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REBUTTAL TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

**EVERGY MISSOURI WEST, INC. D/B/A
EVERGY MISSOURI WEST**

CASE NOS. EO-2023-0277

December 14, 2023

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REBUTTAL TESTIMONY

OF

LENA M. MANTLE, P.E.

EVERGY MISSOURI WEST

FILE NO. EO-2023-0277

1 **INTRODUCTION**

2 **Q. What is your name?**

3 A. Lena M. Mantle.

4 **Q. Are you the same Lena M. Mantle who filed direct testimony in this case?**

5 A. Yes, I am.

6 **Q. Would you summarize your rebuttal testimony?**

7 A. As it relates to the imprudence identified by OPC in this case, most of the direct
8 testimonies of the Evergy Missouri West, Inc. (“Evergy West” or “the Company”)
9 witnesses Kayla Messamore, Darrin R. Ives, and John J. Reed is either misleading,
10 non-relevant, or misdirection. In this testimony I identify these portions of their
11 testimonies and provide accurate information regarding the Evergy West witnesses’
12 testimony.

13 **Q. What should the Commission order in this case?**

14 A. The Commission should find that Evergy West was imprudent in its continuing
15 decision to not add generation that corresponds to the load requirements of its
16 customers. To compensate customers for this imprudent decision, the Commission
17 should order an imprudence adjustment of \$86,376,294 plus interest to be applied
18 in Evergy West’s first fuel adjustment clause (“FAC”) rate change case after the
19 Commission’s order in this case is effective.

20 The central issue of imprudence that has been raised by the OPC in this case
21 is Evergy West’s decision to not acquire generation that would protect its customers
22 from the risks of the energy market, *i.e.* not to acquire the necessary “insurance” to
23 hedge against the volatility of the energy market. Evergy West unnecessarily

1 exposed its customers to the volatility of the Southwest Power Pool (“SPP”) energy
2 market to supply energy for its customers; a practice that even Evergy West witness
3 Ives describes as being “akin to playing the Lotto with customers energy supply.”¹
4 Evergy West’s decision to rely on the SPP market for energy instead of acquiring
5 generation in an efficient, low-cost manner available to match its customers’ load
6 requirements is imprudent and was costly in the prudence period of this case.
7 Evergy West is therefore charging its customers for cost incurred due to its
8 imprudent decision. The Commission should protect Evergy West’ customers from
9 the cost of the Company’s imprudence.

10 **Evergy West’s Witnesses Demonstrates the Imprudence of Its Own Planning Process**

11 **Q. Based on the direct testimony filed in this case, what did you observe generally**
12 **regarding Evergy West witnesses’ belief as to the prudence of heavily relying**
13 **on the SPP energy market?**

14 A. Evergy West witnesses Ives and Messamore filed testimony in this case that
15 supports the contention underlying the OPC’s proposed disallowance, which is that
16 it is imprudent for Evergy West to maintain such a high reliance on the SPP energy
17 market to meet its customer’s load requirements.

18 **Q. Could you please provide some citations to specific examples?**

19 A. Evergy Witness Darin Ives is clear in his direct testimony that leaving customers
20 exposed to energy market prices is an imprudent practice. For example, Mr. Ives
21 testifies that relying on the market should be avoided because it places unnecessary
22 risk on customers.²

23 [Relying on the market for energy and capacity] exposes customers
24 to unnecessary volatility, risk and potentially cost. Market purchases
25 can play an important role in a prudent resource mix, but on their

¹ EO-2023-0277, Ives direct testimony, pg. 14.

² *Id.*

1 own are not a plan but rather are akin to playing Lotto with
2 customers energy supply.

3 Curiously, Mr. Ives then goes on to make the following “threat” should the OPC
4 and Staff continue to protect customers by providing the Commission accurate
5 information regarding Evergy West’s resource acquisitions:

6 The positions advocated by Staff and OPC are pushing the Company
7 toward simply purchasing market energy and paying penalties to
8 SPP when market capacity is not available rather than to execute on
9 our prudent [integrated resourced plan].³

10 Mr. Ives uses nearly identical wording later in his testimony when he states:

11 The positions being put forth by Staff and OPC are pushing the
12 Company to simply purchase market energy and pay penalties to
13 SPP when wholesale market capacity is not available.⁴

14 Mr. Ives did not just limit his threat to what Evergy West would do if Staff and
15 OPC continue doing our jobs, but also included the Commission when he
16 threatened:⁵

17 If sustained and supported by the Commission, the Company would
18 have to strongly consider the choice of relying entirely on market
19 purchases of capacity and energy and paying penalties to SPP when
20 market capacity is not available.

21 **Q. Mr. Ives appears to be threatening that if the Commission finds Evergy West**
22 **imprudent, then Evergy West will start to rely more heavily on the SPP market**
23 **for energy. Is that accurate?**

24 **A.** Yes. Mr. Ives is threatening the OPC, Staff, and the Commission itself that, if
25 Evergy West is found imprudent in this case, the Company would move to relying
26 even more heavily on the SPP market to meet its energy and capacity needs.

³ *Id.*, pg. 3.

⁴ *Id.*, pg. 14.

⁵ *Id.*, pg. 10.

1 **Q. Isn't Evergy West's overreliance on the SPP energy market to meet the**
2 **Company's energy needs the very reason the OPC argues Evergy West is**
3 **imprudent?**

4 A. Yes.

5 **Q. Then how is what Mr. Ives is threatening to do different from Evergy West's**
6 **current resource planning decisions that are at issue in this case?**

7 A. The simple answer is that there is not much of a difference between what Mr. Ives
8 is threatening and what Evergy West is currently doing, which is the major issues
9 the OPC is trying to address. As detailed in my direct testimony, Evergy West's
10 resource planning decisions have resulted in Evergy West relying heavily on the
11 SPP market for energy and thereby exposing its customers to unnecessary volatility,
12 risk, and, in this prudence period, cost. The only difference between what Mr. Ives
13 is threatening to do and what is already currently occurring is that Mr. Ives is
14 threatening that Evergy West would pay penalties to SPP for failing to meet
15 capacity needs instead of buying excess capacity off of its sister utility, Evergy
16 Metro, Inc. ("Evergy Metro").

