

Exhibit No.:

*Issue(s): PPA cost-sharing of
Evergy Missouri Metro's
and Evergy Missouri West's
Fuel Adjustment Clause*

Witness: Brooke Mastrogiannis

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

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
January 2024*

**** Denotes Confidential Information ****

1
2
3
4
5
6
7
8
9
10
11
12

**TABLE OF CONTENTS OF
SURREBUTTAL TESTIMONY
OF
BROOKE MASTROGIANNIS**

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

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CASE NO. EO-2023-0277**

EXECUTIVE SUMMARY.....1

RESPONSE TO MR. IVES.....1

RESPONSE TO MR. REED.....2

RESPONSE TO MS. MESSAMORE.....4

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **BROOKE MASTROGIANNIS**

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5 **CASE NO. EO-2023-0276**

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

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

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

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

13 A. Yes. I filed direct testimony in this case on November 14, 2023. I also filed
14 rebuttal testimony in this case on December 14, 2023.

15 **EXECUTIVE SUMMARY**

16 Q. Please summarize your surrebuttal testimony in this proceeding.

17 A. I am responding to the rebuttal testimony of Evergy witnesses Darren R. Ives,
18 John J. Reed, and Kayla Messamore as they address Staff’s recommended disallowance for the
19 Gray County, Ensign, Cimarron 2, and Spearville 3 purchased power agreement (“PPA”) losses
20 and Staff’s recommendation for the Company’s PPAs going forward.

21 **RESPONSE TO MR. IVES**

22 Q. Evergy witness Mr. Ives states that, despite recognizing the validity of this
23 Commission precedent in past FAC audits, Staff now believes that “any losses incurred for all
24 PPAs going forward that are halfway through their contract life be borne by Evergy’s

1 shareholders.” The Company does not believe that the Commission’s prudence determination
2 can be changed simply by the passage of time.¹ What is he missing from Staff’s argument?

3 A. Mr. Ives is missing that Staff believes the Commission’s prudence determination
4 in Case No. EO-2019-0067 is completely different than this current case. There are different
5 circumstances, and different data points. In that case, the Report and Order language was very
6 specific to “using a long-term investment with the supposition that the investment was
7 short-term,” and Staff interprets that to mean that there needed to be more data in order for the
8 Commission to determine any sort of imprudence. During that case, it was the Rock Creek and
9 Osborn PPAs in question, both of which were new at that time,² and only limited data was
10 available for the Commission to consider. Now, sufficient data is available for the four PPAs
11 subject to this proceeding to view them all on a long-term basis.

12 **RESPONSE TO MR. REED**

13 Q. Mr. Reed states that I attempt to dodge the prudence standard by testifying that
14 the Company was “not necessarily” imprudent, nonetheless I recommend a disallowance that
15 requires a determination of imprudence which has not been made.³ Do you agree?

16 A. No. As Staff stated in its Staff Recommendation, also attached to my Direct
17 testimony as Schedule BMM-d3,

18 Part of the prudence standard that Staff relies on states, ‘whether a
19 reasonable person making the same decision would find both the
20 information the decision-maker relied on and the process the decision-
21 maker employed to be reasonable based on the circumstances and
22 information known at the time the decision was made, without the

¹ Rebuttal Testimony of Mr. Ives, page 1 line 19 through page 2 line 4.

² The Review Period of EO-2019-0067 was December 1, 2016 through May 31, 2018. The Rock Creek costs and revenues began flowing through the FAC as of August 2017 and the Osborn costs and revenues began flowing through the FAC as of December 2016.

³ Rebuttal Testimony of Mr. Reed, page 3 lines 10 through 13.

1 benefit of hindsight. If either the information relied upon or the decision-
2 making process employed was imprudent, then Staff examines whether
3 the imprudent decisions caused any harm to ratepayers. Only if an
4 imprudent decision **resulted in harm to ratepayers**, will Staff
5 recommend a disallowance.’ Based on the historic actual data, historic
6 trends, the cost/revenue assumptions going forward, and **customer**
7 **harm is now recognizable** on a long-term basis, in this circumstance by
8 ** [REDACTED] ** dollars, it is Staff’s opinion that it is imprudent for
9 Evergy’s decision makers to not do something about these PPA’s going
10 forward or share more in the losses the ratepayers have incurred over all
11 of these years.

12 OPC witness Ms. Mantle also states in her rebuttal, “While maybe not laid out as Mr. Reed did,
13 my analysis covered all four of his principles plus the one principle that he did not include:
14 harm.” Therefore it is Staff’s opinion that Mr. Reed is not identifying the customer harm as
15 required by the prudence standard.

16 Q. Mr. Reed continues on to say that to consider Staff’s position that it is imprudent
17 for Evergy to not do something about the PPAs that are halfway through their contract, and to
18 continue to allow customer harm due to long-term PPAs, requires a presumption of imprudence
19 on the part of the utility. This is in violation of the prudence standard.⁴ Does Staff agree?

