

*Exhibit No.:* PPA cost-sharing  
*Issue(s):* Brad J. Fortson  
*Witness:* MoPSC Staff  
*Sponsoring Party:* Rebuttal Testimony  
*Type of Exhibit:* EO-2023-0276 and  
*Case Nos.:* EO-2023-0277  
*Date Testimony Prepared:* December 14, 2023

**MISSOURI PUBLIC SERVICE COMMISSION**  
**INDUSTRY ANALYSIS DIVISION**  
**ENERGY RESOURCES DEPARTMENT**

**REBUTTAL TESTIMONY**

**OF**

**BRAD J. FORTSON**

**EVERGY METRO, INC., d/b/a EVERGY MISSOURI METRO**  
**Case No. EO-2023-0276**

**EVERGY MISSOURI WEST, INC., d/b/a EVERGY MISSOURI WEST**  
**CASE NO. EO-2023-0277**

*Jefferson City, Missouri*  
*December 2023*

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2 **REBUTTAL TESTIMONY**

3 **OF**

4 **BRAD J. FORTSON**

5 **EVERGY MISSOURI METRO, INC. d/b/a EVERGY MISSOURI METRO**  
6 **CASE NO. EO-2023-0276**

7  
8 **EVERGY MISSOURI WEST, INC., d/b/a EVERGY MISSOURI WEST**  
9 **CASE NO. EO-2023-0277**

10 Q. Please state your name and business address.

11 A. My name is Brad J. Fortson, and my business address is Missouri Public Service  
12 Commission, P.O. Box 360, Jefferson City, Missouri 65102.

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

14 A. I am employed by the Missouri Public Service Commission (“Commission”) as  
15 the Regulatory Compliance Manager of the Energy Resources Department.

16 Q. What is your educational background and work experience.

17 A. Please refer to the attached Schedule BJF-r1.

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

19 A. Yes. Please refer to the attached Schedule BJF-r1 for a list of cases in which  
20 I have previously filed testimony.

21 **EXECUTIVE SUMMARY**

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

23 A. The purpose of my rebuttal testimony is to respond to the direct testimony of  
24 Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“EMM”) and Evergy Missouri West, Inc.  
25 d/b/a Evergy Missouri West’s (“EMW”) (collectively “Company” or “Evergy”) witnesses  
26 Mr. Darrin R. Ives, Ms. Kayla Messamore, and Mr. John J. Reed in regards to *Staff’s Fifth*

1 *Prudence Review Report* (“EMM Staff Report”) for EMM and *Staff’s Eleventh Prudence*  
2 *Review Report* (“EMW Staff Report”) for EMW (collectively “Staff Reports”) filed  
3 on August 30, 2023, in this case.

4 Q. What did Staff recommend in its Staff Reports?

5 A. Staff recommended the Commission order a disallowance of \$12,401,229, plus  
6 interest, for EMM as an ordered adjustment for the Review Period.<sup>1</sup> This amount comes from  
7 both the Cimarron 2 and Spearville 3 purchased power agreements (“PPA”) losses that occurred  
8 during the Review Period. Staff only recommended a disallowance for these two EMM PPAs  
9 at this time since they are the only two that are halfway through their contract terms during the  
10 Review Period. Staff recommended the Commission order a disallowance of \$13,989,508, plus  
11 interest, for EMW as an ordered adjustment for the Review Period.<sup>2</sup> This amount comes from  
12 both the Gray County and Ensign PPA losses that occurred during the Review Period. Staff  
13 only recommended a disallowance for these two EMW PPAs at this time since they are the only  
14 two that are halfway through their contract terms during the Review Period. Staff further  
15 recommended the Commission order any losses incurred for all PPAs going forward that are  
16 halfway through their contract life be borne by the Company’s shareholders.

17 **RESPONSE TO COMPANY WITNESS MR. IVES**

18 Q. Mr. Ives uses some strong words in his criticism of Staff’s recommended  
19 disallowances. In fact, the first thing he says after he introduces himself in testimony is that,  
20 “The Company is persistently being accosted by Staff and OPC<sup>3</sup> with continued

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<sup>1</sup> The Review Period for EMM was July 1, 2021 – December 31, 2022.

<sup>2</sup> The Review Period for EMW was June 1, 2021 – November 30, 2022.

<sup>3</sup> The Office of the Public Counsel.

1 recommendations for punitive disallowances that dredge up old arguments and old decisions,  
2 particularly as it relates to EMW resource planning issues.”<sup>4</sup> How do you respond to that?

3 A. Staff thoroughly reviews and evaluates in each case filed by the Company, or in  
4 any prudence review initiated by Staff, all things relevant to those filings. Same as it does for  
5 all Missouri investor-owned utilities. As a part of Staff’s review and evaluation in those filings,  
6 it has often called into question decisions made by the Company, which is the purpose of a  
7 prudence review. That is all that Staff is doing in this case.

8 Q. Mr. Ives goes on to say, “It is not productive to continue to have these recurring  
9 resource planning arguments and, frankly, it is damaging to the utility and its customers. It is  
10 time to look forward, not backwards.”<sup>5</sup> Do you agree with these statements?