17 **Q. Is Evergy West's decision to acquire capacity from Evergy Metro an issue in**
18 **this case?**

19 A. No. Moreover, even if it was an issue, the OPC does not oppose that decision. The
20 issue in this case is Evergy West's failure to acquire sufficient generation not
21 capacity. Those are different concepts.⁶ That being said, I would point out that if
22 Evergy West does acquire more generation it will inadvertently add more capacity
23 and thus lower the amount of capacity that Evergy West would need to purchase
24 from Evergy Metro. This is important given that, as Evergy Metro begins to need
25 more and more of its excess capacity, Evergy West will come closer and closer to

⁶ I provide an explanation regarding the difference between capacity and energy on page 6 of my direct testimony in this case.

1 paying the SPP penalties as Mr. Ives is threatening if it continues with its decision
2 to not add generation.

3 **Q. Given all this, what do you make of Mr. Ives' threats in his direct testimony?**

4 A. What Mr. Ives is saying is nonsensical. His threat can be translated to mean that if
5 the Commission correctly finds Evergy West imprudent for failing to maintain
6 sufficient generation to meets its customers' energy needs, Evergy West will
7 continue to behave imprudently by remaining steadfast in its decision not to acquire
8 sufficient generation to meet its customers' energy needs. The obvious response to
9 this threat is that if the Commission finds Evergy West imprudent and Evergy West
10 thereafter continues to act imprudently, the Commission should continue to find the
11 Company imprudent in future cases.

12 More to the point, however, I believe that Mr. Ives is deliberately trying to
13 confuse and mislead the Commission. Mr. Ives knows that it is imprudent for an
14 electric utility like Evergy West to rely excessively on the market to meet its energy
15 needs because he says so himself in his direct testimony.⁷ Consequently, Mr. Ives
16 doesn't have an actual response to the OPC's argument that this imprudence is
17 exactly what Evergy West has been doing for the past 15 years since it was acquired
18 by Evergy.⁸ Mr. Ives therefore seeks to extract himself from this perilous situation
19 by conflating the OPC's argument in this case with Staff's entirely separate and
20 distinct imprudence disallowance – as well as the arguments raised in a litany of
21 other, wholly unrelated cases – in an attempt to trick the Commission into believing
22 the OPC's position is the exact opposite of what the OPC is actually arguing. The
23 Commission should look behind the curtain of fallacies offered by Mr. Ives and not
24 allow itself to be fooled in this way.

⁷ EO-2023-0277, Ives direct testimony, pg. 14.

⁸ I provided a more detailed explanation of Evergy West's continuing decision to not add generation to its resource portfolio in my direct testimony on pages 11 through 14.

1 To reiterate my recommendation and the basis of the OPC’s disallowance:
2 the Commission should find that Evergy West was imprudent in its decision not to
3 maintain sufficient, cost-effective generation to meet the load requirements of its
4 customers. The fact that Mr. Ives responds to this argument by threatening that
5 Evergy West may decide to continue to not maintain sufficient generation
6 demonstrates just how imprudent Evergy West’s current management is.

7 **Q. Is Mr. Ives the only Evergy Witness to provide testimony to support the OPC’s**
8 **position?**

9 A. No. Ms. Messamore also provides testimony on behalf of Evergy West that
10 supports the OPC’s proposed disallowance.

11 **Q. What did Ms. Messamore say that demonstrates imprudent planning decision-**
12 **making in her testimony?**

13 A. Ms. Messamore believes that there is a disconnect between Staff and OPC’s
14 positions regarding the imprudence of the wind purchased power agreements and
15 OPC’s position that Evergy West needs additional capacity and generation when
16 on page 16 of her testimony she states:

17 It is also worth noting that, if the wind PPAs were not in place which
18 OPC and Staff allege are now imprudent, EMW would need even
19 *more* energy and capacity to meet its customers’ needs than it does
20 today.

21 What she does not seem to understand, and is trying to persuade the Commission
22 to misunderstand, is that energy for the sake of energy is not prudent. Evergy
23 West’s wind PPA contracts require Evergy West to either (1) generate electricity
24 whenever the wind is blowing or (2) pay both the contract price and the production
25 tax credit for the wind that project could have generated to its owner. This means
26 that this generation does not respond to SPP market price signals. If it was not for
27 this provision in the contract, Evergy West would not have these turbines
28 generating except when the market prices were greater than the contract price. This

1 is the intent of the market. However, because of this provision, Every West must
2 generate even when the market signals that it is not cost effective. This is why
3 these PPAs have cost Evergy customers over \$550 million in losses to date.⁹

4 **Q. Why do you believe Ms. Messamore is attempting to mislead the Commission**
5 **with this statement?**

6 A. In her direct testimony in case no. EO-2023-0291, filed just six days before her
7 direct testimony in this case was filed, Ms. Messamore states:

8 That means that EMW is essentially a price-taker for 70% of its
9 energy and **that is why it has a need for a hedge – a generator**
10 **which will produce economic energy to offset EMW’s exposure**
11 **to the SPP energy market**, in addition to the needs for physical
12 capacity and energy that it *also* has. Hedges should not be purchased
13 “at any cost” (e.g. a coal plant can provide a hedge, but – depending
14 on its fixed and variable costs – it could be too costly to justify its
15 hedge value), but instead should be evaluated based on its all-in
16 costs and the long-term benefits it provides in terms of physical
17 capacity, energy, and hedge value.

18 Bold emphasis added.¹⁰

19 With this testimony she shows that she clearly understands, and wants the
20 Commission to understand in the EO-2023-0291 case, that adding energy for the
21 sake of adding energy should not be the goal of adding generation. All aspects
22 should be reviewed – economics, offsetting exposure to the SPP energy market,
23 capacity, and energy. In this case, she wants the Commission to believe that the
24 wind PPA contracts have value because they provide energy even though that
25 energy is not economic and provides very little capacity value.

⁹ This means Evergy West and Evergy Metro’s wind PPA contracts have cost \$550 million more than the revenues they have generated since the SPP energy market started in March 2014.

¹⁰ EO-2023-0291, Messamore direct testimony, pg. 14.

