

# Exhibit No. 8

Exhibit: \_\_\_\_\_  
Issues: Overview and Summary of  
Requested Financing  
Authorization  
Witness: Darrin R. Ives  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Evergy Missouri West  
Case No. EF-2022-0155  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO:**

**EF-2022-0155**

**DIRECT TESTIMONY**

**OF**

**DARRIN R. IVES**

**ON BEHALF OF**

**EVERGY MISSOURI WEST**

**Kansas City, Missouri  
March 2022**

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**DIRECT TESTIMONY**

**OF**

**DARRIN R. IVES**

**Case No. EF-2022-0155**

**I. INTRODUCTION**

1 **Q: Please state your name and business address.**

2 A: My name is Darrin R. Ives. My business address is 1200 Main Street, Kansas City,  
3 Missouri 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Evergy Metro, Inc. and serve as Vice President – Regulatory Affairs for  
6 Evergy Metro, Inc. d/b/a Evergy Kansas Metro (“Evergy Kansas Metro”), Evergy Kansas  
7 Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central (“Evergy  
8 Kansas Central”), Evergy Metro, Inc. d/b/a as Evergy Missouri Metro (“Evergy Missouri  
9 Metro”), and Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri  
10 West”). They are the operating utilities of Evergy, Inc. (“Evergy”).

11 **Q: On whose behalf are you testifying?**

12 A: I am testifying on behalf of Evergy Missouri West, Inc. (“Evergy Missouri West,”  
13 “Company” or “EMW”) in support of the approval of the Company’s Application for a  
14 Financing Order authorizing the financing of Qualified Extraordinary Costs through an  
15 issuance of Securitized Utility Tariff Bonds (“Securitization Bonds”).<sup>1</sup>

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<sup>1</sup> Capitalized terms such as Financing Order, Qualified Extraordinary Costs, and Securitized Utility Tariff Bonds are defined in Section 393.1700.1, Mo. Rev. Stat. (2016), as amended.

1 **Q: What are your responsibilities?**

2 A: I serve as Vice President of Regulatory Affairs for Evergy. My responsibilities include  
3 oversight of the Company's Regulatory Affairs Department, as well as all aspects of  
4 regulatory activities including federal and state regulatory policy, cost of service, rate  
5 design, revenue requirements, regulatory reporting, and tariff administration.

6 **Q: Please describe your education, experience and employment history.**

7 A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business  
8 Administration with majors in Accounting and Marketing. I received my Master of  
9 Business Administration degree from the University of Missouri-Kansas City in 2001. I  
10 am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the  
11 public accounting firm Coopers & Lybrand L.L.P. I was first employed by Kansas City  
12 Power & Light Company in 1996 and held positions of progressive responsibility in  
13 Accounting Services and was named Assistant Controller in 2007. I served as Assistant  
14 Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have  
15 held my current position as Vice President – Regulatory Affairs since August 2013.

16 **Q: Have you previously testified in a proceeding at the Missouri Public Service  
17 Commission ("Commission" or "PSC") or before any other utility regulatory agency?**

18 A: Yes, I have testified before the Commission and the Kansas Corporation Commission  
19 ("KCC"). I have also provided written testimony to the Federal Energy Regulatory  
20 Commission ("FERC") and testified before Missouri and Kansas legislative committees.

21 **Q: What is the purpose of your testimony?**

22 A: The purpose of my testimony is to support Evergy Missouri West's petition that the  
23 Commission issue a Financing Order that will allow the Company to finance, via securitization,

1 Qualified Extraordinary Costs that it incurred on behalf of its customers arising from Winter  
2 Storm Uri in February 2021. Specifically, I will:

3 (i) provide an overview of the extraordinary storm and the resulting costs for which  
4 EMW is seeking cost recovery through the issuance of Securitization Bonds;

5 (ii) explain how the Company’s proposed securitization benefits its customers and  
6 meets the requirements of Section 393.1700,<sup>2</sup> a key provision in a trio of statutes enacted in  
7 2021 that the Company refers to as the “Securitization Law,” and that, among other things,  
8 defines the conditions under which electrical corporations can finance Qualified Extraordinary  
9 Costs using securitization;