11 A. Only in the sense that Staff continually looks forward and constantly works with  
12 the Company on forward-looking outcomes. However, Staff is required to look “backwards”  
13 in its prudence reviews since it is reviewing costs that have already occurred. In the prudence  
14 review at the focus of this case, given the timing of the previous prudence review, Staff was  
15 required to review costs starting in July 1, 2021, for EMM and June 1, 2021, for EMW. That  
16 is why our recommended disallowances in the Staff Reports were only for those periods.

17 Q. Mr. Ives further states that, “The positions being taken by Staff and OPC in this  
18 case and in other cases are punitive and irresponsible and seek to propagate a “heads I win, tails  
19 you lose” approach to resource planning and ratemaking which is dangerous and not in the  
20 interest of EMW’s retail customers.”<sup>6</sup> Is this an accurate statement?

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<sup>4</sup> *Direct Testimony of Darrin R. Ives*, pg. 3.

<sup>5</sup> *Direct Testimony of Darrin R. Ives*, pg. 3.

<sup>6</sup> *Ibid.*

1           A.     Absolutely not. It is actually quite contrary to Staff's position in this case.  
2 It would be irresponsible for Staff to not take any action in regards to the PPA losses that are  
3 directly, and significantly, affecting the Company's ratepayers. In this case, the Company is  
4 not taking any action, or not to the extent necessary, to do its ratepayers the service they deserve  
5 for being held hostage to the PPA losses the ratepayers can do absolutely nothing about.  
6 Ironically, the "heads I win, tails you lose" approach that Staff is being accused of taking is  
7 exactly the approach the Company took when signing into these PPAs.

8           Q.     Mr. Ives further states, "The positions advocated by Staff and OPC are pushing  
9 the Company toward simply purchasing market energy and paying penalties to SPP<sup>7</sup> when  
10 market capacity is not available rather than to execute on our prudent IRP."<sup>8</sup> How do  
11 you respond?

12          A.     This is a bold statement and a direction that if pursued by the Company would  
13 have its own implications. That is likely a completely different conversation for another time  
14 if that is the route the Company chooses to go. In this case, Staff has simply brought the  
15 Company's PPAs into question and has simply recommended a way for customers to not  
16 continue to bear the lion's share of the PPA losses.

17          Q.     In that same quote, Mr. Ives states "... rather than to execute on our prudent  
18 IRP." Does Staff have a comment regarding Mr. Ives use of the phrase "prudent IRP?"

19          A.     Yes. Staff does not agree that the IRP is necessarily prudent. Staff is confident  
20 that the Company believes its IRP to be prudent. However, while the Commission may find an  
21 electric utility's IRP compliant with the Chapter 22 rules, 20 CSR 4240-22.010(1) states in part  
22 that, "Compliance with these rules shall not be construed to result in commission approval of

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<sup>7</sup> Southwest Power Pool.

<sup>8</sup> *Direct Testimony of Darrin R. Ives*, pg. 3.

1 the utility's resource plans, resource acquisition strategies, or investment decisions." The  
2 Commission itself has not found the Company's IRP to be either prudent or imprudent.

3 Q. Mr. Ives mentions that Staff and OPC have a history of disputing the Company's  
4 resource planning choices and provides the Persimmon Creek Wind Farm  
5 ("Persimmon Creek") and the Crossroads Energy Center ("Crossroads") as examples. Are  
6 Persimmon Creek and Crossroads relevant to this case?

7 A. Not in terms of the PPA issue Staff has raised in this case. They are, however,  
8 additional cases in which Staff called into question Company management decisions.

9 Q. In Mr. Ives' discussion of Persimmon Creek and the arguments made in that  
10 case, he claims this is "simply a less than thinly veiled means of extracting value from the  
11 shareholders of the company" and "taken in concert with the instant case and other cases, makes  
12 quite clear that Company owned generation and PPAs are under attack."<sup>9</sup> Do you agree?

13 A. Again, absolutely not. First, while Mr. Ives accuses Staff of "dredging up" old  
14 arguments and old decisions, he is doing the exact same thing here with discussion of  
15 Persimmon Creek and Crossroads in this case. Second, accusing Staff of attempting to extract  
16 value from the Company's shareholders is an egregious misconception of Staff's actual intent  
17 in this case, or any other case for that matter. Staff is simply recommending Company  
18 shareholders equitably share in the PPA losses that ratepayers have consistently had to bear the  
19 large majority of. Further, Company owned generation and PPAs are not "under attack." The  
20 Company's PPAs are what Staff has called into issue in this case. Staff is not attacking any one  
21 generating resource, Staff reviews and evaluates all of the Company's generation resources and  
22 makes its recommendations on the merits of each of those resources. However, the Company

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<sup>9</sup> *Direct Testimony of Darrin R. Ives*, pg. 9.

1 has not historically afforded Staff the opportunity to review and evaluate PPAs prior to the  
2 Company signing into them. I will discuss this in more detail later in my testimony.