1 **Q. Did Ms. Messamore provide any other testimony in this case that could**
2 **mislead the Commission?**

3 A. Yes. Ms. Messamore also provided irrelevant testimony that Evergy West was
4 meeting its SPP resource adequacy requirement.¹¹ Meeting the SPP resource
5 adequacy requirements does not equate to Evergy West prudently meeting the
6 energy requirement of its customers.

7 **Q. What was the SPP resource adequacy obligation for the prudence period?**

8 A. The SPP resource adequacy obligation for the Summer of 2021 was a 12% reserve
9 margin. SPP determined through a loss of load expectation study that if all its load
10 responsible entities (“LRE”) like Evergy West have capacity 1.12 times its
11 forecasted peak then there would be adequate generation for SPP to meet the load
12 requirements of its members.

13 **Q. Could you explain why meeting the SPP resource adequacy obligation does**
14 **not necessarily indicate that Evergy West has made prudent resource planning**
15 **decisions?**

16 A. SPP’s obligation is to make sure that there are resources available to meet its
17 member’s combined hourly loads requirements. It is not an SPP requirement that
18 those resources be efficient or cost-effective. It is a requirement that the LRE be
19 able to meet the load of one hour – the peak hour. It is also not an SPP requirement
20 for those resources to be available for any hours other than the peak. It is simply a
21 requirement for the LREs to have resources to meet their peak load plus an
22 additional 12 percent.

¹¹ EO-2023-0277, Messamore direct, pgs. 16-17.

1 **Q. Has Ms. Messamore filed testimony in any other case that Evergy West’s**
2 **capacity resources are inefficient and provide little energy to the SPP market?**

3 A. Yes. In her testimony in case no. EA-2023-0291, Ms. Messamore explains that a
4 large portion of Evergy West’s capacity which is used to meet the SPP resource
5 adequacy requirement consists of “inefficient, high heat rate natural gas turbines
6 which operate very infrequently.”¹² In that testimony, she also echoes Mr. Ives’
7 concern in this case about exposure to market energy prices of a strategy of relying
8 on the energy market, testifying that “a strategy of relying on wholesale capacity
9 and energy does not provide a hedge for EMW to mitigate its exposure to energy
10 prices”¹³ and “[t]here is a benefit to having the certainty of steel in the ground,
11 rather than having exposure to the whims of the market and whether market
12 capacity will be available.”¹⁴

13 **Q. Ms. Messamore appears to be suggesting that, by meeting the SPP’s resource**
14 **adequacy requirements, Evergy West has planned to meet the energy**
15 **requirements of its customers.¹⁵ Is this a prudent strategy?**

16 A. No. It may be true that, if all the members of the SPP meet the resource adequacy
17 requirements, then there should be adequate generation in the SPP to meet Evergy
18 West customers’ energy requirements. However, it is not prudent for Evergy West
19 to meet the energy requirements of its customers in this manner. Moreover, Ms.
20 Messamore never actually appears to testify that this is a prudent strategy. In fact,
21 in her direct testimony in case no. EA-2023-0291, Ms. Messamore testifies that
22 Evergy West has a need for a generator which will produce economic energy to
23 offset Evergy West’s exposure to the market.¹⁶ In other words, to justify Evergy
24 West’s request in EO-2023-0291, Ms. Messamore testifies that customers need

¹² EO-2023-0291, Messamore direct testimony, pg. 13.

¹³ *Id.*

¹⁴ *Id.*, pg. 22.

¹⁵ EO-2023-0277, Messamore direct testimony, pg. 16.

¹⁶ EO-2023-0291, Messamore direct testimony, pg. 14.

1 insurance to cover market exposure which is consistent with OPC’s position in this
2 case.

3 **Q. Did this need to cover market exposure Ms. Messamore testifies about in case**
4 **no. EO-2023-0291 only occur after the end of the prudence period and before**
5 **case no. EA-2023-0291 was filed?**

6 A. No. As I explained in my direct testimony in this case, Evergy West’s customers
7 have needed insurance in the form of efficient, economic generation since before it
8 was acquired by Evergy, Inc. (then known as Great Plains Energy) in 2008.

9 **Q. Is there any other important effect that Mr. Ives and Ms. Messamore’s**
10 **testimony in this and other cases have on this case?**

11 A. Yes. Mr. Reed states in direct testimony that OPC does not provide evidence that
12 Evergy West’s resource mix is imprudent.¹⁷ Evergy West’s own witnesses in this
13 case and in case no. EA-2023-0291 testify that relying on the SPP market exposes
14 customers to unnecessary volatility, risk, and potentially cost. This was the strategy
15 chosen by Evergy West before the prudence period that resulted in harm to
16 customers and continues to this day. Knowingly not providing insurance for almost
17 40% of its customer’s energy requirements was imprudent and continues to be
18 imprudent. Therefore, the testimony by Mr. Ives and Ms. Messamore in this and
19 other cases directly rebuts Mr. Reed’s assertion that there is no evidence to show
20 Evergy West’s resource mix is imprudent.

¹⁷ EO-2023-0277, Reed direct testimony, pg. 22.

1 **Evergy’s Attempts at Misdirection**

2 **Q. What are some of the topics that Evergy West witnesses address to distract**
3 **from the actual issues of this case?**

4 A. In his direct testimony, Mr. Ives discusses Evergy West’s Crossroads Generation
5 Plant,¹⁸ its Sibley generation plant,¹⁹ the Persimmon Creek wind project,²⁰ and the
6 Dogwood plant.²¹ None of these generation resources are at issue in this case.

7 **Q. Does the Crossroads Generation plant have anything to do with the imprudent**
8 **resource planning that impacted FAC costs in this prudent period?**

9 A. No. Crossroads is a peaking generation plant that Great Plains Energy, Inc. (n/k/a
10 Evergy, Inc.) chose to add to KCP&L – Greater Missouri Operations Company’s
11 (n/k/a Evergy West) generation portfolio after it acquired Aquila, Inc. in 2008.²²
12 OPC has no information that this plant was utilized imprudently by Evergy West
13 during this prudence period and is thus not making any argument that this plant was
14 operated imprudently. This case is not about the Crossroads generating plant and
15 any past Commission decisions regarding the prudence or impudence of the
16 Crossroads acquisition is completely irrelevant.