10 (iii) summarize the direct testimony provided by other witnesses in support of the  
11 Petition for Financing Order (“Petition”) requesting approval of the Securitization Bonds;

12 (iv) summarize the Company’s current estimates of the costs that will be financed  
13 using securitization and describe how those estimates will be updated prior to the issuance  
14 of the Securitization Bonds; and

15 (v) provide a general description of the activities the Company expects will take  
16 place in the time between the Commission’s issuance of its Financing Order and the  
17 issuance of the Securitization Bonds pursuant to that order.

18 **Q: Please identify EMW’s other witnesses and describe the purpose of their testimony.**

19 A: The following witnesses have submitted direct testimony on behalf of EMW, addressing  
20 the subjects noted below:

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<sup>2</sup> All statutory citations are to the Missouri Revised Statues (2016), as amended.

- 1 • Jason Humphrey, Senior Director of Renewables & Assistant Treasurer – Mr. Humphrey  
2 provides (i) an estimate of Financing Costs, both up-front and ongoing, and (ii) an overview  
3 of the Special Purpose Entity formation.
- 4 • Ron Klote, Senior Director of Regulatory Affairs – Mr. Klote (i) identifies and estimates  
5 the revenue requirement necessary to finance the Winter Storm Uri costs through the  
6 issuance of the Securitization Bonds and to recover such costs through a Securitized Utility  
7 Tariff Charge (“Charge” or “Charges”); (ii) provides a benefit comparison between the net  
8 present value of the costs to customers that are estimated to result from the issuance of  
9 Securitization Bonds and the costs that would result from the application of customary  
10 methods of financing; (iii) describes adjustments that have been made to the amount of  
11 Winter Storm Uri Qualified Extraordinary Costs since the occurrence of the storm in  
12 February 2021 and proposes a future ratemaking process under 393.1700.2(2)(f) to  
13 reconcile any differences between Qualified Extraordinary Costs (which are included in  
14 the definition of Securitized Utility Tariff Costs under section 393.1700.1(17)) included in  
15 the Securitization Bonds and final Qualified Extraordinary costs incurred by the Company;  
16 (iv) discusses the proposed true-up processes associated with the collection of payments  
17 for Securitization Bonds; and (v) describes ratemaking mechanisms the Company proposes  
18 including 1) a reconciliation process for differences in actual up-front financing costs and  
19 up-front financing costs included in the Securitization Bonds, 2) providing a return to the  
20 Company at its weighted average cost of capital on amounts it advances to the SPE to fund  
21 reserves, if any, or capital accounts in connection with the Securitization Bonds, and 3)  
22 addresses the impact of deferred taxes associated with the Qualified Extraordinary Costs  
23 associated with Winter Storm Uri.

- 1 • Brad Lutz, Director of Regulatory Affairs – Mr. Lutz (i) describes the changes to the  
2 Company’s retail electric rate schedules needed to effectuate a Commission Financing  
3 Order granted in this proceeding; (ii) quantifies the effect of these proposed changes on  
4 Evergy Missouri West’s retail electric customers; (iii) discusses how the Company  
5 proposes to implement the Charges in connection with Winter Storm Uri, as quantified in  
6 Mr. Klote’s direct testimony, including how the Charges will be allocated among the retail  
7 customer classes of EMW; and (iv) presents the proposed form of tariff sheets.
- 8 • Matt Gummig, Senior Manager of External Reporting – Mr. Gummig describes the  
9 accounting entries to be made under a Financing Order issued by the Commission and the  
10 Securitization Bonds issued to finance the Qualified Extraordinary Costs incurred in  
11 connection with Winter Storm Uri.
- 12 • Steffen Lunde, a Director in the Global ABS Financing and Securitization group with  
13 Citigroup Global Markets Inc. – Mr. Lunde (i) provides an overview of the utility  
14 securitization market; (ii) describes EMW’s proposed transactions; (iii) explains the billing  
15 and collection of the Charges by EMW and the remittance of those Charges as payments  
16 to the holders of the Securitization Bonds; (iv) discusses key elements of the Financing  
17 Order; (v) describes the rating agency process for the Securitization Bonds; (vi) describes  
18 the marketing process for the Securitization Bonds; and (vii) explains the Issuance Advice  
19 Letter process required by Section 393.1700.2(3)(h).
- 20 • John Bridson, Vice President of Generation – Mr. Bridson (i) describes Evergy Missouri  
21 West’s generation fleet and its approach to fuel and purchased power procurement; (ii)  
22 discusses EMW’s preparations for Winter Storm Uri; (iii) describes EMW’s operations  
23 during Winter Storm Uri and (iv) explains that the Company’s conduct throughout this