3 Q. In Mr. Ives' direct testimony, he asks "Is it reasonable to hold the Company to  
4 a standard that revenue streams from the SPP market must offset the entire cost of a resource  
5 procured on behalf of customers?"<sup>10</sup> He then responds, "No... Such an outcome is not  
6 supported by the SPP market design and to require a cost-free resource to meet retail customer  
7 needs is unreasonable and non-sensical."<sup>11</sup> What is your response to this?

8 A. I will go into more detail on this later in my testimony when responding  
9 to Ms. Messamore and Mr. Reed, but it is Staff's understanding that the initial analysis the  
10 Company conducted on these PPAs in determining whether to pursue them or not showed that  
11 the revenue streams from the SPP market would offset the cost of the PPAs. Based on  
12 Mr. Ives' comment above, it would appear that the Company's original conclusion on its PPAs  
13 does not make sense.

14 Q. Mr. Ives refers to "Staff and OPC's relentless opposition to virtually anything  
15 the Company pursues from a resource perspective absent shareholders "paying the vig" creates  
16 a high stakes and dangerous game where the Company always loses..."<sup>12</sup> Is this an  
17 accurate statement?

18 A. It is not. As I have previously mentioned, Staff reviews and evaluates all of the  
19 generation resources the Company pursues (with the exception of PPAs, to be discussed in more  
20 detail later) and makes a recommendation based on each resource's merits. In certain instances,  
21 it is questionable, at best, what, if any, benefits ratepayers will receive. This sometimes leads

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<sup>10</sup> *Direct Testimony of Darrin R. Ives*, pg. 10.

<sup>11</sup> *Ibid.*

<sup>12</sup> *Direct Testimony of Darrin R. Ives*, pg. 14.



1 Staff to recommend certain conditions that would require shareholders to share in some of the  
2 risk as opposed to the entirety of the risk being placed on ratepayers. To say this “creates a  
3 high stakes and dangerous game where the Company always loses” is extreme. As previously  
4 mentioned, the Company’s PPAs have cost ratepayers nearly a half billion dollars, not the  
5 Company. I believe it is safe to say that the Company’s PPAs have created a high stakes and  
6 dangerous game where the Company’s ratepayers always lose.

7 Q. Mr. Ives repeatedly mentions what he perceives as detriments to shareholders,  
8 going so far as to say that “It is time to recognize that any anticipated price to be paid has more  
9 than been paid to shareholders”<sup>13</sup> in regards to Crossroads. How is that relevant to this case?

10 A. As previously mentioned, it is not relevant in terms of the PPA issue Staff has  
11 raised in this case. However, in terms of this case, I believe you could take his sentiment and  
12 express it for the Company’s ratepayers in that, it is time to recognize that any unanticipated  
13 costs from the Company’s PPAs has more than been paid by the Company’s ratepayers.

14 **RESPONSE TO COMPANY WITNESS MS. MESSAMORE**

15 Q. On pages 10 and 11 of Ms. Messamore’s direct testimony in this case, she  
16 provides Figure 1 and Figure 2, which provide illustrative examples of SPP demand and supply  
17 stack with and without renewables, respectively. What relevance does this have?

18 A. I am not sure that it provides any relevance. Ms. Messamore’s figures are  
19 illustrative examples of SPP as a whole, not the Company itself. Ms. Messamore then,  
20 in Figure 2, removes renewables from SPP as a whole. The Company’s wind PPAs account for  
21 a relatively small portion of renewables in SPP. I struggle to understand how removing

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<sup>13</sup> *Direct Testimony of Darrin R. Ives*, pg. 15.

1 renewables from SPP correlates to the Company's PPAs. Obviously, Staff is not advocating  
2 for removal of renewables from SPP. Staff is not even advocating for removal of renewables,  
3 or more specifically the Company's PPAs, in this case. Staff knows the Company, or more so  
4 the Company's ratepayers, are likely stuck with these poor performing PPAs  
5 (I will speak more to this later in response to Mr. Reed's testimony). Again, Staff is simply  
6 recommending the Company share in the losses that the Company's ratepayers historically  
7 have suffered.

8 Q. Ms. Messamore goes on to state that, "There is also an element of cost hedging  
9 against volatile natural gas prices that is lost in Staff's evaluation... When considering the  
10 affordability of serving customer load there are considerations around overall price as well as  
11 the certainty of that price. Long-term wind PPA contracts lock in a cost for customers over a  
12 twenty year or longer period and provide increased cost certainty, even in times of volatile  
13 commodity markets."<sup>14</sup> How do you respond to this?

14 A. To consider the Company's PPAs a cost hedge against volatile natural gas prices  
15 would be quite a stretch to attempt to justify the PPA losses. I agree that when considering the  
16 affordability of serving customer load there should be a consideration for price certainty. I also  
17 agree that long-term wind PPA contracts lock in a cost for customers over a long period of time  
18 and that inherently provides increased cost certainty. Unfortunately, the Company's PPAs  
19 come with a certainty that costs greatly exceed revenues and the cost locked in for customers  
20 due to the PPAs thus far has resulted in nearly a half billion dollars in costs to those customers.  
21 If you were to consider that a hedge, it would obviously be a very costly hedge, and one that  
22 may call into question the prudence of such a hedge. Further, the natural gas hedging policies

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<sup>14</sup> *Direct Testimony of Kayla Messamore*, pgs. 11 – 12.

