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Witness: *Brooke Mastrogiannis*
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MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

BROOKE MASTROGIANNIS

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

** Denotes Confidential Information **

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REBUTTAL TESTIMONY

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

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

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

Q. Have you participated in the Commission Staff's audit of Evergy Metro, Inc., d/b/a Evergy Missouri Metro ("Evergy Missouri Metro" or "EMM") and Evergy Missouri West, Inc., d/b/a Evergy Missouri West ("Evergy Missouri West" or "EMW") (collectively "Evergy" or "Company") concerning the Staff's Fuel Adjustment Clause ("FAC") prudence review in this proceeding?

A. Yes, I have, with the assistance of other members of the Staff. *Staff's Fifth Prudence Review Report* ("Evergy Missouri Metro Staff Report") was filed on August 31, 2023. *Staff's Eleventh Prudence Review Report* ("Evergy Missouri West Staff Report") (collectively "Staff Report") was also filed on August 31, 2023.

Q. Are you the same Brooke Mastrogiannis who previously provided testimony in this case?

A. Yes. I filed direct testimony in this case on November 14, 2023.

EXECUTIVE SUMMARY

Q. Please summarize your rebuttal testimony in this proceeding.

A. I am responding to the direct testimony of Evergy witnesses Darren R. Ives, John J. Reed, and Kayla Messamore as they address Staff's argument of recommending a disallowance for the Gray County, Ensign, Cimarron 2, and Spearville 3 purchased power agreement ("PPA") losses. I also respond to the direct testimony of Evergy witness Lisa A. Starkebaum, as she addresses Staff's argument of the Southwest Power Pool ("SPP") transmission administrative cost disallowance specifically for Evergy Missouri West.

RESPONSE TO MR. IVES

Q. Evergy witness Mr. Ives quotes certain language from the Commission Report and Order language in a past FAC prudence review where the imprudence of Rock Creek and Osborn PPA's were argued by the Office of the Public Counsel ("OPC") in Case No. EO-2019-0067. He then states that Staff inexplicably tries to turn that language on its head by arguing that "now that some of these PPAs are more than halfway through their contract term" Staff is now "able to review these PPAs in the context of a long-term, twenty-year investment".[1] How do you respond to this and do you still stand by your original statement?

A. I still have the opinion that Staff is now able to review these PPAs in the context of a long-term, twenty-year investment. The Commission Report and Order language stated,

> The Rock Creek and Osborn wind power PPAs were long-term investments made in contemplation of the long-term (20-year) ebb and flow of market and political forces… The Commission will not replace the companies' primary supposition at the point of decision that the PPAs were being acquired in the context of a long term, twenty-year investment with the supposition that the investment was short term, and then apply a hindsight test and pronounce the investments imprudent.

[1] Direct testimony of Mr. Ives, page 6, line 7 through page 7 line 2.

This language was very specific to "using a long-term investment with the supposition that the investment was short-term," and Staff interprets that to mean that there needed to be more data in order for the Commission to determine any sort of imprudence. The PPAs in question in this case are the four that are halfway through their contract term, those are Ensign, Gray County, Cimarron 2, and Spearville 3. There is now ten years' worth of data to look at. During the EO-2019-0067 case, it was the Rock Creek and Osborn PPAs in question, both of which were new at that time, and only limited data was available for the Commission to consider. Now that sufficient data is available for these four PPAs to view them on a long-term basis, Staff is recommending disallowances for the PPAs whose costs have significantly exceeded revenues at an extreme detriment to ratepayers.

Staff would also question when Evergy would have suggested an argument could have been raised about these PPAs. The Company is not required to seek Commission approval when entering into PPAs. Further, the only opportunity Staff, or any other stakeholder, has to review and evaluate PPAs is after-the-fact. A prudence review can only be after-the-fact by its very nature. It seems as though the Company contends that prudency could never be examined since it would necessarily be "hindsight" for Staff to evaluate PPAs that are not even known about until after they are entered into. The contracts that were entered into were 15 and 20 year contracts, with some extended now, and that lock customers in, with no way out.

Q. Mr. Ives points out that Staff has previously not proposed a prudence disallowance related to Gray County, Ensign, Cimarron 2 or Spearville 3[2]. How do you respond to this?