1 period was consistent with recognized industry standards and good utility practices, and  
2 that the costs that EMW seeks to finance through the Securitization Bonds were prudently  
3 and reasonably incurred as a result of the extreme and anomalous conditions of Winter  
4 Storm Uri.

5 **I. BACKGROUND AND OVERVIEW OF EXTRAORDINARY STORM EVENT**

6 **Q: Please provide an overview of Winter Storm Uri.**

7 A: As a result of an outbreak of cold air that migrated in early February 2021 from the North  
8 Pole to southern Canada and the north central United States, cold temperatures, wind chills  
9 and snow began to arrive in North Dakota, traveling through Missouri and other  
10 Midwestern states, ultimately hitting Texas and portions of the Gulf Coast.<sup>3</sup> According to  
11 the National Oceanic and Atmosphere Administration (“NOAA”), this cold-air outbreak  
12 across the central United States from February 10 through 19 now known as Winter Storm  
13 Uri brought frigid temperatures, snow and ice to the northern Plains down to southern  
14 Texas. “It was the coldest event across the CONUS [contiguous United States] in more  
15 than 30 years and caused power outages for nearly 10 million people.”<sup>4</sup> This Commission  
16 observed: “Much of the Midwest, including Missouri, experienced unreasonably cold  
17 temperatures in February 2021. Such temperatures resulted in rolling electrical blackouts  
18 and extreme natural gas price spikes in Missouri.”<sup>5</sup>

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<sup>3</sup> See “February 2021 Weather and its Impacts on Missouri” at 1, Missouri Climate Center, Univ. of Mo. (P. Guinan, State Climatologist) (Mar. 2021). <http://climate.missouri.edu> (hereafter “Missouri Climate Center February 2021 Report”), attached as Schedule DRI-1.

<sup>4</sup> See NOAA Report, “Selected Significant Climate Anomalies and Events for February and Winter 2021” at 1, attached as Schedule DRI-2. See also “Assessing the U.S. Climate in February 2021” at 1-3 (“NOAA February 2021 Report”), <https://www.ncei.noaa.gov/news/national-climate-202102>.

<sup>5</sup> Order Directing Staff to Investigate and Submit Report at 1, In re Cause of the Feb. 2021 Cold Weather Event, No. AO-2021-0264 (Feb. 24, 2021).

1 **Q: How did preparations for Winter Storm Uri occur on a regional basis?**

2 A: Southwest Power Pool, Inc. (“SPP”) declared a period of conservative operations for its  
3 14-state balancing authority at midnight on February 9, 2021.<sup>6</sup> EMW is a member of SPP,  
4 a regional transmission organization (“RTO”) mandated by FERC to ensure the reliable  
5 supply of power, as well as adequate transmission infrastructure and competitive wholesale  
6 electricity prices. As weather conditions worsened on February 14, SPP declared an  
7 Energy Emergency Alert (“EEA”) Level 1 effective at 5:00 a.m. on Monday, February 15.<sup>7</sup>  
8 The EEA 1 indicated that SPP foresaw or was expecting conditions where all available  
9 resources were scheduled to meet firm load obligations and that it might not be able to  
10 sustain its required contingency reserves.

