

Public Version

Exhibit No.:
Issue: Accounting Methodology, Errors
Witness: Lisa A. Starkebaum
Type of Exhibit: Direct Testimony
Sponsoring Party: Evergy Missouri West
Case No.: ER-2023-0444
Date Testimony Prepared: October 31, 2023

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2023-0444

DIRECT TESTIMONY

OF

LISA A. STARKEBAUM

ON BEHALF OF

EVERGY MISSOURI WEST

**Kansas City, Missouri
October 2023**

CONFIDENTIAL

DIRECT TESTIMONY

OF

LISA A. STARKEBAUM

Case No. ER-2023-0444

1 **Q. Please state your name and business address.**

2 A: My name is Lisa A. Starkebaum. My business address is 1200 Main, Kansas City,
3 Missouri 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Evergy Metro, Inc. and serve as Manager – Regulatory Affairs for
6 Evergy Metro, Inc. d/b/a as Evergy Missouri Metro (“Evergy Missouri Metro”), Evergy
7 Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West”), Evergy Metro,
8 Inc. d/b/a Evergy Kansas Metro (“Evergy Kansas Metro”), and Evergy Kansas Central,
9 Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central (“Evergy Kansas
10 Central”) the operating utilities of Evergy, Inc.

11 **Q: On whose behalf are you testifying?**

12 A: I am testifying on behalf of Evergy Missouri West. For the purpose of this testimony, I
13 will refer to Evergy Missouri West as “Evergy Missouri West”, “EMW” or the
14 “Company”.

15 **Q: What are your responsibilities?**

16 A: My responsibilities include the coordination, preparation and review of financial
17 information and schedules associated with the compliance and rider mechanism tariff
18 filings for the above-mentioned operating utilities of Evergy, Inc.

1 **Q: Please describe your education, experience and employment history.**

2 A: In 1994, I received a Bachelor of Science Degree in Finance from Northwest Missouri
3 State University in Maryville, Missouri. In 1995, I joined Cerner Corporation as an
4 Accountant in the Finance Department assisting with month-end close and reporting
5 responsibilities. In 1997, I joined Aquila, Inc. (“Aquila”) where I worked in the Financial
6 and Regulatory Reporting group as an Accountant, until joining Regulatory Accounting
7 Services as a Regulatory Analyst in 1999. I was employed by Aquila for a total of 11 years
8 prior to beginning my employment with KCP&L in July 2008 as a part of the acquisition
9 of Aquila, Inc., by Great Plains Energy Incorporated. Since that time, I have held various
10 positions with increasing responsibilities within Regulatory Accounting Services and
11 Regulatory Affairs. As a Lead Analyst in the Regulatory Affairs department, my main areas
12 of responsibility included the preparation of FERC and jurisdictional reporting, and the
13 preparation of rate cases and rate case support for both KCP&L and GMO. In December
14 2015, I became a Supervisor, Regulatory Affairs responsible for overseeing a team
15 dedicated to compliance reporting and was later promoted to Manager, Regulatory Affairs
16 effective June 2018. In my current position, I am responsible for overseeing various
17 reporting requirements to ensure Evergy is compliant with its jurisdictional rules and
18 regulations, in addition to the implementation of new reporting or commitments resulting
19 from various rate case orders and other regulatory filings. In addition, I oversee the
20 coordination, review and filing of the various rider mechanisms.

1 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
2 **Commission (“MPSC” or “Commission”) or before any other utility regulatory**
3 **agency?**

4 A: Yes, I have testified before the MPSC, the Kansas Corporation Commission and have
5 provided written testimony before the Public Utilities Commission of Colorado. I have
6 sponsored testimony in Missouri related to various tariff filings involving rider
7 mechanisms. In addition, I have worked closely with both MPSC and KCC Staff on
8 numerous filings and rate case matters.

9 **Q: What is the purpose of your direct testimony?**

10 A: The purpose of my testimony is to explain the accounting methodology utilized by Evergy
11 Missouri West with respect to the tracking of unexpected operational events detailed in the
12 two stipulations concerning the Nucor Special Incremental Load tariff, Schedule SIL. I
13 will also provide additional explanation and clarification around the Company’s original
14 filing made on June 30, 2023.

