

Exhibit No.:
Issue(s): *Staff's Recommendation
of Evergy Missouri West's
Fuel Adjustment Rate
Tariff Filing*
Witness: *Brooke Mastrogiannis*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *ER-2023-0444*
Date Testimony Prepared: *November 30, 2023*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

BROOKE MASTROGIANNIS

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

CASE NO. ER-2023-0444

*Jefferson City, Missouri
November 2023*

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **BROOKE MASTROGIANNIS**

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

6 **CASE NO. ER-2023-0444**

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

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

10 Q. Have you participated in the Commission Staff’s review of Evergy Missouri
11 West, Inc., d/b/a Evergy Missouri West’s (“Evergy Missouri West” or “EMW” or “Company”) Fuel Adjustment Rate (“FAR”) filing and the Staff’s Recommendation in this proceeding?

12 A. Yes, I have. I filed Staff’s Recommendation on July 31, 2023.

13 Q. Are you the same Brooke Mastrogianis who previously provided testimony in
14 this case?
15

16 A. Yes. I filed direct testimony in this case on October 31, 2023.

17 **EXECUTIVE SUMMARY**

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

19 A. I am responding to the direct testimony of Evergy Missouri West witness
20 Lisa A. Starkebaum as she addresses the Company’s updated position and its 3-step process.
21 I will also respond to the direct testimony of Evergy Missouri West witness John R. Carlson,
22 as he addresses excluding the first four hours every time a load deviation event occurs. Lastly,
23 I will provide a conclusion and reiterate Staff’s position.

1 **RESPONSE TO MRS. STARKEBAUM**

2 Q. Does Mrs. Starkebaum identify several issues that have created confusion from
3 the Company's original filing that was filed on June 30, 2023, to what we know as the
4 Company's calculation as of today?

5 A. Yes. She describes on page 13 of her direct testimony filed on October 31, 2023,
6 the following issues that have changed since EMW's original filing:

7 1). EMW's event calculation originally began with hour 1 and included everything,
8 except the last 4 hours¹. The Company has now changed its position and now starts with hour 5
9 and includes every hour past that, excluding the first 4 hours.

10 2). EMW had a journal entry of \$9,468 recorded in the general ledger in May 2023
11 based off the information and calculation it thought resulted in an increase to non-Nucor
12 customers. However, the Company then stated, based off of its calculations, the adjustment
13 should not have been recorded because it was a decrease to non-Nucor customers, so it manually
14 removed that adjustment from the FAC's Actual Net Energy Costs ("ANEC").

15 3). Based off Mrs. Starkebaum's direct testimony filed on October 31, 2023, and
16 not the original filing on June 30, 2023, the Company's original analysis included errors, and
17 when corrected, results now in an overall credit adjustment needed of \$26,327 from the FAC's
18 ANEC, because it was an increase to non-Nucor customers. At this stage in its investigation,
19 Staff is unsure how the actual MW data from February 2023 can change, where that source of
20 information comes from, and is requesting further information to answer these questions.

¹ Mrs. Starkebaum's direct testimony describes this as "EMW's event calculation erroneously began with hour 1 and included through hour 4 excluding 5+ rather than starting with hour 5." However, after reviewing the workpapers from the 6/30/23 filing, the event calculation begins with hour 1, and includes everything except the last 4 hours.

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1 4). Mrs. Starkebaum’s direct testimony filed on June 30, 2023, stated that a monthly
2 entry would be made going forward related to the event tracking. However, in her October 31,
3 2023, direct testimony, she now states a monthly entry will not be made, and the events will
4 just be netted and tracked on a monthly basis.

5 5). EMW clarified that the delta in Step 3’s description (will be discussed further
6 below), where the Company has stated, “A delta is derived by applying the hourly load
7 balancing amount to the original average hourly load price calculated earlier,” the Company
8 intends that the hourly load balancing amount will be removed from the original average hourly
9 load price calculated in Step 1. Staff does not fully understand this issue that EMW has
10 identified, and is requesting further information.

11 Staff points out that these items listed above are things that have changed with EMW’s
12 initial position filed on June 30, 2023. This exacerbates Staff’s confusion, and reiterates why
13 Staff has no trust that EMW would not attempt to change its position again based on its present
14 spin of the Nucor Stipulation language.

