

*Exhibit No.:*  
*Issue(s):* PPA cost-sharing of  
Evergy Missouri Metro's  
and Evergy Missouri West's  
Fuel Adjustment Clause  
*Witness:* Brad J. Fortson  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case Nos.:* EO-2023-0276/EO-2023-0277  
*Date Testimony Prepared:* January 18, 2024

**MISSOURI PUBLIC SERVICE COMMISSION**

**INDUSTRY ANALYSIS DIVISION**

**ENERGY RESOURCES DEPARTMENT**

**SURREBUTTAL 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  
January 2024*

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BRAD J. FORTSON**

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CASE NO. EO-2023-0276**

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

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1     **RESPONSE TO MR. IVES**

2           Q.     In Mr. Ives' rebuttal testimony in this case,<sup>1</sup> he mentions the Commission  
3 approved *Stipulation and Agreement* from the Company's most recent general rate case<sup>2</sup>  
4 ("Rate Case Stipulation") that included language to exclude from its FACs the net costs  
5 associated with wind PPAs entered into after May 2019 whose costs exceed their revenues.  
6 What does Mr. Ives state about that Rate Case Stipulation language?

7           A.     Mr. Ives states that, "I have also made clear to the parties to that agreement that  
8 Evergy does not expect to enter into new PPAs, under the restrictive provisions required by the  
9 parties to that case. This is unfortunate, but the parties to that case negotiated for such a punitive  
10 provision regarding future renewable PPAs that the Company is in a position that it cannot enter  
11 into new wind PPAs under this arrangement required by Staff, Public Counsel and other parties  
12 to that agreement. As noted, I was very clear with parties that the Stipulation's terms meant it  
13 was not feasible for the Company to enter into new renewable PPAs in the future."

14          Q.     How do you respond to that?

15          A.     Mr. Ives confirms what I suspected was the case in my rebuttal testimony<sup>3</sup> in  
16 this case. I stated, "I believe the Company acknowledges the risk that it will put on itself with  
17 future PPAs signed into after May 2019 due to the language now requiring it to bear any PPA  
18 costs that exceed revenues. However, that was a risk it was willing to take with its current  
19 PPAs when it knew that its ratepayers carried the lion's share of risk for those same costs."  
20 It is now undoubtedly clear that the Company will not sign into future PPAs due to the cost risk  
21 it is unwilling to take, the same cost risk it was willing to take when the risk was placed on its

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<sup>1</sup> *Rebuttal Testimony of Darrin R. Ives*, pgs. 2 – 3.

<sup>2</sup> *Stipulation and Agreement* filed on August 30, 2022, in Case Nos. ER-2022-0129 and ER-2022-0130.

<sup>3</sup> *Rebuttal Testimony of Brad J. Fortson*, pg. 15.

1 ratepayers when signing into its current PPAs. To note, the current PPAs have cost the  
2 Company's ratepayers nearly a half billion dollars as of the review period of the prudence  
3 review at issue in this case.

4 **RESPONSE TO MS. MESSAMORE**

5 Q. In Ms. Messamore's rebuttal testimony, she claims, "It is not appropriate to  
6 reference the economic activity of these contracts as customer "losses" for a number of  
7 reasons."<sup>4</sup> She then goes on to state some of those reasons. How do you respond to her reasons?

8 A. Ms. Messamore reiterates a point that Company witnesses attempted to make in  
9 its direct testimonies in this case, which is that it is inappropriate for Staff to expect market  
10 energy revenues to cover the costs of the PPAs. Therefore, I will also reiterate a point that  
11 I made in my rebuttal testimony, which is that it continues to be Staff's understanding that the  
12 Company's initial analysis in determining whether to sign into these PPAs demonstrated that  
13 the market energy revenues would offset the costs of the PPAs. If it is inappropriate for Staff  
14 to expect that now, then it was inappropriate for the Company to base its initial decision to enter  
15 into those contracts on that analysis.

16 Q. Ms. Messamore makes another repetitive statement in her rebuttal testimony  
17 that, "When a new resource addition is evaluated, we assess not only its energy market value,  
18 but also its value in meeting capacity requirements and providing a long-term hedge against  
19 changes in commodity prices and/or carbon restrictions... that is the type of analysis that was  
20 utilized when these PPAs were originally entered into (and which is used in Integrated Resource

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<sup>4</sup> *Rebuttal Testimony of Kayla Messamore*, pgs. 3 – 4.

1 Plans today) and Staff alleges no imprudence in that actual decision-making process.”<sup>5</sup> What  
2 is your response to her statements?

