

Exhibit No.:
Issue(s): *Staff's Prudence Review of
Evergy Missouri Metro's
Fuel Adjustment Clause*
Witness: *Brooke Mastrogiannis*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *EO-2032-0276*
Date Testimony Prepared: *November 14, 2023*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

DIRECT TESTIMONY

OF

BROOKE MASTROGIANNIS

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

CASE NO. EO-2023-0276

*Jefferson City, Missouri
November 2023*

**** Denotes Confidential Information ****

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OF
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d/b/a EVERGY MISSOURI METRO
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1 **DIRECT TESTIMONY**

2 **OF**

3 **BROOKE MASTROGIANNIS**

4 **EVERGY METRO, INC.,**

5 **d/b/a EVERGY MISSOURI METRO**

6 **CASE NO. EO-2023-0276**

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

8 A. I am employed by the Missouri Public Service Commission (“Commission”
9 or “PSC”) as a Utility Regulatory Audit Supervisor in the Energy Resources Department.

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

11 A. Please refer to the attached Schedule BMM-d1.

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

13 A. Yes, I have. Please refer to the attached Schedule BMM-d1 for a list of
14 cases in which I have previously filed testimony as well as the issues that I have addressed in
15 testimony and prudence reviews.

16 Q. Have you participated in the Commission Staff’s audit of Evergy Metro, Inc.,
17 d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”) concerning the Staff’s Fuel
18 Adjustment Clause (“FAC”) prudence review in this proceeding?

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

20 **EXECUTIVE SUMMARY**

21 Q. Please summarize your direct testimony in this proceeding.

22 A. I am sponsoring the *Staff’s Fifth Prudence Review Report (Public and*
23 *Confidential)* (“Evergy Missouri Metro Staff Report” or “Staff Report”) which was originally

1 filed on August 30, 2023 in Case No. EO-2023-0276, copies of which (both Public and
2 Confidential) are attached as Schedule BMM-d2 and Confidential Schedule BMM-d3 for
3 Evergy Missouri Metro. Staff analyzed items affecting Evergy Missouri Metro’s fuel costs;
4 purchased power costs; net emission costs; transmission costs; off-system sales revenue; and
5 renewable energy credit revenues during the Review Period¹ of the FAC for the Company.
6 My testimony provides an overview of the Staff Report.

7 **PRUDENCE REVIEW AND STAFF REPORT**

8 Q. Please describe Staff’s prudence review.

9 A. Staff analyzed items affecting Evergy Missouri Metro’s fuel costs; purchased
10 power costs; net emission costs; transmission costs; off-system sales revenue; and renewable
11 energy credit revenues during the Review Period of the FAC. As noted in the attached public
12 and confidential Staff Reports, Staff provided a description of the components it reviewed, a
13 discussion of its review, a summary of any cost implications and Staff’s conclusions based
14 on its review of the components. During its review, Staff found evidence of imprudence by
15 Evergy Missouri Metro choosing to do nothing about the substantial ratepayer harm caused
16 by the PPAs it chose to enter into approximately ten years ago. This is especially concerning
17 when the losses the ratepayers have incurred roughly halfway through the life of the contract
18 of the long-term PPAs is very likely to continue for the remaining years of the life of the
19 agreements. As such, Staff recommended the Commission order an Ordered Adjustment
20 (“OA”) in the amount of \$12,401,229, plus interest, to be applied to Evergy Missouri Metro’s
21 next Fuel Adjustment Rate (“FAR”) filing.²

¹ Evergy Missouri Metro Staff Report covered the Review Period of July 1, 2021 through December 31, 2022.

² This recommended disallowance does not include interest.

1 Q. Please explain the organizational format of the Staff Report.

2 A. The Staff Report has been organized by topic as follows:

3 I. Executive Summary

4 II. Introduction

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

7 IV. Interest

8 In the Purchased Power Costs, Section III.L., Staff explains the recommended
9 adjustment for the Review Period. Signed affidavits for all Staff members who are
10 responsible for a portion of the Staff Report and for whom those portions constitute direct
11 testimony in this proceeding are attached to the Staff Report. The individual Staff member(s)
12 responsible for each area of Staff's direct case is identified in the Staff Report following the
13 written discussion he or she authored, and is the expert witness with respect to that section of
14 the Staff Report.

15 **OVERVIEW OF STAFF'S PROPOSED DISALLOWANCE**

16 Q. In its review of the FAC for Evergy Missouri Metro in Case No.
17 EO-2023-0276, did Staff recommend any disallowances in its Staff Report?

18 A. Yes. Based on its review, Staff found that Evergy Missouri Metro had acted
19 imprudently by not finding a solution for its long-term PPA costs going forward or share
20 more in the losses its ratepayers have incurred over the last approximately ten years. Staff
21 recommended the Commission issue an OA in the amount of \$12,401,229, plus interest, to
22 be applied to Evergy Missouri Metro's next FAR filing. Staff further recommended any

1 losses incurred for all PPAs going forward that are halfway through their contract life be
2 borne by Evergy's shareholders. Further detail of this can be found in the Staff Report.

