

Exhibit No.:

Issue(s): *Staff's Report of Tenth
Prudence Review of
Costs Subject to the
Commission-Approved
Fuel Adjustment Clause*

Witness: *Cynthia M. Tandy*

Sponsoring Party: *MoPSC Staff*

Type of Exhibit: *Rebuttal Testimony*

Case No.: *EO-2022-0065*

Date Testimony Prepared: *June 6, 2022*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

CYNTHIA M. TANDY

**EVERGY WEST, INC.,
d/b/a EVERGY MISSOURI WEST**

CASE NO. EO-2022-0065

*Jefferson City, Missouri
June 2022*

**** Denotes Confidential Information ****

**TABLE OF CONTENTS OF
REBUTTAL TESTIMONY OF
CYNTHIA M. TANDY
EVERGY WEST, INC.,
d/b/a EVERGY MISSOURI WEST
CASE NO. EO-2022-0065**

1
2
3
4
5
6
7
8
9
10

EXECUTIVE SUMMARY1
BACKGROUND AND OVERVIEW OF DISALLOWANCE2
REC VALUE6
CONCLUSION.....9

1 **REBUTTAL TESTIMONY OF**

2 **CYNTHIA M. TANDY**

3 **EVERGY WEST, INC.,**
4 **d/b/a EVERGY MISSOURI WEST**

5 **CASE NO. EO-2022-0065**

6 Q. Please state your name and business address.

7 A. Cynthia M. Tandy, 200 Madison Street, Jefferson City, MO 65102.

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

9 A. I am employed by the Missouri Public Service Commission (“Commission” or
10 “PSC”) as a Senior Utility Regulatory Auditor.

11 Q. Please describe your educational background and work experience.

12 A. Please refer to the attached Schedule CMT-r1.

13 Q. Have you previously filed testimony before this Commission?

14 A. Yes in the Missouri Energy Efficiency Investment Act Prudence Review, Case
15 No. EO-2020-0227 (consolidated with Case No. EO-2020-0228 on August 5, 2020).

16 Q. Have you participated in the MO Public Service Commission Staff’s (“Staff”) Prudence Review of Evergy West, Inc., d/b/a Evergy Missouri West’s (“Evergy Missouri West”) Fuel Adjustment Clause (“FAC”) in this proceeding?

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

18 **EXECUTIVE SUMMARY**

19 Q. Please summarize your rebuttal testimony in this proceeding.

20 A. I am responding to the direct testimony of Evergy Missouri West witness Kayla
21 Messamore. This rebuttal testimony also supports the Staff Report submitted as part of the
22 direct testimony of Staff witness Brad Fortson.
23
24

1 Q. Did Staff propose a disallowance for Evergy Missouri West in this proceeding?

2 A. Yes, Staff proposed a disallowance of \$271,980 for Evergy Missouri West in
3 this proceeding due to Evergy Missouri West's imprudent actions during the Review Period¹ to
4 not sell its excess Renewable Energy Credits ("REC") but instead allowing them to expire.

5 **BACKGROUND AND OVERVIEW OF DISALLOWANCE**

6 Q. Has Staff previously raised the issue of Evergy Missouri West not selling RECs
7 but instead allowing them to expire?

8 A. Yes, but a recommended disallowance was not made by Staff. However in Case
9 No. EO-2019-0067 (consolidated with EO-2019-0068) Staff asserted Evergy Missouri Metro
10 (then Kansas City Power & Light ("KCPL")) was imprudent in failing to take any action
11 to sell 722,628 RECs, which it did not need to satisfy its Renewable Energy Standard
12 requirement, and allowed those RECs to expire to the detriment of its customers. Staff
13 recommended the Commission order a prudence adjustment of \$350,351. Since there were no
14 expired RECs in Case No. EO-2019-0068 for Evergy Missouri West (then Greater Missouri
15 Operations ("GMO")), no imprudence was found.

16 Q. What did the Commission find in the case with Evergy Missouri Metro?

17 A. The Commission found that when made, KCPL's decision not to sell
18 the 722,628 RECs was not imprudent in light of the circumstances then existing and considered.
19 The Commission stated, in part, that KCPL's consideration that the credit to customers was de
20 minimis and outweighed by KCPL's customers' desires to receive energy bundled with their
21 corresponding RECs.²

¹ January 1, 2020 – June 30, 2021.