15 Q. Is there more confusion within Mrs. Starkebaum’s direct testimony that was
16 filed on October 31, 2023?

17 A. Yes. She states several times that events can be either an increase or decrease to
18 the costs assigned to Nucor, however Staff is unsure how that can be so since Evergy is not
19 flowing more costs to Nucor. This was initially confusing to Staff because her testimony
20 describing this is misleading. It was illustrated in Mrs. Starkebaum’s testimony starting on
21 pages 8 and 9, where the first illustrative example shows if the effect is a negative amount, the
22 sentence before that states, “The value of this event is a decrease in Nucor load costs, or said
23 differently, an increase to non-Nucor customers.” The second illustrative example on page 9

1 shows if the effect is a positive amount, the sentence before it states, “The value of this event
2 is an increase in Nucor load costs, or said differently, a decrease to non-Nucor customers.”

3 Q. You stated above that Mrs. Starkebaum’s testimony describing these illustrative
4 examples are misleading, what do these illustrative examples actually show?

5 A. In the first illustrative example on page 9, the load deviation did not result in
6 increased costs. In the second illustrative example on page 9, the load deviation did result in
7 increased costs, and they need to be removed, otherwise non-Nucor ratepayers are paying for
8 costs caused by Nucor load.

9 Subsequently, on page 11 of Mrs. Starkebaum’s direct testimony, she uses another
10 illustrative example to show that if the result is a positive, or otherwise said, an increase to non-
11 Nucor customers, (in this instance at the end of the 32nd Accumulation Period), then EMW
12 would make a general ledger entry to remove those costs out of the FAC.

13 It is Staff’s understanding that Mrs. Starkebaum is looking at this view from the Evergy
14 shareholder perspective and the purchased power costs Evergy has assigned to Nucor, and then
15 determining the impact on non-Nucor customers. This can be a confusing concept, because
16 Evergy is not flowing more costs to Nucor, however they are for internal purposes “assigning”
17 those costs to Nucor. Therefore, Evergy would only make an adjustment when there is an
18 increase to non-Nucor customers, while no adjustment would be made if there is a decrease to
19 non-Nucor customers. This approach is consistent with Staff’s opinion. The differences in our
20 opinions will be explained further below.

21 Q. When Mrs. Starkebaum says that they are assigning costs to Nucor, what does
22 that mean?

1 A. Staff is not entirely sure, but it is important to point out to the Commission that
2 there are two parties involved here, that is Evergy's ratepayers and Evergy's shareholders, as
3 Nucor is completely shielded with the one rate they pay. The non-Nucor customers, otherwise
4 known as Evergy's ratepayers, is one bucket of costs that are caused by everyone, so reasonably
5 they pay their costs through the FAC. The other bucket of costs are the costs caused by Nucor,
6 and unless they are removed from the FAC and paid by Evergy's shareholders, not Nucor, then
7 ratepayers are paying for the costs caused by Nucor. This was the intention of the Stipulation
8 language agreed to in both the original Nucor Stipulation from EO-2019-0244, and the same
9 language from the last Evergy Missouri West rate case ER-2022-0130.

10 Q. So to be clear, are there any additional costs Nucor itself is incurring because of
11 this new event tracking method?

12 A. No. Nucor is not being affected at all, which is why Staff is only viewing this as
13 how it affects non-Nucor customers. Staff wants to make it clear to the Commission that Nucor
14 is not seeing any price increases by tracking these events, as it is only paying the rate set forth
15 in the Company's Schedule SIL tariff sheets. The point of identifying these costs is to shelter
16 non-Nucor customers from the costs that were *caused* by Nucor. The Stipulation and Agreement
17 provides a safety net for customers, or otherwise said "non-Nucor customers," to identify costs
18 that were caused by the Nucor load, and the company is required to adjust out these costs,
19 because absent the Nucor load, these costs would not have happened. This is strictly a method
20 of tracking the effects/costs caused by Nucor load, and the Stipulation language is there to
21 protect customers (i.e., non-Nucor customers) ONLY if there is an increase to non-Nucor
22 customers.

23 Q. What does Staff understand the Company's position to be as of today?

1 A. Mrs. Starkebaum discusses using a 3-step process in her direct testimony that
2 was filed on October 31, 2023. Step 1 removes Nucor-related purchased power costs from the
3 FAC every month it takes the average hourly load price and applies them to the hourly Nucor
4 usage, and makes a monthly journal entry to separately identify these costs. This step began in
5 March 2020.