17 **Q. Is the Sibley generation plant at issue in this case?**

18 A. The root cause of Evergy West’s imprudence in this case is not based on the
19 decision to retire the Sibley generating facility. However, the retirement of Sibley
20 is at least tangential enough to the current case to merit further explanation. Once
21 again, the OPC’s proposed disallowance is based on Evergy West’s imprudent
22 decision not to acquire sufficient generation to cover its customers’ existing energy
23 needs and thus serve as a sort of insurance policy to hedge against volatility in the

¹⁸ EO-2023-0277, Ives direct testimony, pgs. 9 – 14.

¹⁹ *Id.*, pg. 8.

²⁰ *Id.*, pg. 9.

²¹ *Id.*, pgs. 4, 15, and 16.

²² ER-2016-0156 Mantle direct testimony, pg. 37.

1 energy market. Prior to its retirement, Sibley had provided some insurance as a
2 hedge to the cost of energy purchased by Evergy West. The retirement of the Sibley
3 plant without efficient generation capacity and energy to replace what had been
4 provided by the Sibley plant, *i.e.* replacement insurance, exacerbated the exposure
5 Evergy West’s customers already had to additional unnecessary volatility, risk, and
6 (in this prudence period) increased cost. To state the matter a different way, the
7 imprudence at issue in this case was not the decision to retire Sibley, but the
8 decision not to fill the hole in Evergy West’s generation portfolio that was created
9 when Sibley was retired. The retirement exacerbated the already imprudent nature
10 of Evergy’s resource planning. This resulted in an even greater cost being born by
11 Evergy West customers in this prudence period.

12 **Q. Is the Persimmon Creek wind project relevant to this case?**

13 A. No. Even if Evergy West had purchased the Persimmon Creek wind project, it
14 would not have had access to energy from that project until 2024. It would not have
15 affected the FAC costs in the prudence period of June 1, 2021, through November
16 30, 2022, nor does it in any way repudiate the imprudence in the Evergy West’s
17 resource planning up to this point. Therefore, the Persimmon Creek wind project
18 is irrelevant to this case.

19 **Q. Is the Dogwood plant relevant to this case?**

20 A. No. Evergy West just filed for a certificate of convenience and necessity for a
21 portion of the Dogwood plant in case no. EA-2023-0291. It was not an Evergy
22 West resource before or during the prudence period and, as with Persimmon Creek,
23 would in no way repudiate the imprudence in the Evergy West’s resource planning
24 up to this point. Therefore, the Dogwood plant is irrelevant to this case.

1 **Q. Did Ms. Messamore or Mr. Reed include any other misdirection or non-**
2 **relevant arguments in their testimonies?**

3 A. Yes. Both Ms. Messamore and Mr. Reed hold the same illogical belief that the
4 only resource planning decisions pertinent to this case were decisions made during
5 this prudence period.²³

6 **Q. Why is this illogical?**

7 A. Decision-making and the harm that arises from imprudent decision making rarely
8 occurs at the same time. This is because the amount of time between the decision
9 to acquire a generation resource and the impact of the cost on the customer takes
10 years. It is not instantaneous. If the Commission were to therefore accept the
11 argument made by Ms. Messamore and Mr. Reed, the Commission would be
12 essentially creating a situation where the adequacy of a utility's resource planning
13 could never be reviewed for prudence.²⁴ This is why it is illogical that the only
14 resource planning decisions that can be reviewed are decisions made during the
15 prudence period.

16 **Integrated Resource Plan Does Not Mean Prudent Plan**

17 **Q. Mr. Ives refers to Evergy West's "prudent IRP."²⁵ Did the Commission find**
18 **Evergy West's resource plan prudent?**

19 A. No. I reviewed the *Report and Orders* from Evergy West's 2015 and 2018
20 triennial resource plan filing cases. In the *Order Finding Compliance* for Evergy
21 West's 2015 triennial resource plan filing, case no. EO-2015-0252. the
22 Commission ordered:

23 1. As of December 16, 2015, the *KCP&L Greater Missouri*
24 *Operations Company (GMO) Integrated Resource Plan*

²³ EO-2023-0277, Direct testimonies of Messamore, pg. 14 and Reed, pg. 23.

²⁴ Commission rule 20 CSR 4240-22.080(17) states that acknowledgement of a preferred plan in a resource plan filing should not be construed to mean or constitute a finding of prudence. See further explanation in the next section of this testimony.

²⁵ EO-2023-0277 Ives direct testimony, pg. 3.

1 demonstrates compliance with the requirements of [20 CSR 4240-
2 22]; and KCP&L’s resource acquisition strategy meets the
3 requirements stated in [20 CSR 4240-22].

4 Similarly, in its *Order Regarding 2018 Integrated Resource Plans* for Evergy
5 West’s 2018 triennial resource plan filing, case no. EO-2018-0269, the
6 Commission found “that the Company’s IRP filings demonstrate compliance with
7 the requirements of Commission Rule [20 CSR 4240-22]”.

8 **Q. Does compliance with the Commission’s Chapter 22 rules mean that the**
9 **Commission found the Evergy West’s preferred plan prudent?**

10 A. No. It means that Evergy West met the requirements of Chapter 22. 20 CSR 4240-
11 22.080(17) makes it very clear that the Commission in its review of a resource plan
12 filing cannot make a finding of prudence regarding a preferred resource plan. In
13 fact, in this section, the rule states:

14 Consistency with an acknowledged preferred resource plan or
15 acquisition strategy does not create a presumption of prudence and
16 shall not be considered to be dispositive of the issue.

17 **Q. This portion of the rule talks about an acknowledged preferred plan. What is**
18 **an acknowledged preferred plan?**

19 A. According to 20 CSR 4240-22.080(17), the Commission may acknowledge that the
20 preferred resource plan as reasonable at a specific date.

21 **Q. Did the Commission acknowledge Evergy West’s preferred plans from its 2015**
22 **and 2018 triennial resource plan filings as reasonable?**

23 A. No. The Commission only found that Evergy West’s filing was compliant with the
24 Commission’s Chapter 22 Electric Utility Resource Planning rules.