1 of Missouri investor-owned electric utilities typically include future purchases from  
2 \*\* [REDACTED] \*\* out to \*\* [REDACTED] \*\* out. In Ms. Messamore’s example, the 20-year  
3 PPA contracts are five times longer than the most forward-looking hedging policies of which  
4 Staff is aware.

5 Q. On the topic of hedges, Ms. Messamore further states that, “Staff also ignores  
6 the hedge against carbon restrictions that wind PPA contracts deliver.”<sup>15</sup> Is this accurate?

7 A. Mostly, yes. There are currently no carbon restrictions, nor have there been for  
8 the life of the PPA contracts thus far. Ms. Messamore’s carbon restriction discussion is based  
9 on speculation of something that has not yet happened, and is unknown if or when it may  
10 happen. The fact of the matter is that there is currently no carbon restriction to add any value  
11 to the PPAs and it would be inappropriate to add a hypothetical value to the PPAs at this point.  
12 This is another stretch in attempting to justify the PPA losses.

13 Q. Ms. Messamore briefly speaks to the PPAs being assessed in the context of  
14 long-term integrated analysis and the determination through that process that deemed these  
15 PPAs “economic.” She also alleges Staff invents a new definition of an “economic” resource  
16 based on an overly narrow view of the benefits that these resources provide customers.<sup>16</sup>  
17 What is your response to this?

18 A. The initial assessment of the PPAs at focus in this case is irrelevant. Although  
19 there could potentially be an argument made for the prudence of signing into these contracts,  
20 that is not the argument Staff is making in this case. Ms. Messamore states the analytical  
21 approach combined with a competitive request for proposal (“RFP”) process was the process  
22 by which these resources were determined to be “economic.” It is obvious the analytical

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<sup>15</sup> *Direct Testimony of Kayla Messamore*, pg. 12.

<sup>16</sup> *Direct Testimony of Kayla Messamore*, pg. 13.

1 approach and RFP process were wrong. These PPAs were uneconomical very early on in the  
2 sense that the costs of the PPAs greatly exceeded the revenues then and have continued to do  
3 such for the life of the contracts thus far. Whether an analysis or RFP process somehow showed  
4 that the PPAs were economic, it is clear they are not; at least in Staff's view. To somehow  
5 consider PPAs that have cost its ratepayers nearly a half billion dollars economic, such as the  
6 Company continues to do, seems as though it is the Company who has invented a new definition  
7 of "economic."

8 Q. Ms. Messamore concludes that, "Staff's recommendation should be rejected on  
9 the basis that these contracts were prudent when they were entered into, on the basis  
10 of long-term value, and the Company has sought to optimize them on an ongoing basis as the  
11 market allowed."<sup>17</sup> Please respond.

12 A. Similar to a previous response to Mr. Ives, I believe that Ms. Messamore should  
13 have excluded the word "prudent" from her statement. Also similar to that previous response  
14 to Mr. Ives, I am confident that the Company believes its PPAs to have been prudent when  
15 signed into. However, unlike Company-owned generation that requires a CCN and  
16 Commission approval, these PPAs do not. Therefore, the Commission itself has not found the  
17 Company PPAs at issue in this case to be either prudent or imprudent.

18 Staff expert witness Ms. Mastrogiannis responds to Ms. Messamore's statements on  
19 what the Company has done in an attempt to amend these PPAs, however Ms. Messamore's  
20 use of the word "optimize" in terms of these PPAs is worth responding to here. I believe the  
21 word "optimize" is being used very loosely here. To have optimized, or in other words

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<sup>17</sup> *Direct Testimony of Kayla Messamore*, pg. 14.

1 improved, PPAs that have in total cost ratepayers nearly a half billion dollars is simply to say,  
2 “It could have been worse.”

3 **RESPONSE TO COMPANY WITNESS MR. REED**

4 Q. Mr. Reed claims it is notable that there is “no connection between the alleged  
5 imprudence for these PPAs, which was that Evergy should have somehow renegotiated or  
6 canceled them, and the recommended disallowance, which essentially presumes that the PPAs  
7 never were signed.”<sup>18</sup> Is this accurate?

8 A. No. Staff has not alleged imprudence for these PPAs because the Company  
9 should have somehow renegotiated or canceled them. Staff understands that the PPA contracts  
10 the Company has signed into have nothing in terms of an early termination clause or  
11 renegotiation requirements. Staff also understands, because of that, the Company locked its  
12 ratepayers into the contract terms. Those contract terms have led to nearly a half billion dollars  
13 in additional costs to ratepayers. Staff’s allegation of imprudence stems from the Company  
14 doing very little, if anything, to relieve its ratepayers of costs that the Company itself caused.  
15 These are costs caused by the Company, not because of an energy or capacity need, or a  
16 renewable energy standard (“RES”) need, but for what the Company deemed “economic”  
17 reasons at the time of signing into these PPA contracts.