6 Step 2 started in May 2023 as the Company attempted to implement the settlement terms
7 from the Stipulation and Agreement in Case No. ER-2022-0130, for the first time although it
8 has been required since the Nucor SIL tariff was approved from the Stipulation and Agreement
9 in Case No. EO-2019-0244. This step started after the Company revised its methodology from
10 the original Nucor case, Case No. EO-2019-0244, by identifying Nucor load deviation events
11 based off the paragraph 7.d. EMW's calculation of Step 2 looks at events within a given month
12 on an hourly basis comparing Nucor's actual load against the forecasted annual average hourly
13 load for a 24-hour period². For the identified events over 4 hours, the difference between the
14 hourly day-ahead and real-time energy prices are applied to the difference between the Nucor
15 hourly forecasted load usage and the hourly actual load usage. If an event results in an increase
16 to non-Nucor customers, then there will be an adjustment to the FAC ANEC. The company
17 intends to perform the event tracking analysis for each month and net all events during the
18 month which would include both the increases and decreases identified in the Nucor load
19 balancing adjustment.

20 Step 3 then uses the Step 1 data, and the analysis from the Step 2 data, to determine if
21 additional amounts are being directly assigned to Nucor. Therefore, Step 1 is reviewed again to

² Evergy Missouri West witness Lisa A. Starkebaum describes this in her direct testimony, page 7, lines 17 through 19. However, Staff points out that EMW is comparing Nucor's actual load against the average hourly load shape (instead of the forecasted hourly load) for a 24-hour period.

1 see if the result of the analysis impacts the average hourly load price to apply to Nucor's usage.
2 After the load balancing adjustment is calculated in Step 2, a delta is derived by applying the
3 hourly load balancing amount to the original average hourly load price and comparing the
4 original hourly Nucor-related purchased power costs from Step 1 to the updated hourly Nucor-
5 related purchased power costs from Step 2.

6 Lastly, Mrs. Starkebaum explains that the Company intends to perform the event
7 tracking analysis for each month and net all events during the month, which would include both
8 the increases and decreases, and the company would look at the monthly activity over an
9 accumulation period prior to making its semi-annual rate update filing and record an entry, if
10 necessary. She then provides an illustrative example.

11 Q. What in this illustrative example did Mrs. Starkebaum not explain in the 3-step
12 process?

13 A. She illustrates if there is an increase in costs to non-Nucor customers, a general
14 ledger entry should be made, and then the "balance" is set to zero. But then she also illustrates
15 if the result of the end of netting an accumulation period is a decrease in costs to non-Nucor
16 customers, there would not be an adjustment, however, that balance would be kept and tracked
17 to offset the increased balances in a future accumulation period. She does not describe this as
18 step 4, however, Staff thinks this is the most important step to point out as it is not giving
19 customers the full benefit the Nucor Stipulation intended. She only explains very briefly in her
20 testimony that the Company believes it is important to analyze the event tracking over the life
21 of the Nucor contract.

22 Q. How does EMW's new methodology go against its own words, to analyze the
23 event tracking over the life of the Nucor contract?

1 A. Because Schedule SIL took effect in January 2020, and EMW has just now
2 attempted to implement paragraph 7.d. from the Stipulation and Agreement, it has excluded
3 nearly the first four years from its tracking on a cumulative basis for up to a ten-year period.
4 So, it is inaccurate to say the Company is tracking on a cumulative basis for up to a ten-year
5 period when the first almost four years are not included in this tracking. Especially, since
6 Storm Uri fell within the timeframe this data was to be tracked but has not been. Staff has
7 calculated that adjustment to be approximately ** [REDACTED] **, which was never accounted for.

8 Q. Does this illustration of what Staff describes as step 4, with EMW keeping the
9 balance that is used towards future Accumulation Period's, cause Staff any other concerns?

10 A. Yes. Staff is of the opinion that this balance should reset to zero after each
11 accumulation period. Nowhere in the Stipulation and Agreement does this methodology exist
12 of tracking the decreases to non-Nucor customers to offset future balances. Also, there is
13 currently no other adjustment in the FAC that is tracked over a ten-year period by using previous
14 months outside of the accumulation period, to be accounted for in an adjustment; and there is
15 no FAC tariff language that permits this. When Staff asked EMW how this is compliant
16 within the current FAC tariff sheets, it stated, "While there is currently no reference within the
17 FAC tariff language to account for this Nucor event tracking process, historically, the Company
18 has included corrections within the true-up filing made concurrent with each semi-annual
19 rate update. These true-up filings have included corrections to prior periods outside of the
20 current accumulation period."³ Staff points out that the true-up within a FAR filing is very
21 specific to allowing a Company to recover the difference between the actual FAC billed to
22 customers in the recovery period and the actual FAC costs (as compared to the net base energy

³ EMW response to Staff Data Request No. 0002.