15 **Q: Please provide background on the Nucor issue.**

16 A: In Case No. EO-2019-0244, in an Application requesting approval of a special rate,
17 Schedule SIL, the Company entered into a Non-Unanimous Stipulation and Agreement
18 with Staff and Nucor on September 19, 2019. In the Stipulation, the Company agreed to
19 identify additional SPP-related costs resulting from unexpected operational events.

20 Paragraph 7.c. of the stipulation in the EO-2019-0244 case states:

21 GMO will modify its Fuel Adjustment Clause (“FAC”) accounting to
22 ensure Nucor-related costs are not included in the FAC charge recovered
23 from other customers.

24 Paragraph 7.d. of the stipulation in the EO-2019-0244 case states:

1 GMO will monitor Nucor operations and will identify additional SPP-
2 related costs resulting from unexpected operational events. If Nucor load
3 experiences a 25% deviation from the expected Nucor load for more than 4
4 hours and that load change is not reflected in the GMO day-ahead
5 commitments, GMO will quantify the balancing relationship between the
6 hourly and day-ahead prices to identify the effect of the unplanned load
7 change to apportion any additional SPP balancing charges and will
8 incorporate the effect attributed to Nucor into the tracking of Nucor costs.
9 If the effect of this relationship increases costs to non-Nucor customers, the
10 amount will be reflected in a subsequent FAC rate change filing and the
11 portion attributed to Nucor will be identified with supporting work papers
12 and removed from the Actual Net Energy Cost prior to the calculation of
13 the FAC rates.
14

15 In March 2020, the Company began removing Nucor-related purchased power costs from
16 the FAC using SPP data. These adjustments are reflected in the monthly filed Section 5
17 informational filings pursuant to 20 CSR 4240-20-090(5) as well as identified in the
18 Company's semi-annual FAR filings pursuant to 20 CSR 4240-20.090(8).

19 **Q: Please continue.**

20 A: In the Company's most recent general rate case, Case No. ER-2022-0130, the Company
21 entered into a Stipulation and Agreement on August 30, 2022 that further reiterated and
22 reinforced the terms established with the approval of the Special Incremental Load tariff,
23 Schedule SIL, and required the further tracking of unexpected operational events (i.e.
24 unplanned load changes) at Nucor.

25 The following settlement terms of Item 5, Nucor at pages 3-4 of the stipulation are as
26 follows:

27 d. Evergy shall identify additional SPP related costs resulting from
28 unexpected operational events that meet the criteria set forth in paragraph
29 7.d. of the EO-2019- 0244 Stipulation;

30 e. Evergy shall quantify the balancing relationship between the real-time
31 ("RT") and DA prices to identify the effect of unplanned load changes that
32 are not included in EMW's DA commitments to apportion any additional
33 SPP balancing charges;

1 f. Evergy shall incorporate the effect of DA and RT imbalances attributed
2 to differences between actual Nucor operations and expected Nucor
3 operations included in EMW's SPP DA commitments into the tracking of
4 Nucor costs;

5 In compliance with these provisions, Evergy Missouri West revised its approach for
6 tracking operational events at Nucor to enhance cost tracking underway since approval of
7 the SIL rate. Evergy Missouri West worked with Nucor plant operations to determine the
8 data available and established the new procedure that became effective with the effective
9 date of new rates in the general rate case; therefore, the Nucor tracking procedure started
10 beginning January 2023. The Company's FAC filing made on June 30, 2023, covering the
11 period of December 2022 through May 2023, was the first filing to incorporate this event
12 tracking procedure.

13 **Q: Please describe the methodology utilized by Evergy Missouri West to identify and**
14 **assign purchased power costs related to Nucor operations as agreed to in EO-2019-**
15 **0244 and ER-2022-0130.**

16 A: The Company utilizes a 3-Step process in analyzing SPP data for each month as available.
17 Step 1 of this process first involves the calculation of an Overall Average Price. In March
18 2020, the Company began removing Nucor-related purchased power costs from the FAC.
19 The Company uses SPP data to determine the purchased power costs assigned to Nucor.
20 Every month, each hourly total of the SPP load charges (day ahead and real time charges)
21 are spread over the hourly total real time load usage and the resulting average hourly load
22 price is then applied to the hourly Nucor usage.