1 **Q. What is the purpose of the Commission’s electric utility resource planning**
2 **rules?**

3 A. The purpose of the resource planning rules is to assure that the utility collects,
4 reviews, and analyzes certain data. It is the minimum that the utility should do in
5 its resource planning process. It is the goal that if the utility decision makers have
6 good data and the results of good analysis, they will make prudent decisions.
7 However, it is not a guarantee that the analysis or the resource decisions are
8 prudent.

9 **OPC Met the Standards Outlined by Mr. Reed**

10 **Q. Mr. Reed laid out four principles in his testimony in this case that he views are**
11 **important for showing imprudence.²⁶ Did you follow those principles when**
12 **you determined that Evergy West was imprudent in its resource planning?**

13 A. Yes. My direct testimony provides detail on how OPC determined that Evergy
14 West was imprudent. While maybe not laid out as Mr. Reed did, my analysis
15 covered all four of his principles plus the one principle that he did not include:
16 harm. I explained how, prior to its acquisition by Evergy, Evergy West planned on
17 adding generation capacity to meet its customer needs. After the acquisition,
18 Evergy determined that no additional generation was needed and that Evergy West
19 would rely on the excess generation of Evergy Metro. With the advent of the SPP
20 energy market that treats them as two separate utilities, Evergy West, instead of
21 merging with Evergy Metro, choose not to add generation but instead to rely on the
22 market for energy. Whereas it had been relying on Evergy Metro’s insurance, it
23 determined that it did not want to purchase separate insurance for Evergy West.
24 This decision that Evergy West continued with since that time, exposed its
25 customers to unnecessary volatility, risk, and potential high cost of the energy
26 market. This is Evergy West’s imprudent decision and (in)action.

²⁶ EO-2023-0277, Reed direct testimony, pg. 8.

1 I also created serious doubt regarding the prudence of Evergy West's
2 decisions and inaction in my direct testimony. This serious doubt was strengthened
3 by Evergy West's direct testimony filed in this case and in testimony filed in case
4 no. EO-2023-0291.

5 Mr. Reed's third principle, exclusion of hindsight, is also one that Ms.
6 Messamore echoed in her testimony.²⁷ Mr. Reed states that Evergy West's decision
7 "must be judged based upon what was known or reasonably known at the time the
8 decision was made."²⁸ This is what Evergy West knew at the time the decision was
9 made to not add generation and rely in the SPP energy market:

- 10 1. Evergy West knew it did not have the generation that was needed to
11 meet its customers' load requirements long before this FAC
12 prudence period. OPC, in numerous filings, stated its concerns.²⁹
- 13 2. Evergy West knew that it was relying on the SPP market for energy
14 because it asked for and received the inclusion of the cost of market
15 energy in its FAC.
- 16 3. Evergy West knew that markets could be volatile. In January 2018,
17 Jessica Tucker, Senior Manager at Evergy West, provided testimony
18 regarding Evergy West's strategies for mitigating fuel market price
19 volatility.³⁰ In that same testimony, Ms. Tucker provides testimony
20 that there was significant volatility in the natural gas market.³¹
- 21 4. Evergy West knew that there is a SPP market energy price
22 correlation with natural gas prices.³² Evergy West knows that
23 electric market prices are tied to natural gas markets.

²⁷ *Id.*, pg. 14.

²⁸ *Id.*, pg. 9.

²⁹ EO-2023-0277, Mantle direct, pgs. 12 - 14.

³⁰ ER-2018-0146, *In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service*, Direct Testimony of Jessica L. Tucker, pgs. 22 – 24.

³¹ *Id.*, pg. 18.

³² EO-2023-0291, Messamore direct, pg. 11 – 12.

1 Based on what Evergy West knew prior to this prudence period, it was imprudent
2 for Evergy West to not provide insurance in the form of efficient generation that
3 would hedge the potential volatility of the SPP market with revenues to offset the
4 cost of energy from the SPP market to meet the customers' needs.

5 Mr. Reed's fourth principle is that the decisions should be tied to a range of
6 reasonable behavior. However, the question here is not the range of reasonable
7 behavior. It is more basic than this. The question is simply should Evergy West
8 have procured insurance by acquiring generation that provides energy when its
9 customers need it or play the market exposing customers to unnecessary volatility,
10 risk, and cost? This is a question that is answered with Mr. Reed's third principle.
11 Evergy West knew that it was exposing customers to the risk of the energy market.
12 Evergy West knew how to hedge the volatility of the energy market. Evergy West's
13 sister utility, Evergy Metro had platinum insurance. Even so, Evergy West chose
14 to not purchase insurance but instead chose to offer its customers a Lotto ticket.

15 **Q. Did you address in your direct testimony the fifth principle of harm Mr. Reed**
16 **did not include in his direct testimony?**

17 A. Yes. The Commission will not make a finding of imprudence without harm. Harm
18 is not realized immediately when a decision is made. Too often OPC and Staff are
19 charged with hindsight as Mr. Reed and Ms. Messamore³³ do in their direct
20 testimonies when it is not hindsight but waiting to see if there is harm to the
21 customers before writing testimony to raise serious doubt as to the prudence of a
22 decision. With some decisions, such as resource planning decisions, it takes years
23 for harm to materialize. For Evergy West, the harm is now materializing from
24 imprudent decisions made long ago to rely on others for energy.

³³ EO-2023-0277, Messamore direct pgs. 5,14, and 18; Reed direct pgs. 4, 13, 16, and 24.

1 **Q. What conclusion should the Commission come to given the application of these**
2 **five principles?**

3 A. Evergy West knew the importance of having generation (*i.e.*, insurance) to meet its
4 customers' energy requirements but chose to take the risk knowing that the risk and
5 the costs would be passed on to its customers because it has a FAC. This decision
6 was imprudent and has caused harm to Evergy West customers. The Commission
7 should require Evergy West to make an adjustment in the next FAC rate change for
8 the cost of this imprudent decision.

9 **Calculation of Imprudence Amount**

10 **Q. Mr. Reed provides three questions that he believes the Commission should**
11 **answer when it finds imprudence regarding an imprudence adjustment**
12 **amount.³⁴ Did you provide answers to these three questions in your direct**
13 **testimony?**

14 A. Yes. I provided answers to these questions in my direct testimony, but I will
15 provide additional testimony here.