1 costs) in that corresponding accumulation period. Any true-up filings that have included
2 corrections to prior periods outside of the current accumulation period that Staff is aware of
3 were specific to calculation errors from the original Accumulation Period filing, or Winter
4 Storm Uri resettlements of both costs and revenues from SPP. Neither of which were associated
5 with EMW's Nucor methodology and how it interprets a "tracking of costs" from a Stipulation
6 and Agreement.

7 **RESPONSE TO MR. CARLSON**

8 Q. Please explain Staff's confusion with Company witness John R. Carlson's direct
9 testimony and how it goes against EMW's assumed position in EMW's last rate case?

10 A. Mr. Carlson summarizes that starting with the 5th hour of an operational event,
11 the Company has tracked the hourly impact of Nucor's real time load deviation from its day
12 ahead forecast. This causes confusion for Staff because it was Staff's understanding that the
13 Company agreed to include the first 4 hours, as Mr. Carlson's workpapers are reflected this way
14 in File No. ER-2022-0130, within his rebuttal testimony. Staff is also confused with the
15 Company's position on this, because in direct testimony filed on June 30, 2023, it included the
16 first four hours, but excluded the last 4 hours (see testimony above on page 2).

17 Q. What else does Mr. Carlson state that has no merit?

18 A. Mr. Carlson provides the Stipulation and Agreement language from
19 Paragraph 7.d. as follows:

20 GMO will monitor Nucor operations and will identify additional
21 SPP-related costs resulting from unexpected operational events. If Nucor
22 load experiences a 25% deviation from the expected Nucor load for more
23 than 4 hours and that load change is not reflected in the GMO day-ahead
24 commitments, GMO will quantify the balancing relationship between the
25 hourly and day-ahead prices to identify the effect of the unplanned load
26 change to apportion any additional SPP balancing charges and will

1 incorporate the effect attributed to Nucor into the tracking of Nucor
2 costs. If the effect of this relationship increases costs to non-Nucor
3 customers, the amount will be reflected in a subsequent FAC rate change
4 filing and the portion attributed to Nucor will be identified with
5 supporting work papers and removed from the Actual Net Energy Cost
6 prior to the calculation of the FAC rates.

7 Mr. Carlson then states later in his testimony that the Stipulation does not state that the
8 Company should only identify the effect of unplanned load changes if they impact non-Nucor
9 customers in a negative way. He goes on to say that the Stipulation states the Company will
10 identify the effect of any unplanned load changes to apportion any additional SPP balancing
11 charges to Nucor. If the effect is an increase in costs to non-Nucor, then an adjustment will be
12 made to reduce the FAC costs. However, this does not mean that the Company should not also
13 track those times when the unplanned load changes reduce non-Nucor costs, and both positive
14 and negative effects have been tracked.⁴

15 Staff points out that the Stipulation clearly states that once GMO (EMW) quantifies the
16 balancing relationship between the hourly and day-ahead prices to identify the effect of the
17 unplanned load change, then ONLY if the effect of this relationship increases costs to non-
18 Nucor customers will the amount be reflected in a subsequent FAC rate change filing, and
19 removed from the ANEC. The Stipulation does not state anything about tracking the costs, both
20 positive and negative effects, for a ten-year period (while excluding almost the first four years),
21 and it also does not talk about taking a “net effect” over any time frame at all. It simply states,
22 “If the effect of this relationship **increases** costs to non-Nucor customers, the amount will be
23 reflected in a subsequent FAC rate change filing and the portion attributed to Nucor will be
24 identified with supporting work papers and removed from the Actual Net Energy Cost prior to

⁴ John R. Carlson’s direct testimony filed on October 31, 2023, page 6, lines 7 through 16.

1 the calculation of the FAC rates.” EMW is treating that language as if it reads, “If the effect of
2 this relationship increases **or decreases** costs to non-Nucor customers...” However, the
3 Commission-approved Nucor Stipulation only explicitly includes increases, not decreases.