² *Report and Order*, pg. 12, Case No. EO-2019-0067.

1 Q. Did Staff bring this issue up in its subsequent Evergy Missouri West
2 FAC prudence review following Case No. EO-2019-0068?

3 A. No, however in its subsequent Evergy Missouri West FAC prudence review,
4 Case No. EO-2020-0262 that followed Case No. EO-2019-0068, in regards to excess and
5 expired RECs, Staff noted that “Staff remains concerned with the significant growth of expired
6 RECs in subsequent years following this Review Period due to the additional wind PPAs
7 discussed in the PPA section of this Staff Report. According to Staff calculations, the
8 Missouri jurisdictional annual generation is expected to be well in excess of the
9 projected 2022 RES compliance. The Company has indicated that this is being monitored, but
10 the concern still exists. Staff too will continue to monitor this issue and reserves the right to
11 bring this issue, and any ratepayer implications due to this issue, up in future
12 prudence reviews.”³

13 Q. Has there been any significant changes in regards to RECs since the
14 Commission’s Report and Order in Case No. EO-2019-0067?

15 A. Yes, as stated in the Staff Report, and summarized below, there have been many
16 significant changes.

- 17 • The value of selling a REC has increased significantly since the Commission’s
18 Report and Order in Case No. EO-2019-0067. The value of RECs has increased
19 from approximately \$.84 per REC to as high as \$7.00 per REC;
- 20 • The required RECs for Missouri has increased from 10% to 15%
21 (50% increase) starting January 1, 2021. Even with the increase in the required

³ Staff’s Third Prudence Review Report, pg. 27, Case No. EO-2020-0262.

1 amount of RECs in Missouri for 2021, the amount of available RECs for
2 consideration of selling has increased and will likely continue to increase.;

3 • The significant increase in the amount of excess and/or expired RECs grew
4 consistently and continues to increase. The expired RECs has gone from
5 425,580 in 2017 to 1,850,711 in 2021 (even with the 15% increase in required
6 RECs in 2021);

7 • According to Allied Market Research on renewable energy, RECs had a
8 nationwide value in the market of \$881.7 billion in 2020 and expect to reach
9 \$1,977.6 billion by 2030⁴. Staff has also reviewed various other resources on
10 the REC market along with the future market of RECs. Therefore, it seems
11 there will be a tremendous growth in REC value in the market over the next ten
12 years;

13 • Evergy's 2021 Integrated Resource Plan indicates its renewable energy sources
14 from wind is anticipated to increase from 27% in 2020 to 33% in 2030; and,

15 • There are other electric companies in Missouri and other states that continue to
16 sell their excess RECs to help offset costs to customers.

17 The significant changes since then and that currently exist in this prudence review time
18 period could not be ignored. The revenue opportunities for selling RECs is no longer a small
19 amount but is a very significant amount that reaches almost \$4 million for Evergy Missouri
20 Metro and almost \$300,000 for Evergy Missouri West. At the time of the Report and Order,
21 Evergy Missouri West did not have expired RECs, but that is no longer the situation.