[2] Direct testimony of Mr. Ives, page 8 lines 1 through 5.

A. Although Staff never recommended a disallowance, specifically because of the Commission Report and Order as explained above, Staff has stated concerns prior to this case. Staff has acknowledged in past prudence reviews the significant losses Evergy's long-term PPAs were creating[3]. Staff also stated in its FAC prudence review report in this case, concerns raised in the Staff Report from Case Nos. EO-2020-0280 and EO-2020-0281 (the Evergy Missouri Metro 2020 Integrated Resource Plan ("IRP") Annual Update and Evergy Missouri West 2020 IRP Annual Update), and additional concerns in Case Nos. EO-2021-0035 and EO-2021-0036 (the Evergy Missouri Metro Triennial IRP Filing and Evergy Missouri West Triennial IRP Filing).

Additionally, in those past prudence reviews, Staff identified specific PPAs that were creating more costs to ratepayers than revenues received. However, because of the Report and Order language explained above, Staff was not recommending a disallowance related to these PPA losses at that time. Staff also stated in those past prudence reviews that, "Staff notes this is a long-term PPA and the performance of this contract should be viewed on a long-term basis and not just from the results of this Review Period".[4] Ten years have now passed since the PPAs at question in this case were entered into, allowing Staff to now view those PPAs on a long-term basis.

Q. Mr. Ives explains that it is not reasonable to suggest that these revenue streams will offset all costs in all years.[5] How do you respond to this?

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[3] Staff Report from Case No. EO-2022-0065, page 38 lines 2 through 8. Staff Report from Case No. EO-2022-0064, page 37 line 24 through page 38 line 2.
[4] Staff Report from Case No. EO-2020-0262, page 33 lines 6 through 8. Staff Report from Case No. EO-2020-0263, page 36 lines 11 through 13.
[5] Direct testimony of Mr. Ives, page 10 lines 6 through 9.

A. Staff has never suggested that the revenue streams will offset all costs in all years. However, what Staff is pointing out, and has provided support for in Staff's Report, was that for Cimarron 2, ** [redacted] ** of the time the market price was lower than the contract price. And if you look at the specific cost and revenue data over a yearly basis, in Confidential Table 1 below, you can see in ** [redacted] ** year did the revenues ever outweigh the costs, even during February Storm Uri. Then, in Confidential Table 2 below, you can see the amount of times the revenues did outweigh the costs, and that was only ** [redacted] ** months in total since 2015.

<u>Confidential Table 1</u>

**

[redacted]

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Confidential Table 2

**

[redacted]

**

For Spearville 3, ** [redacted] ** of the time the market price was lower than the contract price. Also looking at the specific cost and revenue data over a yearly basis, in Confidential Table 3 below you can see in ** [redacted] ** year did the revenues ever outweigh the costs. Then, in Confidential Table 4 below you can see the amount of times the revenues outweighed the costs.

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Confidential Table 3

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[redacted]

**

Confidential Table 4

**

[redacted]

**

For Gray County, ** [redacted] ** of the time the market price was lower than the contract price. Also looking at the specific cost and revenue data over a yearly basis, in Confidential Table 5 below you can see in ** [redacted] ** year did the revenues ever outweigh the costs. Then, in Confidential Table 6 below you can see the amount of times the revenues outweighed the costs.

<u>Confidential Table 5</u>

**

[redacted]

**

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Confidential Table 6

**

[redacted]

**

For Ensign, ** [redacted] ** of the time the market price was lower than the contract price. Also looking at the specific cost and revenue data over a yearly basis, in Confidential Table 7 below you can see in ** [redacted] ** year did the revenues ever outweigh the costs. Then, in Confidential Table 8 below you can see the amount of times the revenues outweighed the costs.

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Confidential Table 7

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[redacted]

**

Confidential Table 8

**

[redacted]

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RESPONSE TO MR. REED

Q. Mr. Reed states that Staff and OPC flatly ignore the well-established principles for performing a prudence review. Staff did not 1) construct or apply a proper prudence evaluation framework, 2) focus on the reasonableness of the Company's decisions based on information that was known or reasonably knowable at the time, or 3) develop a recommended disallowance based on quantifying the difference between actual costs and what would have been the costs incurred under a "minimally-prudent" decision.[6] Do you agree?