16 Mr. Reed's first question is the range of reasonable behavior. As I described
17 above, the range of reasonable behavior is a zero/one range: Evergy West had the
18 choice of providing insurance for its customers against the potentially volatile
19 market or handing the customers a Lotto ticket, as Every witness Darin Ives
20 describes it, by betting on the SPP energy market. No reasonable person would
21 rely on the Lotto ticket but Evergy West chose to go the route of the Lotto ticket
22 for its customers instead of acquiring insurance.

23 The next question Mr. Reed poses is what the cost would have been had
24 Evergy West chosen to build. Determining the exact costs that Evergy West would
25 have incurred had the Company made the prudent decision to build additional
26 generation is extremely difficult given the nearly infinite combination of generation

³⁴ EO-2023-0277, Reed direct testimony, pg. 10.

1 types, sizes, and timing Evergy West could have employed. Fortunately, there is
2 an easy method for calculating the costs Evergy West would most likely have
3 incurred if it had acted prudently. That is to use Evergy West’s own resource plan
4 filings to determine what those cost would have been.

5 For years Evergy has told the Commission in these filings that combining
6 the resources of Evergy West and Evergy Metro is the least-cost and preferred plan
7 for meeting the customer needs for both Evergy West and Evergy Metro.³⁵
8 Therefore, a reasonable estimate of prudent FAC costs for Evergy West would be
9 to combine the actual costs of the two utilities and then allocate those cost based on
10 the amount of energy required by the customers of the two utilities. This is how
11 OPC calculated the imprudence amount of \$86,376,294.

12 **Q. Did you use theoretic energy savings and capital investment in your analysis**
13 **as Ms. Messamore alleges?**³⁶

14 A. No. If I would have tried to pick out a generation type, size, and cost, then I would
15 have been using theoretic energy savings and capital investment. To avoid this, I
16 took what Evergy stated in its resource plan filings and used the actual net energy
17 costs and net system inputs for Evergy Metro and Evergy West. The production
18 plant costs are the costs that were included in Staff’s true-up revenue requirements
19 of the utilities in their 2018 rate cases. These were the amounts included in rates
20 that were in effect during the prudence period. No theoretical energy savings or
21 capital investments were used; only actuals were used.

³⁵ This is statistically impossible. Combining the two is averaging the resource plans of both. One utility is a winner, the other a loser. Ms. Messamore testifies to this on page 15 of her testimony when she states “Because the EMW \$/kWh for variable costs is higher (based on this review period) than Metro and Metro’s \$/kWh for fixed costs is higher than EMW, that means that, if an average \$/kWh is used, EMW variable costs go down while Metro’s costs go up and EMW’s fixed costs go up while Metro’s go down.”

³⁶ EO-2023-0277, Messamore direct, pg. 14.

1 **Q. What is your response to Ms. Messamore’s claim that this is a hypothetical**
2 **situation?**³⁷

3 A. First, as per Mr. Reed’s second question, it is necessary for the Commission to
4 determine what costs Evergy West would have incurred had the Company chosen
5 to build new generation in order to calculate the amount that should be disallowed
6 in this case. This necessarily entails engaging in at least some level of quasi-
7 hypothetical analysis as it requires determining what would have occurred under
8 circumstances other than what actually occurred. Second, the method that I
9 employed to develop my proposed disallowance reflects the way that Evergy has
10 been conducting its resource planning since it acquired Evergy West. It is only a
11 “hypothetical” situation because Evergy has refused to account for costs and
12 revenues associated with resources in the same manner as it has chosen to model
13 them in its resource planning process.

14 **Q. Do you agree with Ms. Messamore that the implementation of merging the two**
15 **utilities to mirror how the resource planning is done would be difficult due to**
16 **the fact that Evergy Metro has customers in both Missouri and Kansas?**³⁸

17 A. Merging the two utilities could pose some difficulties, but those could also certainly
18 be overcome. It is by no means impossible. The alternative to merging the utilities
19 is that Evergy start acquiring generation resources for Evergy West as the
20 standalone utility Evergy insists that Evergy West is (at least, for the purposes of
21 this case).

³⁷ *Id.*

³⁸ EO-2023-0277, Messamore direct, pg. 16.

1 **Q. Do you agree with Ms. Messamore when she states that using the cost of both**
2 **Evergy Metro and Evergy West is “an unfathomable approach to auditing**
3 **[Evergy West’s] FAC”?**³⁹

4 A. No. Evergy Metro and Evergy West has the same management. Evergy Metro and
5 Evergy West have the same resources through their parent Evergy. Evergy has
6 insisted on preferred resource plans from combined planning. For these reasons,
7 what I propose is quite reasonable. I would even go as far as to say it is
8 unfathomable that Evergy West’s FAC be audited any way other than what I have
9 proposed.

10 **Q. What FAC costs were Evergy Metro customers paying at the end of this**
11 **prudence period on November 30, 2022?**

12 A. Evergy Metro’s canceled tariff sheets show that its secondary customers were
13 paying \$0.01326/kWh on November 30, 2022.⁴⁰

14 **Q. What FAC costs were Evergy West’s customers paying on November 30,**
15 **2022?**

16 A. Evergy West’s canceled tariff sheets show that its secondary customers were paying
17 \$0.03125/kWh on November 30, 2022.⁴¹ This is more than twice what Evergy
18 Metro’s secondary customers were paying.

19 **Q. Why the disparity if the resource planning was done as a combined utility?**

20 A. The accounting for costs and revenues is inconsistent with the planning. Evergy
21 Metro has platinum insurance with an abundance of efficient generation. The
22 revenues from the surplus of this generation offsets the cost of Evergy Metro’s load.
23 Evergy West chose to not acquire insurance with the claim that Evergy Metro’s
24 generation would assure that the energy was there for its customers. Therefore.

³⁹ *Id.*

⁴⁰ A FAC base factor in rates of \$0.01675 and a FAR of (\$0.00349).

⁴¹ A FAC base factor in rates of \$0.02240 and a FAR of \$0.00885.

1 Evergy West incurs the market price for energy with little revenues from the sale
2 of energy from its generation into the market to offset that cost.

3 In this prudence period, Evergy West’s customers have had to pay for the
4 disconnect between accounting and planning. The calculation of the imprudence
5 adjustment amount is appropriate because it corrects for that disconnect.