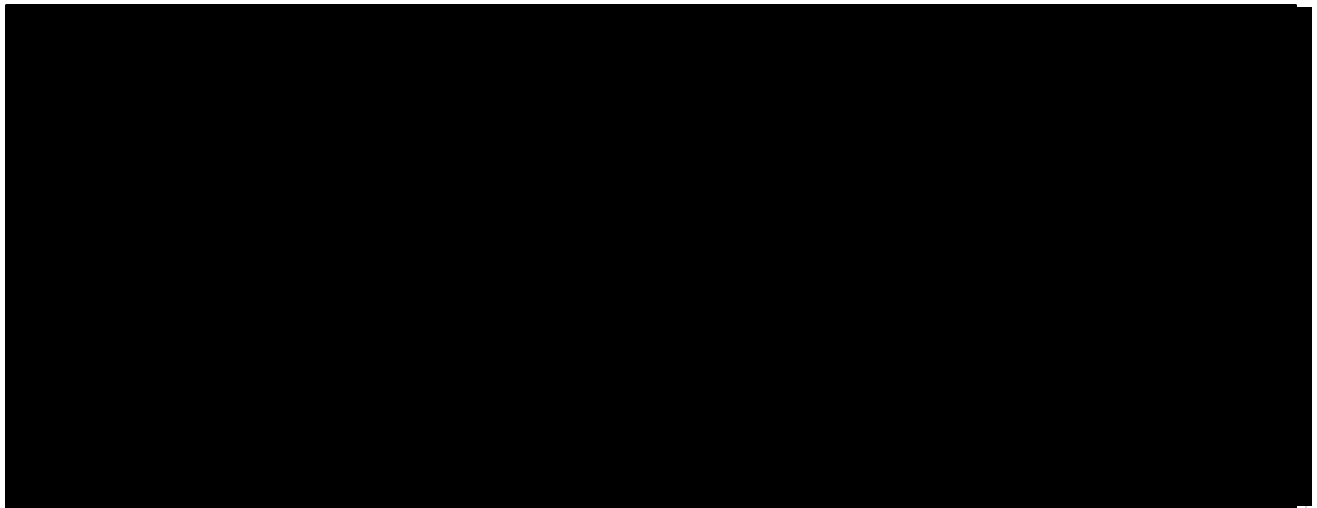
⁴ www.alliedmarketresearch.com/renewable-energy-certificates-market.

1 Q. You mention that the significant increase in the amount of excess and/or expired
2 RECs grew consistently and continues to increase, can you illustrate this?

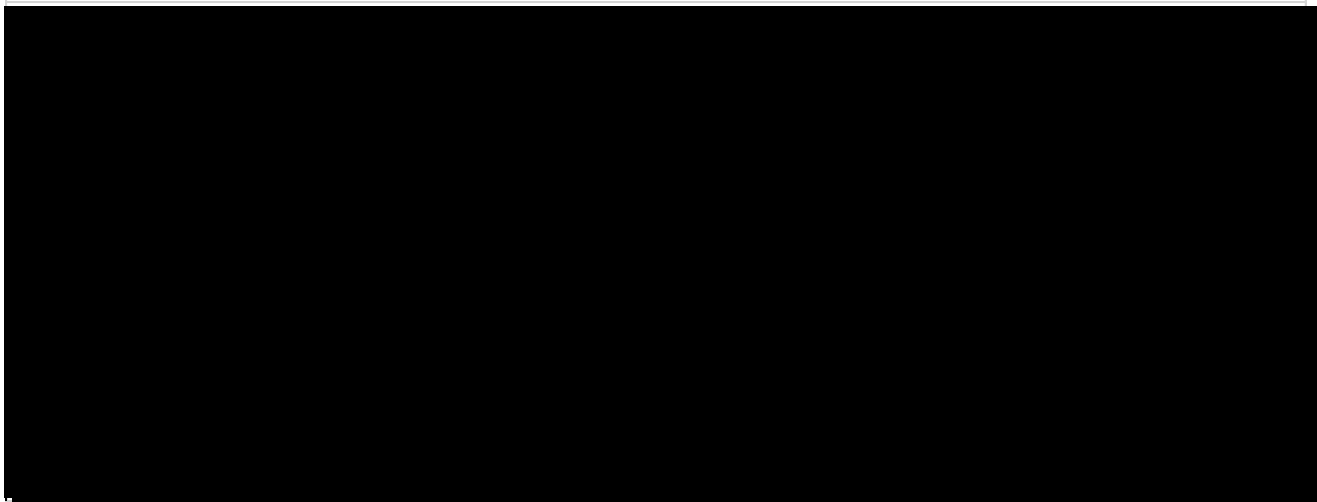
3 A. Yes. Following are two charts from the Staff Report showing this continuous
4 growth in both expired and excess RECs by year (Table 13) and then comparing just the
5 increase from the last prudence review and this prudence review (Table 14):.

6 **TABLE 13**

7 **

A large black rectangular redaction box covers the content of Table 13, which would have contained two charts showing growth in RECs by year.