11 As Winter Storm Uri’s persistent and extreme cold weather continued, SPP  
12 declared an EEA Level 2 at 7:22 a.m. on February 15. This meant that SPP was no longer  
13 able to provide its expected energy requirements, although it was able to maintain  
14 minimum contingency reserve requirements. Therefore, SPP directed its members to issue  
15 public conservation appeals.<sup>8</sup>

16 **Q: Had EMW already made such conservations appeals?**

17 A: Yes. EMW and its affiliated Evergy public utilities asked their customers on February 14  
18 (Sunday) to conserve electricity through February 17 (Wednesday) in response to SPP’s  
19 earlier requests to conserve electricity use.<sup>9</sup>

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<sup>6</sup> SPP News Release (Feb. 14, 2021), attached as Schedule DRI-3.

<sup>7</sup> Id.

<sup>8</sup> “SPP issues new energy emergency alert due to extreme cold,” SPP News Release (Feb. 15, 2021), attached as Schedule DRI-4.

<sup>9</sup> “Evergy Asks Customers to Conserve Electricity – Record-setting cold temperatures across the Midwest have potential to impact power supply,” Evergy Media Release (Feb. 14, 2021), attached as Schedule DRI-5.

1 **Q: What happened on February 15, 2021?**

2 A: Less than three hours after its EEA 2 announcement on February 15, SPP declared at 10:08  
3 a.m. an EEA Level 3, signaling that its operating reserves fell below the required  
4 minimum.<sup>10</sup> A short time later the SPP system reached a peak electricity usage of 43,661  
5 MW. After committing all of its reserves and exhausting other avenues, including  
6 importing power from other regions, available generation in SPP fell about 641 MW short  
7 of demand just after Noon. As a result, SPP directed its members to implement controlled  
8 interruptions of service to curtail electricity use by 641 MW.<sup>11</sup>

9 Evergy Missouri West received SPP’s operating instructions to shed load at 12:04  
10 p.m. on February 15 and began to interrupt service to customers. At 2:00 p.m. on February  
11 15, SPP was able to restore load to its balancing authority area because it had regained  
12 sufficient generation to meet demand throughout its footprint, as well as to meet its  
13 minimum reserve requirements. It warned that its forecasts anticipated high load and  
14 persistent cold weather, advising that it was “likely its system will fluctuate between EEA  
15 Levels 2 and 3 over the next 48 hours” and that it “may have to direct further interruptions  
16 of service if available generation is inadequate to meet high demand.”<sup>12</sup>

17 **Q: Was load interrupted in EMW’s service territory on February 16, 2021?**

18 A: Yes. In the early morning of February 16, SPP declared an EEA Level 3 for the entire 14-  
19 state balancing authority area because system-wide generating capacity had dropped below  
20 its “current load of approximately 42 gigawatts (GW) due to extremely low temperatures

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<sup>10</sup> “SPP elevates Energy Emergency Alert to Level 3 as grid conditions tighten further,” SPP News Release (Feb. 15, 2021), attached as Schedule DRI-6.

<sup>11</sup> “SPP restores load, anticipates that regional grid conditions will continue to evolve,” SPP News Release (Feb. 15, 2021), attached as Schedule DRI-7..

<sup>12</sup> Id.

1 and inadequate supplies of gas.” SPP stated that it would again work with its members “to  
2 implement controlled interruptions of electric service throughout” its region “as a last  
3 resort to preserve reliability of the electric system as a whole.” It anticipated a morning  
4 peak above 44.6 GW at 9:00 a.m.<sup>13</sup> EMW received SPP’s operating instructions to shed  
5 load at 6:44 a.m. and at 7:15 a.m. on February 16, and interrupted service to customers  
6 accordingly. Later in the morning of February 16, SPP ended the EEA Level 3 and restored  
7 the previous EEA Level 2.