18 Q. Do you believe “The Company’s actions and decisions are what ought be  
19 deemed prudent or imprudent, not the consequences of those actions or decisions”<sup>19</sup>  
20 as Mr. Reed claims?

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<sup>18</sup> *Direct Testimony of John J. Reed*, pg. 6.

<sup>19</sup> *Direct Testimony of John J. Reed*, pg. 15.

1           A.     Yes, it is the Company’s actions and decisions that Staff is alleging are  
2 imprudent. It is the Company’s inaction and inability to correct for bad decisions made roughly  
3 ten years ago that have cost ratepayers nearly a half billion dollars and will continue to cost  
4 ratepayers significantly for the remainder of the contract terms. It is not the actions and  
5 decisions of signing into the PPA contracts that Staff is alleging imprudence, but its actions and  
6 decisions to not right the wrong once the PPA contracts hit their halfway point.

7           Q.     Mr. Reed reiterates a similar comment previously referenced by Mr. Ives and  
8 Ms. Messamore, that “Staff’s conclusion that the Company’s... PPAs are imprudent rests  
9 simply on the fact that current energy prices are lower than the contract prices.”<sup>20</sup> However,  
10 Mr. Reed takes it a step further and claims, “This is a textbook example of how not to perform  
11 a prudence review...”<sup>21</sup> Is this accurate?

12           A.     No. Staff’s conclusion that the Company’s PPAs are imprudent does not rest  
13 **simply** on the fact that current energy prices are lower than the contract prices. While the  
14 Company’s PPA costs have grossly exceeded its revenues, the imprudence rests simply on the  
15 Company doing nothing, or next to nothing, to mitigate, or share in, those costs the Company  
16 locked its ratepayers into ten years ago. A reasonable person would acknowledge they were  
17 wrong, that they have cost ratepayers nearly a half billion dollars, that they will continue to cost  
18 ratepayers significant dollars, and they would do something to right the wrong. I will also  
19 reiterate a previous answer from earlier in my testimony. It is Staff’s understanding that the  
20 initial analysis the Company conducted on these PPAs in determining whether to pursue them  
21 or not showed that the revenue streams from the SPP market would offset the cost of the PPAs.  
22 The Company determined that future (now current) energy prices would exceed the PPA

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<sup>20</sup> *Direct Testimony of John J. Reed*, pg. 16.

<sup>21</sup> *Ibid.*

1 contract prices. If Staff's determination that PPA revenues should offset or exceed PPA costs  
2 is a textbook example of how not to do something, then it seems as though the Company's  
3 analysis using the same concept in determining to sign into the PPAs was a textbook example  
4 of how not to do a reasonable analysis in making its determination.

5 Q. Mr. Reed also repeats a previous statement he made earlier in that,  
6 "these contracts do not have any provisions which allow Evergy to escape from above-market  
7 pricing, or to curtail purchases, or to force the project owners to renegotiate the contracts."<sup>22</sup>  
8 Mr. Reed goes on to acknowledge that Staff recognizes this but that Staff's assertion that the  
9 Company "was imprudent when it chose to do nothing about" these above-market costs...  
10 amounts to nothing more than an aspirational position that is at odds with the facts."<sup>23</sup> How do  
11 you respond to this?

12 A. Mr. Reed's statement would more accurately read as, "these contracts do not  
13 have any provisions which allow Evergy to protect its ratepayers if Evergy's analysis relied  
14 upon in making its decision to sign into these PPA contracts is wrong." Since there are no  
15 provisions which protect ratepayers from the harm and effect of the Company's decision to sign  
16 into these PPAs, it is reasonable for shareholders to share in the costs the Company has forced  
17 upon its ratepayers for the last ten years. Staff's "aspirational position" is simply that the  
18 Company acknowledge the harm it has inflicted upon its ratepayers and cover the costs for the  
19 second half of the contract terms since customers have covered the excessive costs of the first  
20 half of the contract terms. Staff's position is not at odds with the fact that the first half of these  
21 contract terms have cost ratepayers nearly a half billion dollars.

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<sup>22</sup> *Direct Testimony of John J. Reed*, pg. 17.

<sup>23</sup> *Ibid.*

1 Q. Mr. Reed claims, “the costs of the Ensign, Gray County, Cimarron II, and  
2 Spearville 3 PPAs were approved by the Commission and have been included in  
3 Evergy’s rates.”<sup>24</sup> Do you agree with this?

4 A. Partially. To be clear, I agree that the Company’s Commission-approved  
5 FAC tariff sheets have historically allowed for PPA costs and revenues, in general, to be  
6 included in its FAC. However, per the *Stipulation and Agreement*<sup>25</sup> (“Rate Case Stipulation”)  
7 “The Company will exclude from its FACs the net costs associated with wind purchased power  
8 agreements (“PPAs”) entered into after May 2019 whose costs exceed their revenues resulting  
9 in a net loss. Language will be included in its FAC tariff sheets reflecting this exclusion.  
10 The Company will factor the financial risk of this settlement condition into its evaluation of  
11 wind PPAs in its prospective long-term resource planning during such time that the condition  
12 is in effect.”