8 **TABLE 14**

A large black rectangular redaction box covers the content of Table 14, which would have compared the increase in RECs from the last prudence review to the current one.

9
10 **

1 The tables above reflect steady and continuous growth in available RECs since the
2 Commission's decision in Case No. EO-2019-0067 and since the previous prudence review in
3 Case No. EO-2020-0262. Also, there were no expired RECs for Evergy Missouri West in the
4 previous Review Period,⁵ but during the current Review Period Staff found that some
5 expired RECs were coded under Evergy Missouri Metro instead of Evergy Missouri West. That
6 change was made during this prudence review.⁶

7 **REC VALUE**

8 Q. Evergy Missouri West disagrees with Staff's use of \$3.40 per REC for its
9 recommended disallowance and indicates that the price should have been \$0.75 per REC. Does
10 Staff agree with these statements?

11 A. No. First, a timing issue exists because RECs have a useful life of three (3) years
12 for RES compliance in the State of Missouri, but the prudence review only covers an 18-month
13 period, creating a difficulty in what value to use when. Next, when Staff initially asked Evergy
14 Missouri West for values of RECs throughout the Review Period, the only value provided in
15 their response to DR 42.4 was for ** [REDACTED] .**
16 Evergy Missouri Metro provided a market bid price of ** [REDACTED]
17 [REDACTED] . ** Lastly,
18 since the information provided by Evergy Missouri West was limited for RECs, Staff chose to
19 obtain additional values for the Review Period from other local sources, which was
20 accomplished through a DR to Liberty (who sells RECs on a continuous basis) and a quote from
21 Ameren on expected average price to pay for RECs.

⁵ June 1, 2018 through November 30, 2019.

⁶ Data Request 0042.1A under Case No. EO-2022-0065.

Rebuttal Testimony of
Cynthia M. Tandy

1 Q. Can you further explain the local sources Staff used to determine the average
2 price of \$3.40 per REC used in the disallowance?

3 A. Yes. Since Staff was provided limited information by Evergy Missouri West on
4 REC values during the Review Period, DR0390 was used from Case No. ER-2021-0312 to
5 obtain information from Liberty since it currently sells RECs. ** [REDACTED]
6 [REDACTED] ** was provided.

7 The other source was from Ameren in its preliminary work for its most recent general
8 rate case and was supported by DR 0001 in Case No. EE-2022-0074. Ameren purchases RECs
9 and stated, ** [REDACTED] **. **

10 The average value per REC was used from these three sources: Evergy, Liberty and
11 Ameren to obtain a reasonable price of \$3.40 per REC.

12 Q. What does Evergy Missouri West state about selling vintage RECs and
13 their value?

14 A. Ms. Messamore's testimony is conflicting in that she indicates that even though
15 these RECs are expired, they can still be sold; however, she also indicates in her testimony that
16 there is not a market for those vintage RECs.⁷

17 Q. Does Evergy Missouri West agree that they should now be selling RECs?

18 A. Yes Evergy Missouri West agrees that it is now time to sell RECs versus
19 allowing them to expire, as stated in Ms. Messamore's testimony: "Given the roughly four-fold
20 increase in REC prices, the Company determined that the revenues which could be generated
21 by selling the RECs and passed to customers through the FAC outweighed the loss of renewable

⁷ Kayla Messamore's direct testimony, page 10, lines 7-10.

1 attributes and the costs of administering the program.”⁸ Staff is pleased that Evergy Missouri
2 West now agrees with Staff’s analysis that RECs should be sold, but the inaction to sell
3 RECs during the current Review Period along with the lack of proper monitoring of these
4 valuable assets was imprudent. .

5 Q. Does Staff believe the Annual Valuation Procedures⁹ used by Evergy Missouri
6 West during the Review Period are sufficient for monitoring, planning and evaluating the
7 financial impact of RECs?

8 A. No, Staff believes in regard to the amount of money involved with RECs, a
9 review only once a year, as Evergy Missouri West did during the Review Period, is not
10 sufficient. Evergy Missouri West admits that prices of RECs are very volatile with changing
11 market conditions. The evaluation of this funding source only once a year is an imprudent action
12 in itself. Also, the Annual Valuation Procedures once a year review is for “soon-to-expire”
13 RECs.¹⁰ As Evergy itself states, RECs are worth less as they vintage¹¹. As such, a constant,
14 planned process needs to exist.