8 **Q: How did operations proceed thereafter?**

9 A: As conditions improved, SPP ended the EEA Level 2 to EEA Level 1 at 10:59 a.m. on  
10 February 17. This indicated that all of SPP’s available resources had been committed to  
11 meet obligations, but that it was not at risk of failing to meet its required operating reserves.  
12 Conditions continued to improve on February 18 with SPP ending the EEA Level 1 at 9:30  
13 a.m. while maintaining conservative operations due to continuing high loads and other  
14 effects of Winter Storm Uri. In announcing the end of emergency alerts, SPP stated that it  
15 had ordered two interruptions of service: (a) one for approximately 50 minutes on the  
16 morning of February 15 and (b) the other for a little more than three hours on the morning  
17 of February 16.<sup>14</sup>

18 Except for these two SPP-directed load shedding events, EMW continuously served  
19 its customers during Winter Storm Uri and the month of February. A report prepared  
20 jointly by SPP management and SPP members working together in review teams found  
21 that Winter Storm Uri “was historic in nature, requiring SPP to take steps to preserve the

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<sup>13</sup> “Grid Conditions Update (Feb. 16, 2021 6:46 a.m.): EEA3 declared effective immediately,” SPP News Release (Feb. 16, 2021), attached as Schedule DRI-8.

<sup>14</sup> “SPP ends Energy Emergency Alert, remains in conservative operations,” SPP News Release (Feb. 18, 2021), attached as Schedule DRI-9.

1 reliability of the regional power grid that it has not previously taken in its 80-year  
2 history.”<sup>15</sup>

3 **Q: What observations has Commission Staff made regarding whether Winter Storm Uri**  
4 **had an extraordinary, unique or unusual effect on the electric utilities operating in**  
5 **Missouri and in this part of the Midwest?**

6 A: Staff advised the Commission that the “extreme cold temperatures, extended period of  
7 those temperatures, and precipitation contributed to what some have described as an ‘85  
8 year event.”<sup>16</sup> Generator outages occurred across “all types of electrical generators, not  
9 just renewables” and “[g]as supplies appear to have been most impacted due to weather  
10 impacts and competition for heating fuels ....”<sup>17</sup> As a result, there was an “extensive  
11 increase in daily February market prices,” with the price of gas on the Southern Star Central  
12 interstate gas pipeline rising from a usual FOM (“First of Month”) baseload purchase price  
13 of \$2.520/MMBtu to \$44.780 on February 12; \$329.595 on February 13-16; \$622.785 on  
14 February 17; declining to \$44.530 on February 18.<sup>18</sup>

15 Staff stated that “it is rare for the daily market price to exceed \$10.00/MMBtu” and  
16 that the “escalation in price ... for February 12<sup>th</sup> through February 18<sup>th</sup> is, to Staff’s  
17 knowledge, without precedent for interstate pipelines serving Missouri.”<sup>19</sup>

18 This resulted in “25,000 MW of SPP controlled gas-fired resources being  
19 unavailable.”<sup>20</sup> This affected Evergy Missouri West’s Greenwood and Lake Road units  
20 which experienced “restricted natural gas supply on the Southern Star Central Gas

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<sup>15</sup> Comprehensive Review of Southwest Power Pool’s Response to the February 2021 Winter Storm: Analysis and Recommendations at 24 (July 19, 2021), [spp.org/documents/65037/comprehensive-review.pdf](http://spp.org/documents/65037/comprehensive-review.pdf).

<sup>16</sup> See Staff Report at 3.

<sup>17</sup> *Id.* at 59.

<sup>18</sup> *Id.* at 59-60.

<sup>19</sup> *Id.* at 61.

<sup>20</sup> *Id.* at 59.

1 Pipeline.”<sup>21</sup> Staff reported that “for the first time in SPP history ... it had to move to EEA  
2 2 or EEA 3 status,” resulting in “service interruptions that were shared on a proportional  
3 basis among all SPP transmission owning utilities, including Evergy ....”<sup>22</sup>

4 **Q: What did the SPP Market Monitoring Unit state in its Winter Quarter 2021 report?**