13 Q. Can you elaborate more on the Rate Case Stipulation language you referenced  
14 in your previous answer?

15 A. Yes. Due to the excessive losses customers had suffered to date at the time of  
16 the rate case due to the Company’s PPAs, Staff made a recommendation that PPAs signed into  
17 after May 2019 whose costs exceed its revenues would be borne by shareholders. The  
18 significance of May 2019 was based on the Prairie Queen wind farm contract, at the time of the  
19 rate case, being the most recent PPA that the Company had passed costs and revenues through  
20 the FAC. Staff had reviewed Prairie Queen as part of its most recent FAC prudence review and  
21 had not raised any concerns or recommended any disallowances at that time. Therefore, Staff

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<sup>24</sup> *Direct Testimony of John J. Reed*, pg. 17.

<sup>25</sup> Filed on August 30, 2022, and approved on September 22, 2022, in Case No. ER-2022-0129 and ER-2022-0130.



1 used May 2019 as its beginning point for its recommendation in regards to future PPA costs in  
2 the FAC.

3 Q. Why did Staff only make its recommendation in regards to future PPAs in that  
4 case and not make the recommendation it is making in this case?

5 A. The focus at that time was to attempt to mitigate potential losses to ratepayers  
6 from future PPAs due to the known and measurable losses from the Company's PPAs to date  
7 at that time. Staff was aware of excessive losses ratepayers had endured to date from the  
8 Company's PPAs. However, it was not until the review and evaluation of the Company's PPAs  
9 in that case that it became clearer just how much the PPAs to date had cost ratepayers and were  
10 likely to continue to cost ratepayers. Staff determined its next FAC prudence review would be  
11 the appropriate case to make any recommendations on the Company's current PPAs.

12 Q. Has the Company signed into any PPAs since the inclusion of language in its  
13 FAC tariff sheets that would require it to be responsible for any PPA costs that exceed  
14 their revenues?

15 A. No, and it is likely that they will not. The language in the Rate Case Stipulation  
16 that reads, "The Company will factor the financial risk of this settlement condition into its  
17 evaluation of wind PPAs in its prospective long-term resource planning during such time that  
18 the condition is in effect" suggests to me that they will not. I believe the Company  
19 acknowledges the risk that it will put on itself with future PPAs signed into after May 2019 due  
20 to the language now requiring it to bear any PPA costs that exceed revenues. However, that  
21 was a risk it was willing to take with its current PPAs when it knew that its ratepayers carried  
22 the lion's share of risk for those same costs.

1 Q. In continuing with Mr. Reed's testimony, he further states that, "Staff's vague  
2 and disjointed suggestion that Evergy's reliance on long term forecasts when it entered into  
3 these contracts was imprudent is unfounded."<sup>26</sup> How do you respond?

4 A. Mr. Reed continues to mistakenly argue that Staff's alleged imprudence is due  
5 to the Company's signing into these PPA contracts. While the Company's forecast relied on  
6 for its decision to enter into these PPA contracts was obviously and grossly wrong, it is the  
7 Company's perpetuation in allowing its bad decision to continue to extensively harm its  
8 customers. The fact the Company's decision has cost ratepayers nearly half a billion dollars is  
9 neither disjointed nor unfounded.

10 Q. Mr. Reed goes on, again, to claim that the Commission "approved the recovery  
11 of costs" related to the Company's PPAs.<sup>27</sup> Is this accurate?

12 A. As I previously stated, I agree that the Company's Commission approved  
13 FAC tariff sheets have historically allowed for PPA costs and revenues, in general, to be  
14 included in its FAC (with the exception of future PPAs as discussed above). I do not know that  
15 I would go so far as to say the Commission has explicitly approved those specific costs that  
16 total nearly a half billion dollars of costs that have been absorbed by ratepayers. However,  
17 regardless of that, Staff is recommending the Commission approve a ratepayer cost mitigation  
18 for the remainder of these four specific PPA contract terms, and all other PPAs going forward  
19 that are halfway through their contract life.

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<sup>26</sup> *Direct Testimony of John J. Reed*, pg. 17.

<sup>27</sup> *Ibid.*

1 Q. Mr. Reed goes on to state that, "...Staff's position on imprudence and a  
2 disallowance of costs is entirely predicated on Evergy's management of the PPAs, not the  
3 decisions to enter into them."<sup>28</sup> Is that accurate?

4 A. For the most part, yes. As has previously been stated, Staff's alleged imprudence  
5 is not predicated on the Company's decision, right or wrong, to enter into the PPAs.  
6 As Mr. Reed acknowledges, Staff's disallowance and recommendation is predicated on the  
7 Company's management of its PPAs, or more specifically, its decision to continue to force its  
8 ratepayers to suffer in the losses of the PPAs it initially determined would be beneficial for.