3 A. There are several things to clarify here. A new company-owned resource  
4 addition has to be approved by the Commission. PPAs do not. Staff not only gets the  
5 opportunity, but is required, to evaluate a Company’s Certificate of Convenience and Necessity  
6 (“CCN”) for proposed new or acquired company-owned resource additions and make its  
7 recommendation. The Company is not required to file for a CCN when signing into PPAs,  
8 therefore Staff is not afforded the opportunity to evaluate the merits of PPAs before the  
9 Company signs into them. Ms. Messamore mentions the assessment of energy market value.  
10 My previous answer addresses this statement. She then mentions its value in meeting capacity  
11 requirements. As the Office of the Public Counsel’s witness Ms. Lena M. Mantle explains in  
12 her direct testimony in this case, “... PPAs for wind energy that Evergy West claims that it  
13 entered into for “economic reasons,” not to meet their customers’ energy requirements or to  
14 meet Missouri renewable energy standards.”<sup>6</sup> Staff’s understanding is that both EMM and  
15 EMW entered into its PPAs for “economic reasons” as opposed to energy/capacity requirements  
16 or Missouri renewable energy standards. Ms. Messamore then mentions providing a long-term  
17 hedge against changes in commodity prices and/or carbon restrictions. I will simply note a  
18 couple excerpts from my rebuttal testimony in response to this. “Unfortunately, the Company’s  
19 PPAs come with a certainty that costs greatly exceed revenues and the cost locked in for  
20 customers due to the PPAs thus far has resulted in nearly a half billion dollars in costs to those  
21 customers. If you were to consider that a hedge, it would obviously be a very costly hedge, and

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<sup>5</sup> *Rebuttal Testimony of Kayla Messamore*, pg. 4.

<sup>6</sup> *Direct Testimony of Lena M. Mantle*, pgs. 13 – 14.

1 one that may call into question the prudence of such a hedge.”<sup>7</sup> “There are currently no carbon  
2 restrictions, nor have there been for the life of the PPA contracts thus far.”<sup>8</sup>

3 **RESPONSE TO MR. REED**

4 Q. Mr. Reed makes the accusations that Staff ignores the presumption of prudence  
5 under the prudence standard, uses hindsight, and abandons decades of sound regulatory practice  
6 and precedent.<sup>9</sup> Are any of his accusations accurate?

7 A. Absolutely not. Staff witness Ms. Mastrogiannis provides additional detail as to  
8 why Mr. Reed’s accusations are untrue, but it is also worth noting a few things here as well.  
9 While Staff does not dispute that it reviewed historical PPA data as a part of the prudence  
10 review at issue in this case, Staff’s recommended disallowance is for costs associated with the  
11 review period of the prudence review at issue in this case. As I mentioned in my rebuttal  
12 testimony, “Although there could potentially be an argument made for the prudence of signing  
13 into these contracts, that is not the argument Staff is making in this case.”<sup>10</sup> Staff further  
14 recommended the Commission order any losses incurred for all PPAs going forward that are  
15 halfway through their contract life be borne by the Company’s shareholders. This was done in  
16 this case in an attempt to alleviate the need to bring up the same argument in multiple future  
17 prudence reviews, so long as the Commission agrees with Staff in this case that the Company  
18 should bear the PPA losses for PPAs that are halfway through their contract term going forward.  
19 However, none of Staff’s recommendations ignored the presumption of prudence under the

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<sup>7</sup> *Rebuttal Testimony of Brad J. Fortson*, pg. 8.

<sup>8</sup> *Rebuttal Testimony of Brad J. Fortson*, pg. 9.

<sup>9</sup> *Rebuttal Testimony of John J. Reed*, pg. 4.

<sup>10</sup> *Rebuttal Testimony of Brad J. Fortson*, pg. 9.

Surrebuttal Testimony of  
Brad J. Fortson

1 | prudence standard, nor did it rely on hindsight or abandon decades of sound regulatory practice  
2 | and precedent as Mr. Reed falsely accuses.

3 |       Q.     Does this conclude your surrebuttal testimony?

4 |       A.     Yes, it does.



**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

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

**AFFIDAVIT OF BRAD J. FORTSON**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

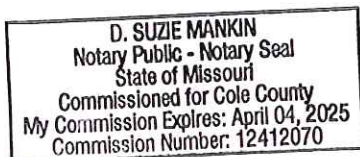
**COMES NOW BRAD J. FORTSON** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of Brad J. Fortson*; and that the same is true and correct according to his best knowledge and belief.

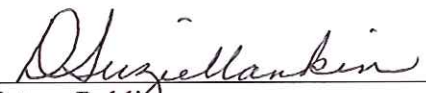
Further the Affiant sayeth not.

  
\_\_\_\_\_  
**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 18<sup>th</sup> day of January 2024.



  
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Notary Public