5 A: The SPP Market Monitoring Unit (“Market Monitor”) issued its State of the Market Report  
6 for Winter 2021 in early April, concluding that energy imports during February played a  
7 significant role in meeting load, with a net of nearly \$52 million in market-to-market  
8 payments being paid by SPP to the Midcontinent Independent System Operator  
9 (“MISO”).<sup>23</sup> “This is the highest amount of monthly market-to-market payments since the  
10 start of the [SPP] market-to-market process, and can be mostly attributed to congestion  
11 because of high levels of imports due to the winter weather event.”<sup>24</sup> The report stated that  
12 the National Weather Service found Winter Storm Uri “[c]omparable to the historical cold  
13 snaps of 1899 & 1905.”<sup>25</sup>

14 **Q: What was the storm’s effect on electricity prices?**

15 A: The Market Monitor found that Winter Storm Uri had a major impact on prices during  
16 February, as spot natural gas prices at some trading hubs exceeded \$1,000/MMBtu. The  
17 average gas price at the eight hubs used most frequently by SPP generators ranged from  
18 \$129.78/MMBtu (ONG at Tulsa) to \$5.35/MMBtu (Henry Hub), with the Panhandle  
19 Eastern hub at \$21.91/MMBtu.<sup>26</sup> These high gas costs were reflected in SPP’s day-ahead  
20 electricity prices which reached a peak of \$4,393/MWh early on February 18, while real-

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<sup>21</sup> Id. at 68 (citing Evergy Response to Staff Data Request).

<sup>22</sup> Id. at 3, 59.

<sup>23</sup> SPP Market Monitoring Unit, State of the Market: Winter 2021 at 1, 68 (Apr. 6, 2021), [spp.org/documents/64410/spp\\_mmu\\_qsom\\_winter\\_2021.pdf](https://www.spp.org/documents/64410/spp_mmu_qsom_winter_2021.pdf).

<sup>24</sup> Id. at 1, 13.

<sup>25</sup> Id. at 60.

<sup>26</sup> Id. at 3, 31.

1 time prices reached a peak of \$4,029/MWh early on February 16.<sup>27</sup> The day-ahead and  
2 real-time prices during Winter Storm Uri represented by far the highest prices ever seen  
3 over a multi-day period in SPP’s history.

4 The SPP Market Monitor noted the significant increase in both day-ahead and real-  
5 time make-whole payments made to market participants when the costs of a committed  
6 resource exceeded its revenues. The State of the Market Report advised that such payments  
7 are subject to changes as actual gas costs and other factors are reviewed which could adjust  
8 figures in the initial S7 settlement statement and present different figures on subsequent  
9 S53 and S120 statements.<sup>28</sup> The Market Monitor stated that day-ahead make-whole  
10 payments were “just under \$1 billion” during the winter event, while real-time make-whole  
11 payments “totaled just over \$190 million.”<sup>29</sup>

12 **Q: What did U.S. and Missouri weather officials report regarding Winter Storm Uri?**

13 A: NOAA reported that February 2021 ranked among the ten coldest months of February on  
14 record for Missouri, as well as Kansas, Iowa, Nebraska, Oklahoma, and Arkansas. Based  
15 on preliminary data, it stated that 62 all-time daily cold minimum temperature records were  
16 broken during February 11-16 and 69 all-time daily cold maximum temperature records on  
17 February 15-16.<sup>30</sup> In the Kansas City metropolitan area, the Johnson County Industrial  
18 Airport in Olathe, Kansas reported a record coldest minimum temperature of -15°F.  
19 Record-breaking coldest maximum temperatures were reported in Missouri in Albany (-

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<sup>27</sup> Id. at 72.

<sup>28</sup> Id. at 74-76.

<sup>29</sup> Id. at 75-76.

<sup>30</sup> NOAA February 2021 Report at 2.

1 3°F), Nevada (0°F), and St. Joseph (-2°F),<sup>31</sup> which are located in counties served by Evergy  
2 Missouri West.