A. No. Staff used the same prudence standard it always does and cites that in our report. That standard is:

> In evaluating prudence, Staff reviews whether a reasonable person making the same decision would find both the information the decision-maker relied on and the process the decision-maker employed to be reasonable based on the circumstances and information known at the time the decision was made, i.e., without the benefit of hindsight. If either the information relied upon or the decision-making process employed was imprudent, then Staff examines whether the imprudent decision caused any harm to ratepayers. Only if an imprudent decision resulted in harm to ratepayers will Staff recommend a disallowance. However, if an imprudent decision did not result in harm to [Evergy's] customers, then Staff may further evaluate the decision-making process, and may recommend changes to the company's business practice going forward.

Staff's recommendation now is not based off hindsight, but on the information we know today. Staff is looking at the prudence standard for future costs. What we know today is that these PPAs have resulted in very large losses, and Staff is certain these costs will continually outweigh the revenues going forward. Therefore, Staff's recommendation is based off the Company's decision to do nothing about these PPA contract losses going forward, based off what they know now.

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[6] Direct testimony of Mr. Reed, page 4 lines 14 through 19.

Lastly, Staff quantified our recommended disallowance based on actual costs and actual revenues, both sets of data came directly from Evergy's FAC monthly reports.

Q. Mr. Reed states that Staff asserts that Evergy relied on "speculated revenues outweighing expected costs".[7] Do you agree?

A. No. Staff pointed to the data showing how often the costs DID outweigh the revenues, and used that real data, to forecast the next 10 years. Again, that data was based on REAL costs and revenues directly from Evergy's FAC monthly reports.

Q. Mr. Reed states that neither Staff nor OPC even attempt to apply the prudence standard to the Company's decision to enter into the PPAs, rather they have focused on rehashing the past and arguing "how things turned out," more than a decade after the PPAs were executed, which ignores the Commission's well-established prudence standard.[8] How do you respond?

A. As explained above, I still have the opinion that Staff is now able to review these PPAs in the context of a long-term investment, and I do not believe that ignores the prudence standard. The Commission Report and Order language was very specific to not reviewing a long-term twenty-year investment with the supposition that the investment was short term, so Staff believes there needed to be more data in order for the Commission to determine any sort of imprudence. The Company knew by the contract terms that there was no way out if the contract did not perform as expected. As Staff witness Brad J. Fortson has expressed, although there could potentially be an argument made for the prudency of signing into these long-term contracts with essentially no way out, that is not the argument Staff is making in this case.

[7] Direct testimony of Mr. Reed, page 5 line 21 through page 6 line 1.
[8] Direct testimony of Mr. Reed, page 7 lines 7 through 11.

Q. Mr. Reed makes a statement in his direct testimony that "The position taken by the parties that the Company should be at risk for costs that exceed revenues secured in the wholesale market is entirely unreasonable."[9] How do you respond to this?

A. It is my understanding that Mr. Reed is asserting that the customers should bear all the risk, for costs that exceed the revenues. This, in my opinion, is entirely unreasonable, as the customers had no say in any of these management decisions/investments, and they are being held against their will, with no way out. Therefore, the Company should now be at risk for these costs that exceed the revenues since the customers have been paying 95% of the losses for ten years now.

Q. Mr. Reed states that while the SPP market revenue streams will offset costs of resources procured to serve customers' needs, the SPP market is not designed to guarantee the recovery of all costs.[10] Do you agree?

A. Yes, somewhat. However, Staff never asserts that the SPP market is designed to guarantee recovery of all costs. In fact, over the last 10 years the revenues hardly ever outweighed the costs. By looking at tables 1, 3, 5, and 7 specifically, the yearly total costs ** [redacted] ** significantly outweighed the yearly total revenues.

Q. Mr. Reed makes the statement, "Simply put, a decision can only be labelled as imprudent if it can be shown that such a decision was outside the bounds of what a reasonable person would have done under those circumstances."[11] What does Staff believe a reasonable person would have done under those same circumstances?

[9] Direct testimony of Mr. Reed, page 7 lines 17 through 18.
[10] Direct testimony of Mr. Reed, page 7 lines 18 through 21.
[11] Direct testimony of Mr. Reed, page 9 lines 18 through 20.