23 **Q: How are these results reflected within the general ledger?**

24 A: A monthly journal entry is made to separately identify these costs within the general
25 ledger. This helps to ensure that the monthly total of hourly Nucor-related purchased power

1 costs are easily identifiable and removed from inclusion in the FAC. Included within these
2 calculated amounts from Step 1 are the impacts of the event tracking process that will be
3 identified in Step 2, if applicable.

4 **Q: How material are the costs identified in Step 1?**

5 A: For the months of December 2022 through May 2023, the Company’s assigned Nucor load
6 purchased power costs that were removed from the FAC in Accumulation Period 32 totaled
7 **** [REDACTED] **** as shown below:

8 **



10 **

11 These amounts are the most significant costs identified during this 3-Step process.
12 These amounts are quantified and recorded in separate general ledger accounts specific to
13 Nucor operations and reflected with other Nucor assigned Purchased Power Agreement
14 (“PPA”) costs in the Company’s monthly Section 5 informational filings pursuant to 20
15 CSR 4240-20-090(5) as well as identified in the Company’s semi-annual FAR filings
16 pursuant to 20 CSR 4240-20.090(8)

1 **Q: Please continue with the explanation of Step 2, the Event Tracking and resulting**
2 **Load Balancing Adjustment.**

3 A: In May 2023, for the months of January 2023 through April 2023, the Company
4 implemented the settlement terms from the Stipulation and Agreement in Case No. ER-
5 2022-0130. Therefore, Accumulation Period 32 (“AP32”) was the first accumulation
6 period impacted by the Nucor event tracking process covering the period of December
7 2022 through May 2023. Only four months of data were available prior to the Company’s
8 filing in June 2023 (January through April).

9 In this case, the Company further revised its methodology from that previously
10 agreed to in Case No. EO-2019-0244 to identify additional SPP-related costs resulting from
11 unexpected operational events. These unexpected operational events are defined by the
12 criteria set forth in paragraph 7.d. of the Stipulation in EO-2019-0244. The intent of this
13 additional Nucor load balancing adjustment is to further ensure there is no negative impact
14 on retail customers for the duration of the Nucor contract.

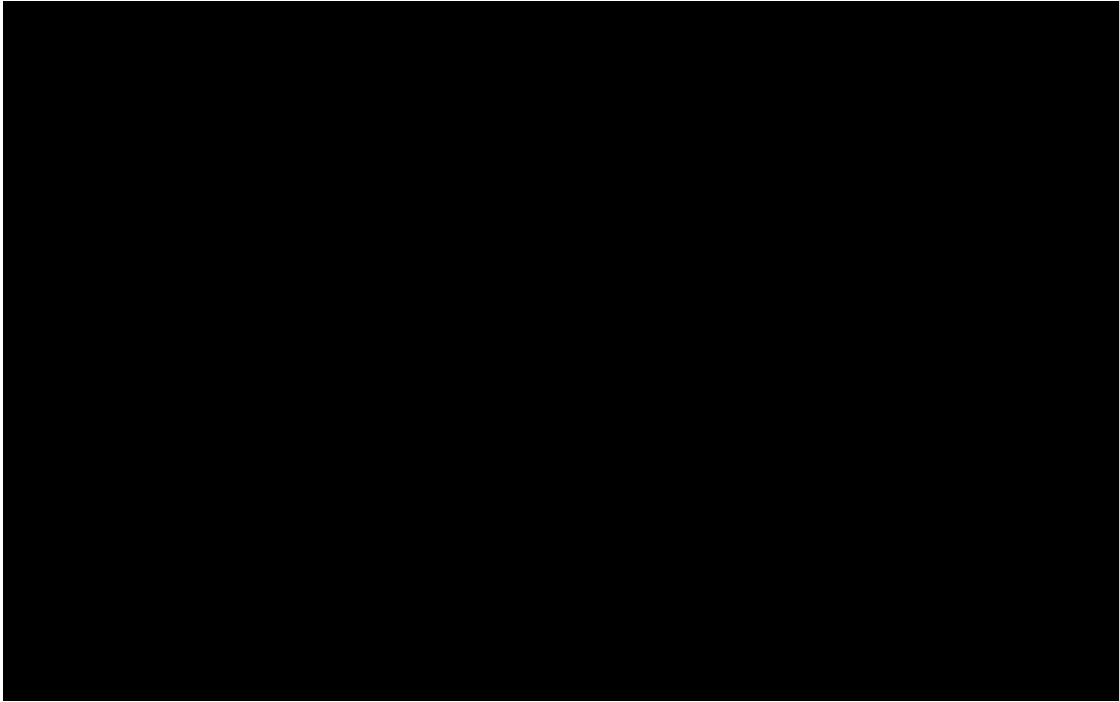
15 **Q: Please continue with the Company’s methodology in calculating the load balancing**
16 **adjustment.**