6 **Q. Ms. Messamore insinuates that Every West’s costs being higher than Evergy
7 Metro’s in this prudence period may just be an anomaly.⁴² Is it?**

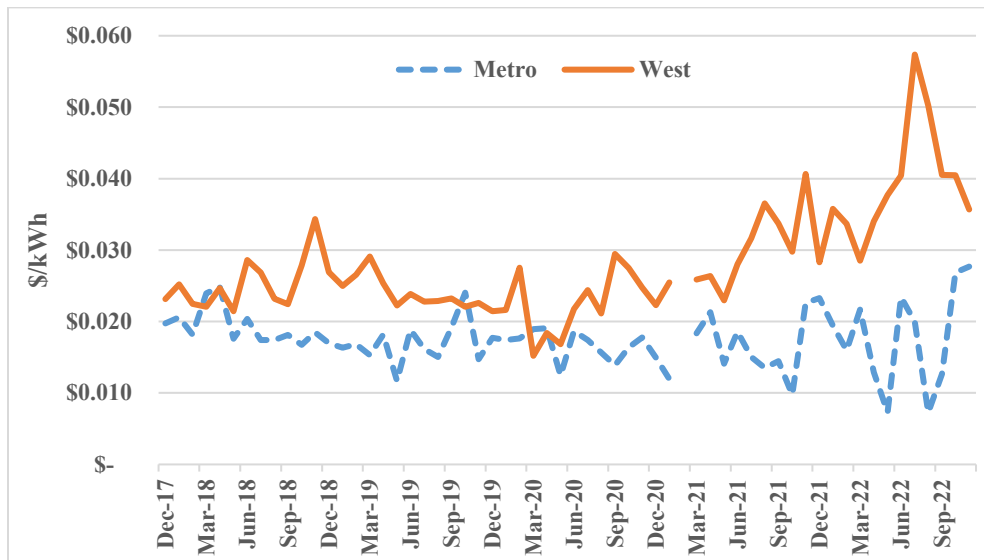
8 A. No. Because Evergy Metro has efficient generation with low variable costs, it
9 consistently generates revenue above fuel costs to offset energy cost for its
10 customers’ needs. As Ms. Messamore testifies in case no. EO-2023-0291, much of
11 Evergy West’s generation is inefficient and costly. Therefore, it has very little
12 revenues from the SPP market to offset its customers’ energy costs.

13 Figure 1 below shows a comparison of the monthly actual net energy costs
14 on a \$/kWh basis for Evergy Metro and Evergy West as provided in workpapers to
15 their filings to change their FAC rates.

⁴² EO-2023-0277, Messamore direct, pg. 15.

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 2
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Figure 1
 Actual Net Energy Cost⁴³
 (\$/kWh)



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This graph shows that over the 60 months (five years of December 2017 through November 2022), there were just three months when the FAC costs were less for Evergy West. Therefore, the anomaly is not Evergy Metro’s costs being lower than Evergy West’s, but Evergy West’s costs being lower than Evergy Metro’s costs. It also shows the disparity of the difference in costs is getting greater and greater starting with the beginning of this prudence period.

11 **Q. If the Commission orders an adjustment for Evergy West, should there be a**
 12 **corresponding adjustment to the costs for Evergy Metro as suggested by Ms.**
 13 **Messamore⁴⁴ and Mr. Reed?⁴⁵**

14 **A.** No. This should not be a zero-sum game for Evergy decision makers. Evergy
 15 Metro’s customers did not make the decision to not purchase insurance for Evergy

⁴³ I removed the amounts for February 2021 because including them would render the visual difference between the other months so small that nothing could be learned from the graph. The workpaper for this figure that includes the \$/kWh for February 2021 is attached as confidential Schedule LMM-R-1.

⁴⁴ EO-2023-0277, Messamore direct testimony, pg. 15.

⁴⁵ EO-2023-0277, Reed direct testimony, pg. 22.

1 West customers leaving them to the whims of the market so they should not have
2 to pay for Evergy’s imprudence with regard to Evergy West. Evergy management
3 made that decision. Just as Evergy West customers should not have to pay more
4 because of imprudent decisions, neither should Evergy Metro’s customers.

5 If the Commission makes this a zero-sum game, then the management of
6 Evergy West will continue its current path of not acquiring efficient generation
7 resources for Evergy West and relying on the market – a strategy that Mr. Ives uses
8 as a threat to the Commission if the Commission finds that very strategy imprudent
9 in this case.

10 **Q. Have the resource planning decisions for Evergy Metro also been imprudent?**

11 A. Evergy Metro has excess capacity and provides more energy to the SPP market than
12 its customers take from the market. Its generation types are diverse and generally
13 efficient.

14 Evergy Metro’s owned generation has already been determined to be
15 prudent by the Commission. The last owned generation added by Evergy Metro is
16 the Iatan 2 coal plant that went in service in 2010.⁴⁶ The Commission found in case
17 nos. ER-2010-0355 and ER-2010-0356 that this plant was prudent.

18 Evergy Metro has entered into eight wind PPAs outside of the resource
19 planning process. The Commission determined that two of these PPAs were
20 prudent.⁴⁷ Staff is challenging the prudence of Evergy Metro entering into two of
21 Evergy Metro’s PPAs in case no. EO-2023-0276.

⁴⁶ A portion of this plant is also owned by Evergy West. This is the last owned-generation added by Evergy West.

⁴⁷ EO-2019-0067, *In the Matter of the Eighth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of KCP&L Greater Missouri Operations Company*.

1 **Q. Ms. Messamore brings up that you included the losses from these PPAs in your**
2 **calculation of the imprudence adjustment.⁴⁸ What would the imprudence**
3 **adjustment be if the PPAs were removed from the FAC costs in your**
4 **calculation?**

5 A. If the losses from the wind PPAs that Staff is challenging is included in my
6 calculation of imprudence, then the Commission would need to order an
7 imprudence adjustment of \$99,418,390.⁴⁹

8 **Q. Was your decision to include the losses from these PPAs in your calculation**
9 **meant to be an endorsement of the prudence of those PPAs or a rejection of**
10 **the arguments raised by Staff in this case?**

11 A. No. My adjustments were made to isolate the impact of the imprudence that I
12 sought to bring to the Commission's intention. My calculations should in no way
13 be construed to suggest that I agree with the prudence of any other portion of the
14 Company's FAC, including the wind PPAs that Staff has challenged.