15 Q. Has Evergy Missouri West implemented a new process for monitoring,
16 planning, and evaluating the financial impact of RECs since the time of the Review Period?

17 A. Yes, according to Ms. Messamore’s testimony, “In the summer of 2021, the
18 increasing trend in REC sales prices resulted in a determination that a new REC sale policy
19 should be developed which would govern the sale of any excess RECs not expected to be
20 needed for RES compliance or existing tariffs (as opposed to simply soon-to-expire RECS).”¹²

⁸ Kayla Messamore’s direct testimony, Page 8, lines 17-20.

⁹ Kayla Messamore’s direct testimony, page 8, line 3 and Data Request No. 0056.

¹⁰ Kayla Messamore’s direct testimony, page 8, lines 4

¹¹ Kayla Messamore’s direct testimony, page 6, lines 14-15.

¹² Kayla Messamore’s direct testimony, page 8, lines 6-10.

1 Staff is again pleased that Evergy Missouri West now recognizes the need for a more robust
2 approach to monitoring the sale of RECs, however it is unclear why this new policy was not
3 provided to Staff in the Company's response to DR 0057, dated October 5, 2021, when asked
4 for the Company's REC policies and plans. Although this new policy was implemented outside
5 of the current Review Period, it would have been useful information for Staff to know there is
6 a further plan of action on the sales of REC issue.

7 Q. Ms. Messamore stated that Staff only included the revenues in the disallowance
8 amounts but no costs. Is that an accurate statement?¹³

9 A. Yes, that is an accurate statement. Staff was unaware of the costs related to the
10 sale of RECs. Ms. Messamore states there are broker and transaction fees as well as a fee for
11 CRS Listing each facility annually. Staff is willing to take that into consideration, however
12 Ms. Messamore offered no dollar amounts for those fees so Staff is still unaware of what those
13 costs would be. Also, interest was not included in the disallowance amount. Interest is normally
14 calculated by the Company based on their short-term borrowing rates and included as a part of
15 the ordered adjustment. If transactions fees need to be included, then interest should be included
16 as well.

17 **CONCLUSION**

18 Q. Please summarize Staff's position and recommended disallowance.

19 A. Staff's position is that Evergy Missouri West should have sold its excess RECs
20 during the Review Period as opposed to letting them expire. Selling its excess RECs would
21 have allowed for all Evergy Missouri West ratepayers to benefit by decreased FAC costs.
22 Therefore, Staff has recommended a disallowance of \$271,980 for Evergy Missouri West.

¹³ Kayla Messamore's direct testimony, Page 12, lines 7-12.

1 Evergy Missouri West now agrees it is time to start selling RECs for the purpose of
2 offsetting the fuel cost in the FAC. However, Staff believes the sale of RECs should have
3 occurred in this Review Period. When staff initiated this Prudence Review, the REC price
4 changes were significant. As such, Staff determined Evergy Missouri West to be imprudent due
5 to their lack of monitoring these significant changes and failure to take action during
6 the Review Period.

7 It is Staff’s position that the majority of the excess RECs should have been sold within
8 this Review Period, especially given the large increase in REC value in the spring of 2021 and
9 the number of available RECs that could be sold. Staff took a very conservative approach for
10 the number of RECs and the average price of a REC. No RECs were included for the first half
11 of 2021 since technically those RECs did not expire until December 31, 2021. At the beginning
12 of the Review Period there were no expired RECs for 2019 and 2020, but a miscoding was
13 identified during the Review Period and Evergy Missouri West transferred those expired
14 RECs from Evergy Missouri Metro to Evergy Missouri West. Those 79,994 RECs were part of
15 the disallowance calculations.

16 Evergy Missouri West indicates within testimony that REC selling is only evaluated
17 once a year. Staff believes that this evaluation should be conducted at least quarterly or even a
18 monthly review to deem the greatest benefit of selling RECs and not at the point of
19 “soon-to-be expired” stage. Since Evergy Missouri West has not provided its “new REC sale
20 policy”¹⁴ to Staff, it has not been reviewed and Staff cannot comment on it at this time.