A. It could be questioned whether a reasonable person would have entered into these fifteen and twenty year contracts without some sort of opt out clause. Staff is of the opinion that if a 20-year PPA resulted in over ** [redacted] ** in losses for the first ten years, a reasonable person would not continue to rely on a contract price as compared to market prices for the next ten years. Customers should be considered reasonable people, and if customers had any say in this, they would make their investments elsewhere.

Q. Similar to what Mr. Ives stated from above, Mr. Reed states that the Commission recently relied on the prudence standard in a past Evergy Missouri West and Evergy Missouri Metro FAC prudence filing.[12] Is this the same type of issue presented in this case?

A. Not entirely. As I explained above in my response to Mr. Ives, in that EO-2019-0067 case, the Commission's order stated, "The Rock Creek and Osborn wind power PPAs were long-term investments made in contemplation of the long-term (20-year) ebb and flow of market and political forces… The Commission will not replace the companies' primary supposition at the point of decision that the PPAs were being acquired in the context of a long term, twenty-year investment with the supposition that the investment was short term, and then apply a hindsight test and pronounce the investments imprudent." First, the PPAs Staff is arguing in this case are the four that are halfway through their contract term, those are Ensign, Gray County, Cimarron 2, and Spearville 3. So now there is ten years' worth of data to look at. During that EO-2019-0067 case, it was the Rock Creek and Osborn PPAs in question, both of which were new, and only limited data available for the Commission to consider. Second, Staff interprets the Report and Order language to say that prudency of long-term investments can

[12] Direct testimony of Mr. Reed, page 13 lines 1 through 6.

only be determined once that investment has long-term data available. Now that more data is available for these four PPAs, to view them on a long-term basis, Staff is recommending disallowances for the PPAs whose costs have significantly exceeded revenues at an extreme detriment to ratepayers.

Q. Mr. Reed states that Staff presents no facts, evidence, or proof that the Company's decisions, based on information that was known or reasonably knowable at the time, were unreasonable or imprudent.[13] What is he missing from Staff's argument?

A. He is missing that Staff's argument is based on what we know now, today, and how that information should be applied for decisions going forward with these PPA contracts. Staff based its entire recommendation on facts from actual data it has seen and has been provided by Evergy over the past 10 years.

Q. Mr. Reed goes on to state that Staff's position is entirely based on an overly narrow view of how these contracts turned out, ten years after the decisions to enter into them were made.[14] Do you agree?

A. Staff's position is based on the information we know now, and that it is imprudent for Evergy to not do anything about the PPA contracts going forward. Staff has not gone back ten years and recommended disallowance of the costs from the beginning of the PPAs. It is only now, in this prudence review, that Staff is viewing the PPAs on a long-term basis and basing its recommendation on that long-term view. Staff is simply recommending the Company equitably share in the PPA losses that ratepayers have consistently had to bear the lion's share of, and that reasonable conclusion is based on the information we know today.

[13] Direct testimony of Mr. Reed, page 15 lines 14 through 16.
[14] Direct testimony of Mr. Reed, page 15 lines 22 through 24.

Q. Mr. Reed acknowledges that Staff argues it found evidence of imprudence by the Company choosing to do nothing about the substantial ratepayer harm caused by the PPAs. But then he states, Staff does not explain, discuss, present evidence of, or provide any basis for concluding that the decisions to enter into long-term PPAs were imprudent as of the date those decisions were made.[15] Do you agree?

A. As I already stated above, although there could potentially be an argument made for the prudency of signing into these long-term contracts with essentially no way out, that is not the argument Staff is making in this case. Due to the decisions to enter into these long-term contracts with essentially no way out, the Company bet on a favorable market that would last for twenty years. And it made that bet with the ratepayers' money. But Staff is not pursuing that imprudence at this time. Staff is only pursuing the imprudence of the Company choosing to do nothing about the substantial ratepayer harm going forward, and that decision to do nothing, based on the information we know today, is imprudent.

Q. Mr. Reed then states that Staff does not offer any view regarding what Evergy should have done to eliminate or mitigate the above-market energy component of these contracts, when it should have done it, or what the outcome of such efforts would have been.[16] How do you respond to this?