3 Q. Are there individual witnesses sponsoring this adjustment?

4 A. Yes. Staff expert Brad Fortson and I provided a detailed explanation for the
5 proposed disallowance as related to PPAs starting on page 24 through page 34 of the
6 Evergy Missouri Metro Staff Report.

7 Q. Has any of EMM's PPAs been challenged in the past?

8 A. Yes. OPC challenged Evergy's decisions to acquire Osborn Wind and
9 Rock Creek Wind PPAs in Case No. EO-2019-0067 (consolidated with EO-2019-0068).
10 These PPAs had a contract start effective date of December 1, 2016, and August 1, 2017,
11 respectively.

12 Q. What did the Commission order in these cases?

13 A. In its Report and Order in that case, the Commission stated, "The Commission
14 will not replace the companies' primary supposition at the point of decision that the PPAs
15 were being acquired in the context of a long-term, twenty-year investment with a supposition
16 that the investment was short-term, and then apply a hindsight test and pronounce the
17 investments imprudent."

18 Q. Has Staff raised concerns about these long-term PPAs in past prudence
19 reviews and other cases?

20 A. Staff has acknowledged in past prudence reviews the significant losses
21 Evergy's long-term PPAs were creating.³ Staff has also stated in this FAC prudence review

³ Staff Report from Case No. EO-2022-0064, page 37 line 24 through page 38 line 2.

1 report concerns raised in the Staff Report from Case No. EO-2020-0280, the Evergy Missouri
2 Metro 2020 Integrated Resource Plan (“IRP”) Annual Update, and additional concerns in
3 Case. No. EO-2021-0035, the Evergy Missouri Metro Triennial IRP Filing.

4 Additionally, in those past prudence reviews, Staff identified specific PPAs that were
5 creating more costs to ratepayers than revenues received. However, because of the Report
6 and Order language quoted above, Staff was not recommending a disallowance related to
7 these PPA losses at that time. Staff has also stated in those past prudence reviews that, “Staff
8 notes this is a long-term PPA and the performance of this contract should be viewed on a
9 long-term basis and not just from the results of this Review Period.”⁴

10 Q. Why did Staff not recommend a disallowance or allege imprudence prior to
11 this case?

12 A. Staff has had concerns about all current and future PPAs for some time now,
13 but recognizes that it is difficult to make an imprudence disallowance, especially on a
14 short-term basis. Staff’s language on long-term PPA performance used in previous prudence
15 reviews allowed for and provided an opportunity for these PPAs to turn around positively. In
16 the past, Staff has not alleged imprudence on these PPAs specifically because of this, giving
17 them a chance to turn around and be beneficial to ratepayers, to prove any part of the
18 PPA analysis relied upon was correct, and to allow for a larger dataset to be gathered over a
19 longer period of time.

20 Q. Why is Staff recommending a disallowance now?

⁴ Staff Report from Case No. EO-2020-0263, page 36 lines 11 through 13.

1 A. Some of these PPAs are more than halfway through their contract term,
2 specifically Cimarron 2 and Spearville 3, and the losses are continually growing. Staff is now
3 able to review these PPAs, in the context of a long-term, twenty-year investment, as the
4 Commission suggested in their Report and Order language above. Reviewing the total
5 amount of losses that both Evergy Missouri West and Evergy Metro⁵ customers have suffered
6 since SPP implemented the IM, it is approximately ** [REDACTED] ** dollars, or almost
7 half a billion dollars.

8 As Staff has already noted in the Staff Report, for the past seven⁶ years the market
9 price has been lower than the contract price by ** [REDACTED] **% for Cimarron 2 and ** [REDACTED] **%
10 for Spearville 3. This seems very clear to Staff that for the remainder of each contract it is
11 very unlikely these PPAs will turn around and benefit EMM's customers.

12 Q. Can Evergy Missouri Metro get out of these 20 year PPA contracts?

13 A. Staff is unsure. The current contracts have an Early Termination Clause that
14 essentially says ** [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED] **

20 When Staff asked in DR 83 if Evergy Missouri Metro has considered re-negotiating
21 any of the current PPA contracts, Evergy responded ** [REDACTED]

⁵ The Evergy Metro losses are not separated out between Missouri and Kansas jurisdictions for the purposes of this total amount.

⁶ Staff used seven years instead of ten because of how the SPP data was presented in the years prior to 2016.

1 [REDACTED]

2 [REDACTED]

3 [REDACTED] ** Staff followed up after receiving this response with DR 83.1, and
4 Evergy's response left Staff to believe that Evergy ** [REDACTED]

5 [REDACTED]

6 [REDACTED] ** Staff has sent additional follow-up data requests to further
7 understand Evergy's response and proposals.

