

*Exhibit No.:*  
*Issue(s):* *Staff's Prudence Review of  
Eversource Missouri West's  
Fuel Adjustment Clause*  
*Witness:* *Brooke Mastrogiannis*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
*Case No.:* *EO-2032-0277*  
*Date Testimony Prepared:* *November 14, 2023*

**MISSOURI PUBLIC SERVICE COMMISSION**

**INDUSTRY ANALYSIS DIVISION**

**ENERGY RESOURCES DEPARTMENT**

**DIRECT TESTIMONY**

**OF**

**BROOKE MASTROGIANNIS**

**EVERGY MISSOURI WEST, INC.,  
d/b/a Eversource Missouri West ("Eversource Missouri West")**

**CASE NO. EO-2023-0277**

*Jefferson City, Missouri  
November 2023*

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10

**TABLE OF CONTENTS OF  
DIRECT TESTIMONY  
OF  
BROOKE MASTROGIANNIS  
EVERGY MISSOURI WEST, INC.,  
d/b/a Evergy Missouri West  
CASE NO. EO-2023-0277**

**EXECUTIVE SUMMARY.....1**  
**PRUDENCE REVIEW AND STAFF REPORT.....2**  
**OVERVIEW OF STAFF’S PROPOSED DISALLOWANCE .....3**



1 filed on August 30, 2023, in Case No. EO-2023-0277 copies of which (both Public and  
2 Confidential) are attached as Schedule BMM-d2 and Confidential Schedule BMM-d3 for  
3 Evergy Missouri West. Staff analyzed items affecting Evergy Missouri West’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 Period<sup>1</sup> 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 West’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 West 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 \$13,989,508, plus interest, to be applied to Evergy Missouri West’s  
21 next Fuel Adjustment Rate (“FAR”) filing.<sup>2</sup> Staff also found evidence of imprudence by

---

<sup>1</sup> Evergy Missouri West Staff Report covered the Review Period of June 1, 2021 through November 30, 2022.

<sup>2</sup> This recommended disallowance does not include interest.

1 Evergy Missouri West when it included Southwest Power Pool (“SPP”) administrative fees  
2 for transmission cost. Staff recommended the Commission Order an OA in the amount  
3 of \$2,076.20, plus interest, for transmission SPP administrative fees also be applied to Evergy  
4 Missouri West’s next FAR filing.

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

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

7 I. Executive Summary

8 II. Introduction

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

11 IV. Interest

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

19 **OVERVIEW OF STAFF’S PROPOSED DISALLOWANCE**

20 Q. In its review of the FAC for Evergy Missouri West in Case No.  
21 EO-2023-0277, did Staff recommend any disallowances in its Staff Report?

22 A. Yes. Based on its review, Staff found that Evergy Missouri West had acted  
23 imprudently by not finding a solution for its long-term PPA costs going forward or share

1 more in the losses its ratepayers have incurred over the last approximately ten years. Staff  
2 recommended the Commission issue an OA in the amount of \$13,989,508, plus interest, to  
3 be applied to Evergy Missouri West's next FAR filing. Staff further recommended any losses  
4 incurred for all PPAs going forward that are halfway through their contract life be borne by  
5 Evergy's shareholders. Staff also found evidence of imprudence by Evergy Missouri West  
6 when it included SPP administrative fees for transmission cost. Staff recommended the  
7 Commission Order an OA in the amount of \$2,076.20, plus interest, for transmission  
8 SPP administrative fees also be applied to Evergy Missouri West's next FAR filing.

9 Further detail of this can be found in the Staff Report.

10 Q. Are there individual witnesses sponsoring these adjustments?

11 A. Yes. Staff expert Brad Fortson and I provided a detailed explanation for the  
12 proposed disallowance as related to PPAs starting on page 25 through page 35 of the  
13 Evergy Missouri West Staff Report. Staff expert Cynthia Tandy provided a detailed  
14 explanation for the proposed disallowance as related to the SPP transmission administrative  
15 fees starting on page 18 through page 19 of the Evergy Missouri West Staff Report.

16 Q. Has any of EMW's PPAs been challenged in the past?

17 A. Yes. OPC challenged Evergy's decisions to acquire Osborn Wind and Rock  
18 Creek Wind PPAs in Case No. EO-2019-0067 (consolidated with EO-2019-0068). These  
19 PPAs had a contract start effective date of \*\* [REDACTED] \*\*  
20 respectively.

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

22 A. In its Report and Order in that case, the Commission stated, "The Commission  
23 will not replace the companies' primary supposition at the point of decision that the PPAs

1 were being acquired in the context of a long-term, twenty-year investment with a supposition  
2 that the investment was short-term, and then apply a hindsight test and pronounce the  
3 investments imprudent.”

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

6 A. Staff has acknowledged in past prudence reviews the significant losses  
7 Evergy’s long-term PPAs were creating.<sup>3</sup> Staff has also stated in this FAC prudence review  
8 report concerns raised in the Staff Report from Case No. EO-2020-0281, the Evergy Missouri  
9 West 2020 Integrated Resource Plan (“IRP”) Annual Update, and additional concerns in  
10 Case. No. EO-2021-0036, the Evergy Missouri West Triennial IRP Filing.

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

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

19 A. Staff has had concerns about all current and future PPAs for some time now,  
20 but recognizes that it is difficult to make an imprudence disallowance, especially on a short-  
21 term basis. Staff’s language on long-term PPA performance used in previous prudence

---

<sup>3</sup> Staff Report from Case No. EO-2022-0065, page 38 lines 2 through 8.

<sup>4</sup> Staff Report from Case No. EO-2020-0263, page 33 lines 6 through 8.