A. The simple response is that this is not Staff's responsibility. Staff views this as the Company's responsibility to determine how to eliminate or mitigate the substantial losses they have caused its ratepayers. These are managerial decisions that should be made by the

[15] Direct testimony of Mr. Reed, page 16 lines 2 through 6.
[16] Direct testimony of Mr. Reed, page 16 lines 6 through 9.

Company on behalf of its ratepayers to benefit them, not to harm them as the Company has done thus far.

Q. Mr. Reed goes on to state that Staff's position is not founded on reason, and Staff's conclusion that the Company's purchased power expenses for Ensign, Gray County, Cimarron II, and Spearville 3 PPAs are imprudent rests simply on the fact that current energy prices are lower than the contract prices.[17] Do you agree?

A. No. Staff's conclusion that the Company's decision to allow its ratepayers to continue to pay for losses that have already accumulated to nearly half a billion dollars for its PPAs is imprudent and the likelihood the PPAs will continue to cost ratepayers substantially going forward is simply because the energy prices are lower than the PPA contract prices by 92%, 90%, 81% and 90%, respectively of the four PPAs previously mentioned. This is factual data. Therefore it is not just "current" energy prices that are lower than the contract prices as Mr. Reed states, the energy prices are almost always lower than the contract prices. As Staff expert witness Mr. Fortson mentions, Staff's understanding is that the initial analysis the Company conducted on its PPAs in determining whether to pursue them or not showed that the revenue streams from the SPP market would offset, or exceed, the cost of the Company's PPAs. Turns out they did not.

Q. Lastly, Mr. Reed states that Staff does not offer any recognition that power producers need to be made whole for the contract under which Evergy would be seeking reformation and Staff does not appear to understand what contract reformation entails.[18] How do you respond to this?

[17] Direct testimony of Mr. Reed, page 16 lines 19 through 22.
[18] Direct testimony of Mr. Reed, page 19 lines 15 through 18.

A. Staff has attempted to understand what the Company's options in regards to contract reformation entails. Staff has sent several data requests (DR) asking Evergy if they have considered re-negotiating any of their PPA contracts with the contract owners, or if they have not, any additional details they could provide. Evergy stated ** [redacted] ** with not much other detail provided, and/or has simply objected to Staff's DRs. More detail of Staff's requests are explained further below. The Companies may well be stuck with the contracts they signed into; but that doesn't mean that the ratepayers are necessarily stuck with the losses. It is Staff's view that the shareholders should bear a portion of these losses.

<u>RESPONSE TO MS. MESSAMORE</u>

Q. Ms. Messamore states that clearly much of Staff's argument is based on their evaluation of historic market results and their opinion of what a reasonable decision-maker should have done given those historic results.[19] Do you agree?

A. Yes. Staff's argument is based on market results and the PPA losses from those results and the Company's decision to not correct for them. But Staff uses that argument with the previous Commission Report and Order language, "The Commission will not replace the companies' primary supposition at the point of decision that the PPAs were being acquired in the context of a long term, twenty-year investment with the supposition that the investment was short term, and then apply a hindsight test and pronounce the investments imprudent." So now that the investment is not short term anymore, and the historic market data is available, Staff's recommendation is premised on a reasonable "decision-maker" making decisions going forward, based off the information known today, that is favorable for its ratepayers.

[19] Direct testimony of Ms. Messamore, page 5 lines 14 through 17.

Q. Ms. Messamore then goes on to say that Staff is of the opinion that most decision-makers would invest their money elsewhere and cut their losses?[20] Do you still agree with this statement?

A. I absolutely still agree and stand by this. If I were investing in a 401K with a half a billion in losses already, I would be searching for other investments and cut my losses. In fact, I would have cut my losses well before it ever reached half a billion dollars, as any reasonable person would.

Q. Ms. Messamore continues with the claim that Staff does not explain how this would be possible, nor does Staff provide alternatives. And then she states that Staff seems to ignore or not understand that it may be impossible, or at the very least extremely expensive, to get out of these contracts.[21] How do you respond to this?