9 Q. In Mr. Reed's direct testimony, he contends that Staff's approach to its  
10 calculated disallowance presents "glaring flaws in Staff's attempt to quantify imprudent  
11 costs."<sup>29</sup> He further states that, "Staff's position that Evergy's failure to improve on the PPAs'  
12 contract terms was imprudent should have led Staff to construct a counter-factual position as to  
13 what results could have been achieved through contract reformation. It presented no such  
14 analysis and offers no view on what costs could have been avoidable through Evergy achieving  
15 what the Staff thinks would have been minimally prudent behavior."<sup>30</sup> How do you respond  
16 to this?

17 A. Historically, in Staff's FAC prudence reviews, Staff has presented the PPA costs  
18 and revenues as a net total for each PPA. As previously noted, those PPA costs have grossly  
19 exceeded the revenues, and Staff has presented the net losses for each PPA in its Staff Reports.  
20 The Company has never contended that Staff is misrepresenting the PPA losses or, more  
21 specifically, that the PPA losses should be further netted to include costs that could have been

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<sup>28</sup> *Direct Testimony of John J. Reed*, pg. 17.

<sup>29</sup> *Direct Testimony of John J. Reed*, pg. 18.

<sup>30</sup> *Direct Testimony of John J. Reed*, pgs. 18 – 19.

1 avoided through the Company achieving what Staff (or the Company) believes would have  
2 been minimally prudent behavior. Therefore, Staff's recommended disallowance in this case  
3 is based on the net loss value for each of the four oldest PPAs as illustrated in its Staff Report.

4 Q. Mr. Reed accuses Staff of not understanding "what an alternative and reasonable  
5 course of action would entail"<sup>31</sup> and that Staff "does not appear to understand what contract  
6 reformation entails."<sup>32</sup> Is this accurate?

7 A. No. Staff's recommended alternative and reasonable course of action is that  
8 shareholders bear the costs of PPAs from the halfway point of the contract until the end of the  
9 contract since ratepayers were responsible for those costs through the first half of the contracts.  
10 Staff's understanding of what contract reformation entails is irrelevant since, as previously  
11 mentioned, Staff understands that there is no provision in the PPA contracts that permit  
12 renegotiation, or reformation, of any terms of the PPA contracts.

13 Q. Mr. Reed continues with further discussion of contract reformation including  
14 brief discussion of an alternative with regard to contract reformation. Please briefly respond.

15 A. As I just mentioned, the further contract reformation discussion is irrelevant  
16 since Staff has acknowledged and agrees that there are no provisions in the PPA contracts in  
17 terms of contract reformation. However, what is worth noting is Mr. Reed's brief discussion  
18 of an alternative to breaching the contract. Mr. Reed does not recommend the Company breach  
19 its contracts, and just to be clear, neither does Staff.

20 Q. Does that conclude your rebuttal testimony?

21 A. Yes.

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<sup>31</sup> *Direct Testimony of John J. Reed*, pg. 19.

<sup>32</sup> *Ibid.*

**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 BRAD J. FORTSON**

STATE OF MISSOURI )  
) ss.  
COUNTY OF COLE )

**COMES NOW BRAD J. FORTSON** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Brad J. Fortson*; and that the same is true and correct according to his best knowledge and belief.

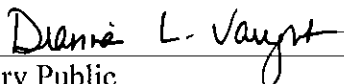
Further the Affiant sayeth not.

  
\_\_\_\_\_  
**BRAD J. FORTSON**

**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 December 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

**Brad J. Fortson**

**Education and Employment Background**

I am the Regulatory Compliance Manager of the Energy Resources Department, Industry Analysis Division of the Missouri Public Service Commission. Prior to my current position, I was employed at the Missouri Public Service Commission as a Regulatory Economist from December 2012 through March 2015 and August 2015 through February 2019.

I received an Associate of Applied Science degree in Computer Science in May 2003, Bachelor of Science degree in Business Administration in May 2009, and Master of Business Administration degree with an emphasis in Management in May 2012, all from Lincoln University, Jefferson City, Missouri.

Prior to first joining the Commission, I worked in various accounting positions within four state agencies of the State of Missouri. I was employed as an Account Clerk II for the Inmate Finance Section of the Missouri Department of Corrections; as an Account Clerk II for the Accounts Payable Section of the Missouri Department of Health and Senior Services; as a Contributions Specialist for the Employer Accounts Section of the Missouri Department of Labor and Industrial Relations; and as an Accountant I for the Payroll Section of the Missouri Office of Administration. From April 1 through July 31, 2015, I worked for the Missouri Office of Public Counsel before joining the Commission once again.