1 reviews allowed for and provided an opportunity for these PPAs to turn around positively. In  
2 the past, Staff has not alleged imprudence on these PPAs specifically because of this, giving  
3 them a chance to turn around and be beneficial to ratepayers, to prove any part of the PPA  
4 analysis relied upon was correct, and to allow for a larger dataset to be gathered over a longer  
5 period of time.

6 Q. Why is Staff recommending a disallowance now?

7 A. Some of these PPAs are more than halfway through their contract term,  
8 specifically Gray County and Ensign, and the losses are continually growing. Staff is now  
9 able to review these PPAs, in the context of a long-term, twenty-year investment, as the  
10 Commission suggested in their Report and Order language above. Reviewing the total  
11 amount of losses that both Evergy Missouri West and Evergy Metro<sup>5</sup> customers have suffered  
12 since SPP implemented the IM, it is approximately \*\* [REDACTED] \*\* dollars, or almost  
13 half a billion dollars.

14 As Staff has already noted in the Staff Report, for the past seven<sup>6</sup> years the market  
15 price has been lower than the contract price by \*\* [REDACTED] \*\*% for Ensign and \*\* [REDACTED] \*\*% for  
16 Gray County. This seems very clear to Staff that for the remainder of each contract it is very  
17 unlikely these PPAs will turn around and benefit EMW's customers.

18 Q. Can Evergy Missouri West get out of these 20 year PPA contracts?

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

21  

---

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

<sup>6</sup> 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]  
4 [REDACTED]\*\*

5 When Staff asked in DR 78 if Evergy Missouri West has considered re-negotiating  
6 any of the current PPA contracts, Evergy responded \*\* [REDACTED]

7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]\*\*

10 Additionally, Staff points out that the Gray County contract was amended in March  
11 2015 and November 2020, and the Ensign contract was also amended but Staff is following  
12 up for more information on that. The Gray County November 2020 amended contract was  
13 amended to replace \*\* [REDACTED]

14 [REDACTED]  
15 [REDACTED]\*\*

16 Staff has sent follow-up  
17 discovery on this amended language, and is unsure at this point how it would benefit  
18 Evergy Missouri West's customers.

19 Q. If Evergy Missouri West cannot get out of these contracts, then how can  
20 these PPA losses be imprudent?

21 A. Looking at this from a PPA owner's point of view, they likely would not want  
22 to renegotiate these contracts, especially at a lower price, because there would be no incentive  
23 for them to do so when they have a buyer locked in at a higher rate for a 20-year term.

24 Regardless of whether EMW can get out of these contracts, Evergy Missouri West did not

1 only lock themselves into a 20-year term, they locked their CUSTOMERS into 20 years'  
2 worth of losses.

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

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

10 Q. Does Staff have more information now to make this recommended  
11 disallowance?

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

18 Q. What does the prudence standard state?

19 A. Part of the prudence standard that Staff relies on states, "whether a reasonable  
20 person making the same decision would find both the information the decision-maker relied  
21 on and the process the decision-maker employed to be reasonable based on the circumstances  
22 and information known at the time the decision was made, without the benefit of hindsight.  
23 If either the information relied upon or the decision-making process employed was

1 imprudent, then Staff examines whether the imprudence decision caused any harm to  
2 ratepayers. Only if an imprudence decision resulted in harm to ratepayers, will Staff  
3 recommend a disallowance.”

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

6 A. Based on the historic actual data, historic trends, the cost/revenue assumptions  
7 going forward, and the projected cost and revenue data from the Evergy Missouri West  
8 preferred plan (ECBECAA or ECAA as mentioned in the IRP), all show that customer harm  
9 is recognizable on a long-term basis, in this circumstance by \*\* [REDACTED] \*\* dollars. It  
10 is Staff’s position that it is imprudent for Evergy’s decision makers to not do something about  
11 these PPAs that are halfway through their contract, and to continue to allow customer harm  
12 due to its long-term PPAs, or share more in the losses the ratepayers have incurred over all  
13 of these years.

14 Q. What is Staff’s recommendation regarding Evergy Missouri West’s  
15 PPA losses?

16 A. Staff is recommending the Commission order a disallowance of \$13,989,508<sup>7</sup>,  
17 plus interest, for Evergy Missouri West as an OA for this Review Period. This amount comes  
18 from both the Gray County and Ensign PPA losses that occurred during the Review Period.  
19 Staff is only recommending a disallowance for these two PPAs at this time because they are  
20 the only two that are halfway through their contract terms during the Review Period, and it  
21 is very clear the remainder of their contract life will not make up for the losses they have

---

<sup>7</sup> This is calculated by taking \$14,754,268 of losses for both Ensign and Gray County PPAs during the review period, and applying the 95% sharing mechanism and the corresponding monthly jurisdictional factor. The \$14,754,268 is taken from adding the losses for Ensign and Gray County.

1 incurred roughly halfway through the contract term. Staff is also only recommending a  
2 disallowance of these two PPAs just for the Review Period as opposed to from the beginning  
3 of the two contracts, because Staff wanted to give EMW the benefit of the doubt that these  
4 contracts would somehow be a benefit to customers on a long-term basis. However, Staff has  
5 concluded that customers will never see a benefit from these PPAs, therefore ratepayers  
6 should not have to suffer any more harm going forward.

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

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

10 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of the Eleventh Prudence Review )  
of Costs Subject to the Commission-Approved ) Case No. EO-2023-0277  
Fuel Adjustment Clause of Evergy Missouri )  
West, Inc. d/b/a Evergy Missouri West )  
)

**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 13<sup>th</sup> 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