A. Staff has a good understanding of the potential price penalties to get out of these contracts, and is not advocating for a breach of contract. As explained above in my response to Mr. Reed, Staff has attempted to better understand the Company's options but DR responses have not provided the clarity Staff had hoped. Staff also points out, that it was Evergy itself who put themselves, or more so its ratepayers, in this position, not Staff, so it should be their responsibility to try and find the best solutions going forward for its customers. It was Evergy, not its ratepayers, that entered into these contracts that essentially have no way out. So, it is Evergy, not the ratepayers, that should bear the associated losses going forward. Staff has provided the most obvious alternative that the Company cover the PPA costs after the PPAs reach the halfway point of the contract term since ratepayers covered the substantial losses from

[20] Direct testimony of Ms. Messamore, page 5 lines 10 through 21.
[21] Direct testimony of Ms. Messamore, page 6 lines 9 through 15.

the first half of the contract terms. Evergy should take it upon itself to determine alternatives on how it should better manage its assets. Evergy's management should be doing so without the Commission requiring it to do so. Staff truly believes if the customers were taken out of this equation, and the PPA losses were solely covered by Evergy's shareholders, Evergy's management would be much more concerned with trying to find better solutions for its shareholders.

Q. Ms. Messamore goes on to state that, Staff has concluded that customers will never see a benefit from these PPAs, therefore they "should not have to suffer any more harm moving forward."[22] Do you still agree with this statement?

A. Yes I do. Historic data has proven that ** [redacted] ** of the time, respectively of the four PPAs previously mentioned, costs outweighed the revenues. So Staff sees no chance of these contracts ever being beneficial for the customers, for the life of the contract. In fact, in DR response No. 0079 in EO-2023-0277, and DR response No. 0084 in EO-2023-0276, ** [redacted]. **

Q. Ms. Messamore then provides detailed testimony explaining Evergy is continually evaluating potential options to optimize its assets, and also approaches PPA owners about the potential to amend contracts in a way that could be favorable to customers.[23] How do you respond?

A. As I explained above in a previous response to Mr. Reed, Staff has sent several data requests trying to understand the options to amend contracts in a way that is favorable to

[22] Direct testimony of Ms. Messamore, page 6 lines 1 through 3.
[23] Direct testimony of Ms. Messamore, page 6 line 17 through page 7 line 18.

customers. Evergy in no way provided the detail in its data request responses that it did in testimony, in fact they objected to several of them. If any of this information is favorable to the customers, then Staff is unsure why this information would not have been available prior to this testimony being filed. However, even the detail provided in testimony mainly speaks to opportunities that have been "explored," but that does little to nothing to mitigate nearly half a billion dollars in ratepayer costs. Also the Company has shown no analysis that these PPAs are going to turn around and be beneficial to ratepayers going forward. Therefore, the shareholders should bear any further losses.

In DR No. 0078 for EMW and 0083 for EMM, Staff asked Evergy, "Please explain if Evergy Missouri West[24] has considered re-negotiating any of the current purchased power agreement contracts with the PPA owners? If not, please explain why." Evergy responded the same in both Data Requests with, ** [redacted]

[24] For DR No. 0083 it was stated for Evergy Missouri Metro.

[redacted] ** Staff has since sent several other data requests to try and inquire information out of Evergy.

Staff is aware that for Evergy Missouri West only, the ** [redacted] ** Staff is still requesting more information on the analysis that was used to determine the reduced price per MWh, and the other contractual obligations that were agreed to. It appears that these contracts are amendable if the Company and the PPA owner agree to amended terms. However, it is highly unlikely that there would ever be an agreement that would lead to the PPAs ever covering the costs its ratepayers have borne over the first ten years of the contract terms.

Staff then requested in DR No. 0082 for Evergy Missouri West, ** [redacted] **

It is Staff's understanding that for Evergy Missouri Metro, ** [redacted] **

Also, as Ms. Messamore tries to defend how Evergy is actively trying to optimize their assets, one example is flowing additional renewable energy credit ("REC") revenue back to customers via the FAC to help reduce fuel costs. Staff applauds Evergy for doing so, but the Company only did this after Staff brought this issue up in the last Evergy FAC prudence review. Evergy originally fought wanting to benefit their customers with REC revenues in this way, but ultimately the parties settled on this.