17 A: The load balancing adjustment looks at events within a given month on an hourly basis
18 comparing Nucor’s actual load against the forecasted annual average hourly load for a 24-
19 hour period. For identified events over 4 hours in duration, the difference between the
20 hourly day-ahead and real-time energy prices are applied to the difference between the
21 Nucor hourly forecasted load usage and the hourly actual load usage, effectively resulting
22 in a true-up between the day-ahead forecasted load and prices to the real-time load and

1 prices. These events can be either an increase or decrease to the costs already assigned to
2 Nucor.

3 The table below shows the amount of January 2023 events triggered by a 25%
4 deviation in Nucor load:

5 **

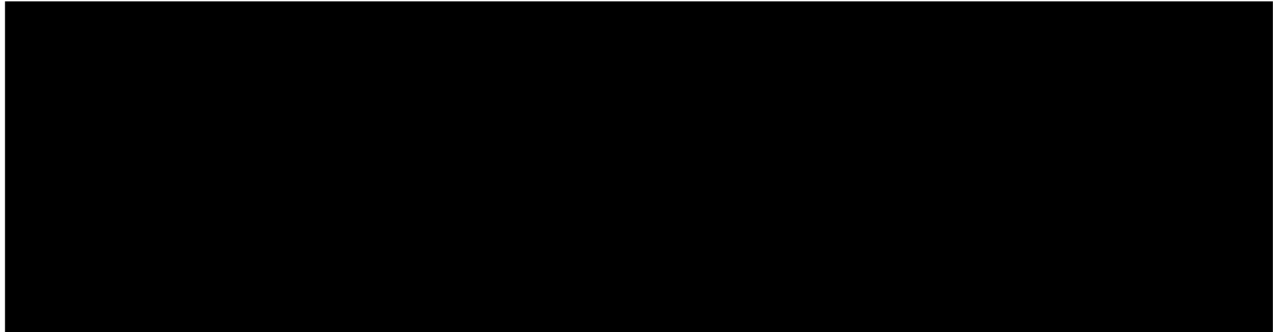


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7 **

8 The first example below details the value assigned to the event triggered beginning
9 with usage hour 15 on January 8, 2023 where the Company includes amounts in events
10 after hour 4. The value of this event is a decrease in Nucor load costs, or said differently,
11 an increase to non-Nucor customers.

1

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The second example below details the value assigned to the event triggered beginning with usage hour 16 on January 25, 2023, where the Company includes amounts in events after hour 4. The value of this event is an increase in Nucor load costs, or said differently, a decrease to non-Nucor customers.

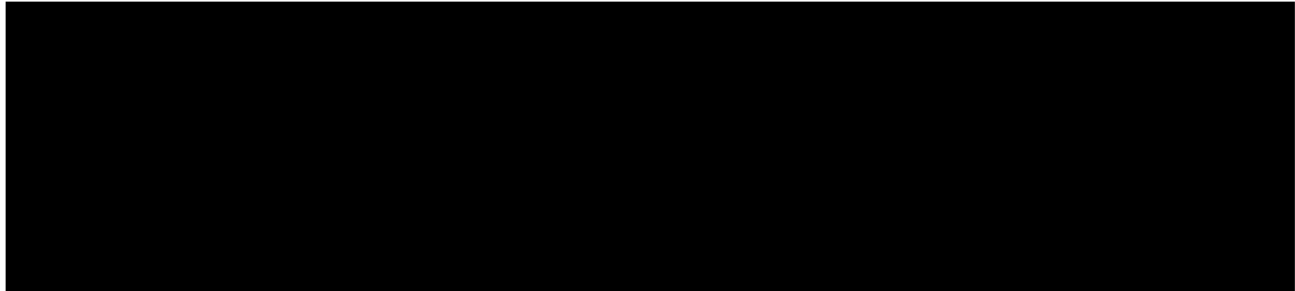
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The Company's intends to perform the event tracking analysis for each month and net all events during the month which would include both the increases and decreases identified in the Nucor load balancing adjustments.

