.

²⁵ Includes another adjustment that accounts for storm costs paid for through the FAC rates.