Staff's conclusion of this entire section of Ms. Messamore's testimony is that even with all these ways to try and optimize its assets, Evergy has still lost customers almost half a billion dollars over the last ten years, when really they are suggesting they could have lost even more than that.

Q. Ms. Messamore states that Staff only considers energy sales revenue and ignores REC revenues, congestion hedging revenues, and the value of capacity provided by these PPAs.[25] How do you respond to this?

A. Staff always, for the amount of time I have been in this department at least, illustrates in its Staff Reports the losses each PPA resulted in for each Review Period. Evergy could at any point in time, once those Staff Reports are filed, file a response to Staff's Reports, disputing any of these amounts, but they never have.

Q. Ms. Messamore states that it is not reasonable to expect market energy revenues to cover all-in costs for generating assets in the Southwest Power Pool.[26] Do you agree?

A. Staff never suggested market revenues should always cover the costs. But Staff is noting that ** [redacted] ** of the time, respectively of the four PPAs

[25] Direct testimony of Ms. Messamore, page 8 lines 3 through 4.
[26] Direct testimony of Ms. Messamore, page 8 lines 18 through 20.

previously mentioned, the costs outweigh the revenues. That has resulted in those costs heavily outweighing the revenues, by almost half a billion dollars.

Q. Ms. Messamore states that all generation resources have a similar cost of service structure, which generally includes depreciation expense, return on capital invested, property taxes, operations and maintenance, and fuel expense. There is a wrinkle, however, when comparing wind PPAs and rate based generation in the context of the FAC.[27] Is Ms. Messamore asserting that Staff should look at all rate based generation options in the context of an FAC prudence review?

A. I believe so. However, in the context of an FAC prudence review, the scope of Staff's review is fuel costs, purchased power costs, transmission costs, net emission costs, off-system sales revenue, and interest. Therefore, Staff does not have the other rate based generation data, nor is it within the scope of a FAC prudence review. This scope has never been disputed by any party that I am aware of.

RESPONSE TO MS. STARKEBAUM

Q. Does Ms. Starkebaum acknowledge that $2,076.20 is related to SPP administrative fees under Schedule 1 and 1a that Evergy Missouri West included in its FAR filing?

A. Yes. She states, "For the month of March 2022, the Company included a total of $38,910.60 in SPP charges in its FAC calculation as provided in response to data request Q0040.3. Of that $38,910.60, $926.40 was related to SPP Schedule 1a and $1,149.80 was related to SPP Schedule 1 fees for a total of $2,076.20."[28]

[27] Direct testimony of Ms. Messamore, page 9 lines 5 through 8.
[28] Direct testimony of Ms. Starkebaum, page 3 lines 16 through 19.

Q. Does Ms. Starkebaum also recognize that SPP administrative fees are not recoverable through the FAC?

A. Yes. She says: "Generally, SPP administrative fees are not recoverable through the FAC."[29]

Q. Is this why Staff recommended a disallowance for $2,076.40 related to SPP administrative fees?

A. Yes. Staff recommended this disallowance based off the Evergy Missouri West FAC, Original Sheet No. 127.16, which states:

> Subaccount 565000: non-SPP transmission used to serve off-system sales or to make purchases for load, excluding any transmission costs associated with the Crossroads Power Plant and 47.20% of the SPP transmission service costs which includes the schedules listed below as well as any adjustments to the charges in the schedules below:
>
> Schedule 7- Long Term Firm and Short Term Point to Point Transmission Service
> Schedule 8- Non Firm Point to Point Transmission Service
> Schedule 9- Network Integration Transmission Service
> Schedule 10- Wholesale Distribution Service
> Schedule 11- Base Plan Zonal Charge and Region Wide Charge

This is why Staff recommended a disallowance for just the $2,076.40 of the $38,910.60, because only $2,076.40 was attributed to SPP Schedules 1 and 1a administrative fees. As you can see from the tariff language above, those Schedules are not permitted to be included in the FAC under SPP transmission service costs.

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

A. Yes, it does.

[29] Direct testimony of Ms. Starkebaum, page 4 lines 10 through 11.

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 Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	)))))	Case No. EO-2023-0277

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
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 12th 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

Dianna L. Vaught
Notary Public