12

13

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1 **Q: Please describe Step 3 of this process that follows the calculation of the load**
2 **balancing adjustment resulting in the “Delta in Nucor Load Costs”.**

3 A: Using Step 1 data, the analysis of the event tracking in Step 2 could result in additional
4 amounts being directly assigned to Nucor; therefore, Step 1 must be reviewed again under
5 the 0244 Stipulation. The result of this analysis impacts the average hourly load price to
6 apply to Nucor’s usage which is handled in Step 3.

7 After the Company calculates the load balancing adjustment from Step 2, the
8 original Nucor-related purchased power costs calculation from Step 1 is reviewed again. A
9 delta is derived by applying the hourly load balancing amount to the original average
10 hourly load price calculated earlier and comparing the original hourly Nucor-related
11 purchased power costs to the updated hourly Nucor-related purchased power costs. This
12 results in a calculated difference referred to in the supporting workpapers Summary tab,
13 “Delta in Nucor Load Costs”.

14 **Q: What is the frequency with which the Company intends to perform the event tracking**
15 **analysis?**

16 A: As stated above, the Company’s intends to perform the event tracking analysis for each
17 month and net all events during the month which would include both the increases and
18 decreases identified in the Nucor load balancing adjustments beginning in January 2023.
19 The Company would look at the monthly activity over an accumulation period (on a one-
20 month lag) prior to making its semi-annual rate update filing and record an entry, if
21 necessary.

1 **Q: Why is the Company proposing to review and analyze the data on a one-month lag?**

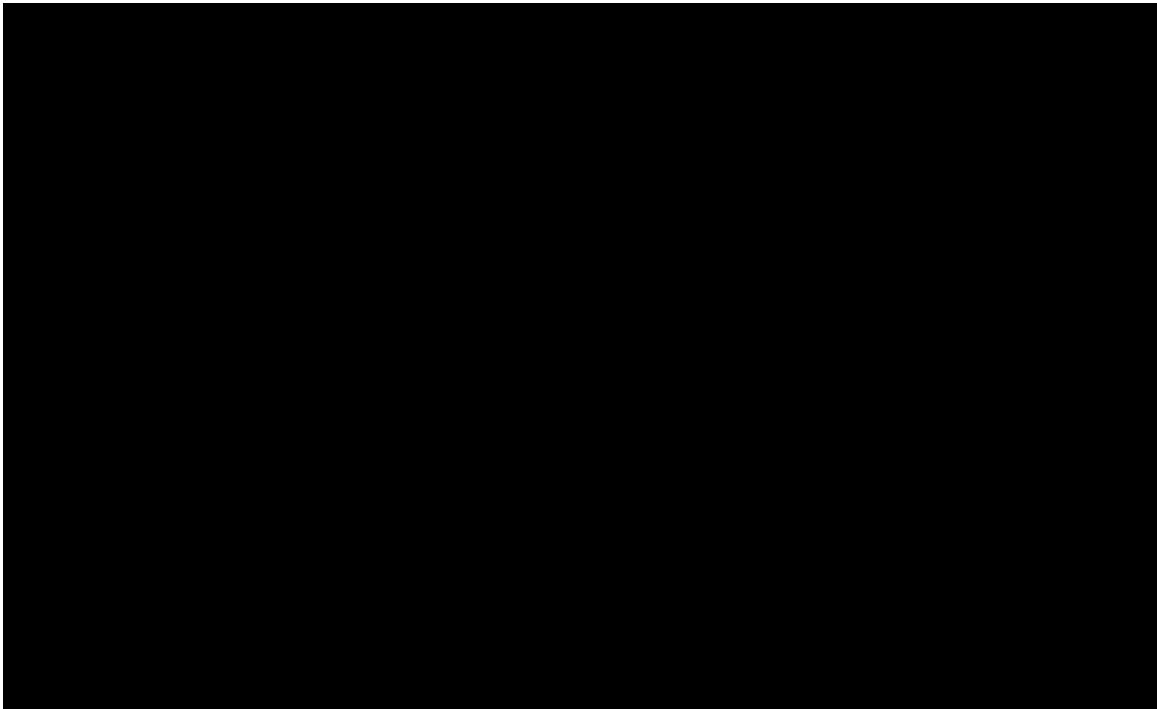
2 A: Due to the availability of data and the timing of the monthly accounting close process, the
3 calculation will be completed on a month lag.