4 Staff also points out that EMW witnesses Mr. Carlson, Mrs. Starkebaum, and Mr. Ives,
5 are taking the term “tracking” in the Stipulation as though EMW is allowed to track these events
6 over a ten-year period, however, that is not what the Stipulation says. It states that EMW needs
7 to track costs to see if it has an effect on non-Nucor customers, and then once that effect occurs,
8 only the increases to non-Nucor customers should be removed from the FAC ANEC. Staff finds
9 EMW’s use of the term “tracking” as interchangeable with the term “tracker” to be
10 unreasonable without the request and Commission approval for an actual cost tracker in a
11 general rate case, which Staff is not advocating for.

12 **CONCLUSION**

13 Q. What is Staff’s recommendation to the Commission in this case?

14 A. As stated in Staff’s Recommendation filed on July 31, 2023, and again reiterated
15 in my direct testimony on October 31, 2023, Staff recommends the Commission issue an order
16 to reject Evergy Missouri West’s proposed tariff sheet, and in addition Staff recommended the
17 Company remove approximately \$48,018.52 of recovery from the FAC. If Staff were to accept
18 EMW’s new updated February 2023 data, then Staff’s updated adjustment would be
19 \$59,165.82. This is the result of Staff’s interpretation of the Nucor adjustment from the
20 Stipulation and Agreement in Case No. EO-2019-0244 (“Nucor Stipulation”),⁵ accounting for
21 additional purchased power costs caused by certain Nucor-related events as described in

⁵ On November 13, 2019, the Commission issued its *Report and Order* approving the *Non-Unanimous Stipulation and Agreement* filed on September 19, 2019.

1 paragraph 7d. of the Nucor Stipulation. Staff's calculation, pursuant to the Nucor Stipulation,
2 is accounting for only the unexpected operational events that result in an increase to non-Nucor
3 customers, and also accounting for every hour of the event once the event experiences a 25%
4 deviation from expected Nucor load for more than 4 hours.

5 In addition to this recommendation, Staff further recommends the Commission's Report
6 and Order is very clear on how often these costs can be netted, what hours can be included once
7 a deviation event occurs, and if the balance sets to zero at the end of each event, month, or
8 accumulation period, regardless of whether an adjustment is made. Lastly, if the Company
9 wants to make a request for a tracker of these costs, then Staff recommends that the Commission
10 order that the Company make such a request within a general rate case, not a FAC FAR filing.

11 Q. Based off EMW witness Mr. Ives' accusations that Staff is cherry-picking the
12 data so that non-Nucor customers always receive a benefit, would Staff have any alternate
13 recommendation to the Commission?

14 A. This is discussed in more detail in Staff expert Brad Fortson's rebuttal testimony,
15 however I will reiterate that the Stipulation is very clear that the deviation events need to be
16 tracked, and then once those effects are calculated, only the increases to non-Nucor customers
17 are to be adjusted and removed from the FAC ANEC; the Stipulation does not use the term
18 "net effect" at all. However, if the Commission were to consider alternative recommendations,
19 Staff finds that netting the events over a monthly basis, or over a six-month Accumulation
20 Period, may be reasonable. This would only be appropriate if the balance gets set to zero after
21 each Accumulation Period ends. If the Commission prefers either of these two alternative

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1 | methods, and using EMW's new updated February 2023 data, then the adjustment would be
2 | \$34,759.15.⁶

3 | While it is Staff's opinion that the Stipulation is not written to include any "net" effects
4 | at all, Staff points out that this solution is much more reasonable than EMW's position of netting
5 | the effects over a ten-year period, while ignoring the first almost four years of events.

6 | Q. Does this conclude your prepared rebuttal testimony in this proceeding?

7 | A. Yes, it does.

⁶ This amount is the same for each alternative method for this Accumulation Period since every month in this Accumulation Period resulted in an increase to non-Nucor customers. However, the two alternative methods could result in different amounts in an Accumulation Period if any months in the Accumulation Period resulted in both an increase and decrease to non-Nucor customers.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Evergy)
Missouri West, Inc. d/b/a Evergy Missouri)
West for Authority to Implement Rate)
Adjustments Required by 20 CSR 4240-)
20.090(8) and the Company's Approved)
Fuel and Purchased Power Cost Recovery)
Mechanism)

Case No. ER-2023-0444

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 *Rebuttal Testimony of Brooke Mastrogiannis*; and that the same is true and correct according to her best knowledge and belief.

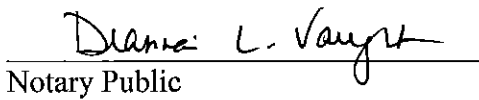
Further the Affiant sayeth not.


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 27th day of November 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377


Notary Public