¹⁴ Kayla Messamore’s direct testimony, page 8, lines 7-8.

Rebuttal Testimony of
Cynthia M. Tandy

1 Staff only conducts prudence reviews once every 18 months yet could see definite trends
2 and increases in revenue opportunities. As such, Staff has recommended a disallowance
3 of \$271,980 for Evergy Missouri West.

4 Q. Are you providing any additional information with your direct testimony in
5 regard to Ms. Messamore’s testimony?

6 A. Yes, in Ms. Messamore’s testimony, she discusses Evergy Missouri West’s
7 Purchase Power Agreements. Since Staff did not recommend a disallowance on this issue, Staff
8 is unclear what significance it has or how it relates to the REC issue. Staff concluded in its
9 report, “Given that a majority of Evergy Missouri West’s current wind PPAs are creating more
10 costs for ratepayers than revenues and additional purchased power wind contracts could put
11 ratepayers at greater risk... To remedy this concern, Staff suggests as it has before, that
12 ratepayer risk mitigation or risk sharing could be addressed fairly in the Commission-approved
13 FAC of Evergy Missouri West.” However, that would be addressed in a general rate case.

14 Q. Does this conclude your rebuttal testimony in this proceeding?

15 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

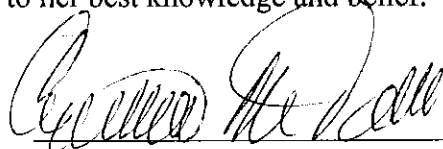
In the Matter of the Tenth Prudence Review)
of Costs Subject to the Commission-) Case No. EO-2022-0065
Approved Fuel Adjustment Clause of)
Evergy Missouri West, Inc. d/b/a Evergy)
Missouri West)

AFFIDAVIT OF CYNTHIA M. TANDY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

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

Further the Affiant sayeth not.

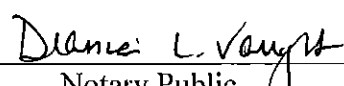


CYNTHIA M. TANDY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 3rd day of June, 2022.

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



Notary Public

Educational Background and Work Experience of Cynthia M. Tandy

My educational background includes a Master of Business Administration degree from William Woods University in Fulton, Missouri and a Bachelor of Science degree in Accounting (with a minor in Economics) from Lincoln University in Jefferson City, Missouri.

After an early retirement from OATS, Inc., Columbia, Missouri, in November 2018, I started a new career as a Utility Regulatory Auditor I and then promoted to Senior Utility Regulatory Auditor with the Energy Resource Department of the Missouri Public Service Commission. Since that point, my experience includes Prudence Reviews, MEEIA Prudence Review, True-ups and FAR filings with four consisting of PISA calculations.

My prior work experience includes 20 years in the public transportation business and consulting. From 1998 to 2018, I held the position of CFO-Finance Director for OATS, Inc., Columbia, Missouri. During those 20 years, I was one of three administrative personnel with oversight responsibility for the \$30 million dollar company. OATS provides transportation services in 87 of the 114 counties in Missouri through eight regional offices. OATS is the largest rural public transportation provider in the United States. As CFO-Finance Director I had the privilege of working with various forms of funding and regulatory requirements with the federal government, State of Missouri and over 1,000 other agencies throughout Missouri.

I currently have a part-time accounting/tax preparation company, CMT Accounting Services. That business has grown continuous since 1997.

Prior to working at OATS, I was employed for over a year as the Controller with the Missouri Development Finance Board. This is a quasi-government agency that handles bond issuances, large tax credits for economic development projects in Missouri, infrastructure and guarantee loan programs. I was involved in all these programs.

Earlier, as the Controller for the Jefferson City Area Chamber of Commerce, I handled all the accounting functions of the Chamber along with two economic development organizations (actually assist with the formation of one of the economic development organization) and the Jefferson City Convention and Visitors Bureau for four years.

My prior experience was in the secretarial areas as a support staff for many different levels of the organizations, such as the Department of Elementary and Secondary Education. I also handled the Food Distribution Program in the 1980s in the southern part of Missouri.