15 **Past Commission Decisions**

16 **Q. Mr. Ives brought up in his testimony Commission decisions in recent cases**
17 **regarding the prudence of Evergy West's resource planning.⁵⁰ Are these**
18 **decisions relevant in this case?**

19 A. No. The first Commission decision Mr. Ives discusses is in the Storm Uri
20 securitization case EF-2022-0155.⁵¹ The Commission's decision in that case
21 centered on the timing of the resource planning decisions and the retirement of the
22 Sibley plant. I have provided an explanation in this case of how harm from a
23 resource planning decision is not immediate. Because of the lead time between

⁴⁸ EO-2023-0277, Messamore direct testimony, pg. 16.

⁴⁹ The workpaper for this calculation is attached as Confidential Schedule LMM-R-2.

⁵⁰ EO-2023-0277, Ives direct testimony, pg. 8.

⁵¹ *In the Matter of the Application of Evergy Missouri West, Inc. d/b/a Evergy Missouri West for a Financing Order Authorizing the Financing of Extraordinary Storm Costs Through an Issuance of Securitized Utility Tariff Bonds*

1 when decisions are made and the full application of resource planning decisions, it
2 is essential that a prudence review examine resource planning decisions made prior
3 to the prudence period that directly impact the FAC costs in the prudence period.

4 The Commission also found the retirement of the Sibley generation plant
5 was prudent in case no. EF-2022-0155. The prudence of Evergy West’s decision
6 to retire the Sibley plant is not an issue in this case. However, the decision of
7 Evergy West to not fill the void left by the retirement of Sibley only increased the
8 risk of relying on the market for energy for its customers. Evergy West decided to
9 simply add more capacity to its contracts with Evergy Metro to assure that it met
10 the SPP resource adequacy requirements and tossed its customers another Lotto
11 ticket to cover the cost of energy purchases from the market.

12 **Q. Mr. Ives then brought up case no. EO-2022-0040.⁵² Was Evergy West’s**
13 **resource planning at issue in this case?**

14 **A.** No. The Empire District Electric Company (“Empire”) requested securitization of
15 the costs it incurred during Storm Uri in case no. EO-2022-0040.⁵³ There were no
16 Evergy West issues in this case.

17 I did testify in this case that Empire’s resource planning was imprudent. Its
18 resource planning was and is different than Evergy West’s. Like Evergy West,
19 Empire had recently prematurely retired a coal plant. Unlike Evergy West, Empire
20 realized it needed additional generation. My argument in that case was that the
21 wind projects that Empire had built were added, not to hedge the market costs of
22 its customers, but to “beat the market.” The fact that I believe that both Empire and
23 Evergy West made imprudent resource planning decisions does not make the
24 Empire case relevant to this case because the decisions made by the utilities in those
25 two cases were different.

⁵² EO-2023-0277, Ives direct testimony, pg. 8.

⁵³ *In the Matter of the Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs.*

1 **Q. Mr. Ives also brings up OPC’s challenge to the prudence of the retirement of**
2 **Sibley in Evergy West’s last rate case, case no. ER-2022-0130 and explains how**
3 **tired he is of arguing Evergy West’s decision to retire Sibley.⁵⁴ Have you**
4 **argued that Evergy was imprudent in retiring Sibley as part of this case?**

5 A. No. OPC is not arguing the prudence of the retirement of Sibley in this case. The
6 Commission has determined that it was prudent to retire Sibley and the OPC does
7 not intend to question that ruling as part of this case. As I have already explained,
8 however, the retirement of Sibley did exacerbate Evergy West’s resource
9 inadequacy problem. Evergy West was imprudent in failing to maintain sufficient,
10 cost-effective generation to meet its customers’ needs prior to the retirement of
11 Sibley and was even more imprudent to continue ignoring that problem after Sibley
12 was retired.

13 To make sure that this issue is fully understood, the Commission should
14 consider it in terms of the insurance analogy I expressed in my direct testimony.
15 Imagine an individual who owns a home but chooses not to maintain property
16 insurance. That is imprudent on its face given the potential magnitude of his losses
17 if the home is hit by a tornado or burns to the ground. However, this homeowner
18 then sets out to acquire a rare piece of art that he decides he will keep in his house.
19 This dramatically increases the potential losses if his house were destroyed. In this
20 case, the decision to acquire the piece of art was not imprudent, but it did exacerbate
21 the imprudence of the homeowner’s decision not to insure his home. The exact
22 same is true for Evergy West. Even though the Commission has determined the
23 decision to retire Sibley was prudent, the retirement still exacerbated the impact of
24 Evergy West’s decision not to maintain sufficient generation to meet its customers’
25 needs.

⁵⁴ EO-2023-0277, Ives direct testimony, pg. 8.

1 **Conclusion**

2 **Q. Would you summarize your rebuttal testimony?**

3 A. Evergy West imprudently decided years ago to not provide insurance against the
4 risks of the energy market for its customers when it decided to not acquire
5 additional, cost-effective generation. It has passed the resulting harm to its
6 customers through its FAC. Section 386.266.1 requires that only prudently
7 incurred costs flow through Evergy West's FAC.

8 There are two types of costs that result from adding generation: variable and
9 fixed costs. These generally correspond to FAC and non-FAC costs. The
10 appropriate place to determine imprudence of the non-FAC or fixed costs is in a
11 general rate case. Imprudence disallowances in general rate cases lower the
12 revenue requirement and thus lower rates.

13 The appropriate place for determining the imprudence of the variable FAC
14 costs is in FAC prudence cases such as this one. Imprudent costs flow through the
15 FAC. It is up to the Commission to provide the consumer protection provided by
16 Section 386.266 when it granted Evergy West its FAC. The Commission should
17 conclude that Evergy West's resource planning was imprudent and order Evergy
18 West to return \$86,376,294 plus interest back to its customers in the next FAC rate
19 change case.

20 **Q. Does this conclude your rebuttal testimony?**

21 A. Yes.