8 Q. If Evergy Missouri Metro cannot get out of these contracts, then how can
9 these PPA losses be imprudent?

10 A. Looking at this from a PPA owner's point of view, they likely would not want
11 to renegotiate these contracts, especially at a lower price, because there would be no incentive
12 for them to do so when they have a buyer locked in at a higher rate for a 20-year term.
13 Regardless of whether EMM can get out of these contracts, Evergy Missouri Metro did not
14 only lock themselves into a 20-year term, they locked their CUSTOMERS into 20 years'
15 worth of losses.

16 Q. Was the Company imprudent in signing into these contracts?

17 A. Staff is not necessarily saying it was imprudent, however locking customers
18 in for 20 years, with essentially no way out, was a very high risk to take, not for themselves,
19 but for their customers. This is why Staff is recommending EMM share more in the losses
20 the ratepayers have incurred over all of these years going forward, so they can take the risk
21 they chose when they entered into these contracts and put more of it on themselves and not
22 all on their customers.

1 Q. Does Staff have more information now to make this recommended
2 disallowance?

3 A. Yes. Staff was unable to determine the magnitude of customer harm of these
4 PPAs right after they were entered into, therefore did not make an adjustment on a short-term
5 basis, as described in the Commission Report and Order above. However, Staff is
6 recognizing, and has recognized for a long time, that these PPAs will not make up for the
7 losses they have incurred roughly halfway through the contract term, and Staff now has
8 enough data to make this recommendation.

9 Q. What does the prudence standard state?

10 A. Part of the prudence standard that Staff relies on states, “whether a reasonable
11 person making the same decision would find both the information the decision-maker relied
12 on and the process the decision-maker employed to be reasonable based on the circumstances
13 and information known at the time the decision was made, without the benefit of hindsight.
14 If either the information relied upon or the decision-making process employed was
15 imprudent, then Staff examines whether the imprudence decision caused any harm to
16 ratepayers. Only if an imprudence decision resulted in harm to ratepayers, will Staff
17 recommend a disallowance.”

18 Q. How can Staff recommend a disallowance now, based off this
19 prudence standard?

20 A. Based on the historic actual data, historic trends, the cost/revenue assumptions
21 going forward, and the projected cost and revenue data from the Evergy Missouri Metro
22 preferred plan (ECBEAAA or EAAA as mentioned in the IRP), all show that customer harm
23 is recognizable on a long-term basis, in this circumstance by ** [REDACTED] ** dollars.

1 It is Staff's position that it is imprudent for Evergy's decision makers to not do something
2 about these PPAs that are halfway through their contract, and to continue to allow customer
3 harm due to its long-term PPAs, or share more in the losses the ratepayers have incurred over
4 all of these years.

5 Q. What is Staff's recommendation regarding Evergy Missouri Metro's
6 PPA losses?

7 A. Staff is recommending the Commission order a disallowance of \$12,401,229⁷,
8 plus interest, for Evergy Missouri Metro as an ordered adjustment for this Review Period.
9 This amount comes from both the Cimarron 2 and Spearville 3 PPA losses that occurred
10 during the Review Period. Staff is only recommending a disallowance for these two PPAs at
11 this time because they are the only two that are halfway through their contract terms during
12 the Review Period, and it is very clear the remainder of their contract life will not make up
13 for the losses they have incurred roughly halfway through the contract term. Staff is also only
14 recommending a disallowance of these two PPAs just for the Review Period as opposed to
15 from the beginning of the two contracts, because Staff wanted to give EMM the benefit of
16 the doubt that these contracts would somehow be a benefit to customers on a long-term basis.
17 However, Staff has concluded that customers will never see a benefit from these PPAs,
18 therefore ratepayers should not have to suffer any more harm going forward.

19 In addition, Staff also recommends the Commission order any losses incurred for all
20 PPAs going forward that are halfway through their contract life be borne by shareholders.

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

⁷ This is calculated by taking \$22,936,150 of losses for both Cimarron 2 and Spearville 3 PPAs during the review period, and applying the 95% sharing mechanism and the corresponding monthly jurisdictional factor. The \$22,936,150 is taken from adding the losses for Cimarron 2 and Spearville 3.

Direct Testimony of
Brooke Mastrogiannis

1

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Fifth Prudence Review of)
Costs Subject to the Commission-Approved) Case No. EO-2023-0276
Fuel Adjustment Clause of Evergy Metro, Inc.)
d/b/a Evergy Missouri Metro)
)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
)) ss.
COUNTY OF COLE)

COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Brooke Mastrogiannis*; and that the same is true and correct according to her best knowledge and belief.

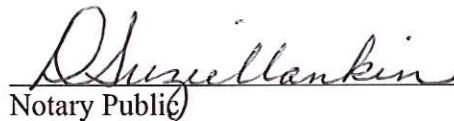
Further the Affiant sayeth not.


BROOKE MASTROGIANNIS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 13th day of November 2023.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070


Notary Public