4 **Q: Please describe all instances where an entry would be triggered within the general
5 ledger?**

6 A: If the net result of the event tracking is an increase in Nucor costs, the adjustment will be
7 recorded within the general ledger to directly assign the additional purchased power costs
8 to Nucor. This entry would result in a decrease in the FAR's Actual Net Energy Costs
9 ("ANEC"). If the net result is a decrease in Nucor costs, no adjustment would be made in
10 the general ledger.

11 As shown in the table below, the Company has calculated load balancing
12 adjustments and the resulting deltas for the data available through September 2023.

13 **



14

15

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1 **Q: What is the FAC impact of these adjustments?**

2 A: The data available for the load balancing adjustment in the 32nd AP shows an increase of
3 **** [REDACTED] ****, in Nucor assigned costs. The Company should have
4 reflected a decrease in FAC purchased power expense of **** [REDACTED] ****, after applying the
5 jurisdictional factor and 95% recovery as shown in the example below.

6 **



8 **

9 **Q: Why is it important that the Company track both the positive and negative results**
10 **from the event tracking over the life of the Nucor contract?**

11 A: The Company believes that it is important to analyze the event tracking over the life of the
12 Nucor contract to ensure non-Nucor customers are held harmless which was the intent of
13 the Stipulations. This is further supported and discussed in the Direct Testimony provided
14 by Company witness Darrin R. Ives.

15 **Q: Were there any errors identified by EMW that require correction from its original**
16 **filing made on June 30, 2023?**

17 A: Yes, the Company has identified a few issues after incorporating the process of the new
18 event tracking that should be addressed. Staff also raised some of these same concerns in
19 its Report and Recommendation (“R&R”) that created additional confusion. The

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1 Company's filing was made based on the best information known at the time. Through
2 discovery requests and discussions with Staff, the following issues were identified:

3 ▪ EMW's event calculation erroneously began with hour 1 and included
4 through hour 4 excluding hours 5+ rather than starting with hour 5.

5 ▪ The journal entry amounting to \$9,468 recorded within the general ledger
6 in May 2023 based on information at the time resulted in an increase in costs to
7 non-Nucor customers, and should not have been recorded; therefore, it was
8 manually removed from the FAC's ANEC.

9 ▪ My previous direct testimony stated that a monthly entry would be made
10 going forward related to the event tracking. This instead should have stated that on
11 a monthly basis the events will be netted and tracked. In the final period of the
12 Accumulation Period, an entry, if necessary, will be made to decrease costs for non-
13 Nucor customers.

14 ▪ Further analysis of the load data confirmed that it included errors in the
15 original filing and when corrected, results in an overall credit adjustment needed of
16 ** [REDACTED] ** for AP32.

17 ▪ To clarify the delta (Step 3) description, where the Company has stated
18 above "A delta is derived by applying the hourly load balancing amount to the
19 original average hourly load price calculated earlier" the Company intends that the
20 hourly load balancing amount will be removed from the original average hourly
21 load price calculated in Step 1 as the load balancing adjustment amounts are already
22 included in the original load price. The intent is to reassign current load costs to
23 Nucor.

1 Q: Does that conclude your testimony?

2 A: Yes, it does.

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

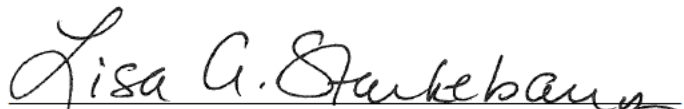
In the Matter of the Application of Evergy West,)
Inc. d/b/a Evergy Missouri West for Authority)
To Implement Rate Adjustments Required by) File No. ER-2023-0444
20 CSR 4240-20.090(8) and the Company's)
Approved Fuel and Purchased Power Cost)
Recovery Mechanism)

AFFIDAVIT OF LISA A. STARKEBAUM

STATE OF MISSOURI)
)
) ss
COUNTY OF JACKSON)


Lisa A. Starkebaum, being first duly sworn on his oath, states:

1. My name is Lisa A. Starkebaum. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Manager – Regulatory Affairs.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri West consisting of fourteen (14) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Lisa A. Starkebaum

Subscribed and sworn before me this 31st day of October 2023.



Notary Public

My commission expires: 4/26/2025