20 A. No. Staff’s position refers back to the prudence standard that states,
21 “In evaluating prudence, Staff reviews whether a reasonable person making the same
22 decision would find both the information the decision-maker relied on and the process the
23 decision-maker employed to be reasonable **based on the circumstances and information**
24 **known at the time the decision was made**, i.e., without the benefit of hindsight.” Therefore,
25 based on the information known today (at the time the decision is made, in this case the decision

⁴ Rebuttal Testimony of Mr. Reed, page 3 lines 14 through 17.

1 not to do anything about the customer harm due to the PPAs), for now and going forward, it is
2 imprudent for Evergy to not do anything about these PPAs, or share in the losses the customers
3 have been paying for the last 10 years.

4 **RESPONSE TO MS. MESSAMORE**

5 Q. Ms. Messamore states that Staff claims that while not imprudent, entering into
6 the contracts was a “very high risk to take.” Conversely, she believes the decisions to enter into
7 these contracts were a prudent choice by the Company and locked in access to long-term wind
8 energy.⁵ Why does Staff disagree?

9 A. Staff still believes that it was a very high risk to enter into 20-year long-term
10 PPA contracts. As already stated in Mr. Fortson’s rebuttal:

11 To consider the Company’s PPAs a cost hedge against volatile natural
12 gas prices would be quite a stretch to attempt to justify the PPA losses.
13 I agree that when considering the affordability of serving customer load
14 there should be a consideration for price certainty. I also agree that
15 long-term wind PPA contracts lock in a cost for customers over a long
16 period of time and that inherently provides increased cost certainty.
17 Unfortunately, the Company’s PPAs come with a certainty that costs
18 greatly exceed revenues and the cost locked in for customers due to the
19 PPAs thus far has resulted in nearly a half billion dollars in costs to those
20 customers. If you were to consider that a hedge, it would obviously be a
21 very costly hedge, and one that may call into question the prudence of
22 such a hedge. Further, the natural gas hedging policies of Missouri
23 investor-owned electric utilities typically include future purchases from
24 ** [REDACTED] ** out to ** [REDACTED] ** out. In Ms. Messamore’s
25 example, the 20-year PPA contracts are five times longer than the most
26 forward-looking hedging policies of which Staff is aware.⁶

⁵ Rebuttal Testimony of Ms. Messamore, page 2 lines 19 through 21.

⁶ Rebuttal Testimony of Mr. Fortson, page 8 line 14 through page 9 line 4.

1 In addition to that, there is a Missouri investor-owned electric utility that does not
2 consider renewable PPAs as appropriate sources of reliable, long-term energy. Union Electric
3 Company, d/b/a Ameren Missouri states: “Ameren Missouri does not consider renewable
4 PPAs as appropriate sources of reliable, long-term energy. Using PPAs is akin to Ameren
5 Missouri outsourcing its obligation to serve and hoping for the best, without having an ability
6 to optimize generation and reliability from the generation asset and instead relying on a
7 third-party motivated primarily by financial outcomes.” Additionally it states, “In the typical
8 15- or 10-year PPA, Ameren Missouri customers would pay a fixed or escalating energy price
9 for 15-20 years, but at the end of the PPA’s term, would have no asset to show for those
10 payments. By the end of the typical PPA term, the asset will have effectively been paid for by
11 Ameren Missouri customers through the PPA energy costs, but with no ongoing rights to the
12 asset or its output without entering into a *new* market-priced PPA that is subject to another
13 party’s decisions and priorities.”⁷

14 Q. Ms. Messamore also states that Staff completely ignores the value of Renewable
15 Energy Credits (“RECs”) as a result of these PPAs.⁸ How do you respond to this?

16 A. In Case No. EO-2019-0067, Staff advocated for Evergy to sell its excess RECs
17 and include the revenues from those sales in the FAC, and Evergy did not support Staff’s
18 argument to sell any excess RECs. In Case Nos. EO-2022-0064/0065, Staff took the same
19 position on sales of excess RECs as it had in the past case, and Evergy again did not support
20 Staff’s argument. Eventually the parties settled on Evergy selling its excess RECs and including
21 the REC sales revenues in the FAC. This is why Staff has chosen to not include the value of

⁷ Data Request Response No. 0170 in Case No. EA-2023-0286.

⁸ Rebuttal Testimony of Ms. Messamore, page 4 lines 11 through 12.

Surrebuttal Testimony of
Brooke Mastrogianis

1 RECs as a result of these PPA losses, since for 8 years after these contracts were entered into,
2 Every continually chose to not sell any of its excess RECs, and therefore those revenues should
3 not offset this recommended disallowance now.

4 Q. Does this conclude your prepared surrebuttal testimony in this proceeding?

5 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 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 *Surrebuttal 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 17th day of January 2024.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

D. Suzie Mankin
Notary Public