**Brad J. Fortson****Case Participation History**

<b>Case Number</b>	<b>Company</b>	<b>Issue</b>	<b>Exhibit</b>
HR-2014-0066	Veolia Energy Kansas City	Revenue by Class and Rate Design	Staff Report
GR-2014-0086	Summit Natural Gas of Missouri, Inc.	Large Volume Service Revenue	Staff Report
ER-2014-0258	Union Electric Company d/b/a Ameren Missouri	Revenue by Class and Rate Design	Staff Report
ER-2014-0258	Union Electric Company d/b/a Ameren Missouri	Revenue by Class and Rate Design	Staff Report, Rebuttal & Surrebuttal Testimony
ER-2014-0351	The Empire District Electric Company	Revenue by Class and Rate Design	Staff Report & Rebuttal Testimony
ER-2014-0351	The Empire District Electric Company	Revenue by Class and Rate Design	Rebuttal Testimony
EO-2015-0240	Kansas City Power & Light Company	Custom Program Incentive Level	Direct Testimony
EO-2015-0241	KCP&L Greater Missouri Operations Company	Custom Program Incentive Level	Direct Testimony
ER-2016-0023	The Empire District Electric Company	DSM Programs and MEEIA Filings	Staff Report
ER-2016-0023	The Empire District Electric Company	DSM Programs and MEEIA Filings	Staff Report, Rebuttal & Surrebuttal Testimony
EM-2016-0213	The Empire District Electric Company (merger case)	DSM Programs and MEEIA Filings	Rebuttal & Surrebuttal Testimony
ER-2016-0156	KCP&L Greater Missouri Operations Company	MEEIA summary and LED street lighting	Staff Report
EO-2016-0183	Kansas City Power & Light Company	MEEIA prudence review	Staff Report
EO-2016-0223	The Empire District Electric Company	Triennial compliance filing	Staff Report
ER-2016-0285	Kansas City Power & Light Company	LED street lighting	Staff Report
ER-2016-0179	Union Electric Company d/b/a Ameren Missouri	LED street lighting	Staff Report
ER-2016-0285	Kansas City Power & Light Company	Response to Commissioner questions	Staff Report
ER-2016-0179	Union Electric Company d/b/a Ameren Missouri	Response to Commissioner questions	Staff Report

EO-2017-0209	Kansas City Power & Light Company	MEEIA prudence review	Staff Report
EO-2017-0210	KCP&L Greater Missouri Operations Company	MEEIA prudence review	Staff Report
EO-2015-0055	Union Electric Company d/b/a Ameren Missouri	Flex pay pilot program	Rebuttal Testimony
GR-2018-0013	Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities	Red Tag Program and Energy Efficiency Program Funding	Staff Report, Rebuttal & Surrebuttal Testimony
ER-2018-0145	Kansas City Power & Light Company	LED street lighting, TOU rates	Rebuttal Testimony
ER-2018-0146	KCP&L Greater Missouri Operations Company	LED street lighting, TOU rates	Rebuttal Testimony
EO-2018-0211	Union Electric Company d/b/a Ameren Missouri	Program Design	Rebuttal Report & Surrebuttal Testimony
EO-2019-0132	Kansas City Power & Light Company	Program Design	Rebuttal Report & Surrebuttal Testimony
EO-2019-0376	Union Electric Company d/b/a Ameren Missouri	MEEIA prudence review	Direct Testimony
ER-2019-0374	The Empire District Electric Company	Hedging policy and EE/LI programs	Supplemental Testimony
EO-2020-0280	Evergy Metro	IRP Annual Update	Staff Report
EO-2020-0281	Evergy Missouri West	IRP Annual Update	Staff Report
ER-2020-0311	The Empire District Electric Company	Fuel Adjustment Clause	Rebuttal Testimony
EO-2020-0227	Evergy Metro and Evergy Missouri West	MEEIA prudence review	Direct Testimony
EO-2020-0262	Evergy Metro and Evergy Missouri West	FAC prudence review	Direct & Rebuttal Testimony
EO-2021-0021	Union Electric Company d/b/a Ameren Missouri	Triennial compliance filing	Staff Report
EO-2021-0035	Evergy Metro	Triennial compliance filing	Staff Report
EO-2021-0036	Evergy Missouri West	Triennial compliance filing	Staff Report
EO-2021-0416	Evergy Missouri West	MEEIA prudence review	Staff Report



EO-2021-0417	Evergy Metro	MEEIA prudence review	Staff Report
EO-2022-0061	Evergy Missouri West	Application for Special Rate	Rebuttal Testimony
EO-2022-0064	Evergy Missouri Metro	FAC prudence review	Direct Testimony
EO-2022-0065	Evergy Missouri West	FAC prudence review	Direct Testimony
EO-2022-0040	The Empire District Electric Company	Securitization	Rebuttal Testimony
EF-2022-0155	Evergy Missouri West	Securitization	Rebuttal & Surrebuttal Testimony
ER-2022-0129	Evergy Missouri Metro	FAC	Direct & Surrebuttal Testimony
ER-2022-0130	Evergy Missouri West	FAC	Direct & Surrebuttal Testimony
EA-2022-0245	Union Electric Company d/b/a Ameren Missouri	CCN	Rebuttal Testimony
EA-2022-0328	Evergy Missouri West	CCN	Rebuttal Testimony
EA-2023-0286	Union Electric Company d/b/a Ameren Missouri	CCN	Rebuttal Testimony
ER-2023-0444	Evergy Missouri West	FAC	Rebuttal Testimony