3 The Missouri Climate Center at the University of Missouri College of Agriculture  
4 reported that temperatures for the period February 6-19, 2021, “averaged more than 20  
5 degrees below normal,” with preliminary data indicating “it was the coldest 2-week period  
6 to impact Missouri in over 30 years.”<sup>32</sup> Two locations in Atchison and Clay Counties –  
7 counties that Evergy Missouri West serves – reported morning low temperatures of -26°F  
8 on the morning of February 16.<sup>33</sup>

9 **Q: Based upon the foregoing as well as your knowledge of the Commission’s view of**  
10 **“extraordinary events,” as described in past Commission Accounting Authority**  
11 **Orders, do the costs incurred by Evergy Missouri West in connection with Winter**  
12 **Storm Uri constitute Qualified Extraordinary Costs under Section 393.1700.1(13)?**

13 **A:** Yes. Winter Storm Uri was clearly an anomalous weather event that resulted in significant  
14 fuel and purchased power costs for Evergy Missouri West, and the recovery of such costs  
15 through customary ratemaking, as described and quantified by Mr. Klote in his direct  
16 testimony, would cause extreme customer rate impacts. I am not an attorney, but I was  
17 deeply involved in the development and passage of Missouri’s Securitization Law. Based  
18 on that experience and knowledge, I can state unequivocally that costs such as those  
19 incurred by Evergy Missouri West in connection with Winter Storm Uri were contemplated  
20 as being eligible for recovery through Securitization Bonds as Qualified Extraordinary  
21 Costs. Such a finding by the Commission would be consistent with the views of

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<sup>31</sup> These temperatures are reported in NOAA’s National Climate Report - February 2021 as “All-time Records Set in February.” See <https://www.ncdc.noaa.gov/sotc/national/202102/supplemental/page-6#MIN>

<sup>32</sup> Missouri Climate Center February 2021 Report at 1.

<sup>33</sup> Id.



1 Commission Staff in its Report filed in the investigation of Winter Storm Uri in No. EO-  
2 2021-0264, noted above.

## 3 **II. OVERVIEW OF STORM URI COST IMPACTS TO CUSTOMERS**

4 **Q: What has been the effect of Winter Storm Uri on Evergy Missouri West’s fuel and**  
5 **purchased power costs?**

6 A: Evergy Missouri West experienced extraordinary costs which resulted in a substantial  
7 under-recovery of costs collected in rates. The amounts cited below reflect the settlement  
8 statements that Evergy Missouri West received from SPP through December 31, 2021.  
9 These figures will be updated to the extent required for any subsequent additional  
10 applicable and valid charges received.

11 **Q: What do the calculations show regarding Evergy Missouri West?**

12 A: EMW incurred approximately \$11.8 million in fuel costs (an increase of \$8.3 million from  
13 its average February fuel costs over 2018-2020), and \$314.6 million in purchased power  
14 costs (an increase in \$299.8 million from its average February purchased power costs).  
15 After adjustments for transmission costs, disallowances, and off-system sales revenue,  
16 Missouri West’s total energy costs were \$315.0 million, an increase of \$296.5 million from  
17 its average February total energy costs. Please see the direct testimony of Mr. Klote for a  
18 more detailed break-down of these figures.

19 **Q. How are the Company’s fuel and purchased power costs normally recovered?**

20 A. They are normally recovered through the Fuel Adjustment Charge (“FAC”), a ratemaking  
21 mechanism in the Company’s tariffs that allows EMW to recover costs through a  
22 volumetric charge that appears on customer bills.

1 **Q. Why is Evergy Missouri West not seeking to recover the Qualified Extraordinary**  
2 **Costs it incurred during Winter Storm Uri through the FAC?**

3 A. Recovering almost \$300 million costs through the FAC would be very detrimental to  
4 EMW's customers. The FAC is designed to recover costs incurred during a six-month  
5 period over a subsequent twelve-month period. Recovering the entirety of the  
6 extraordinary costs that the Company incurred during Winter Storm Uri through the FAC  
7 would create extreme customer rate impacts, a circumstance often referred to as "rate  
8 shock." The avoidance of rate shock, where possible, is a widely recognized objective of  
9 utility regulation. See Mr. Klote's testimony for additional impacts to recovering such  
10 extraordinary amounts through the FAC as a result of the effective PISA legislation.

11 **Q: Has the Commission agreed with this view?**

12 A: It appears the Commission has agreed with the Company's view, given its approval of  
13 Evergy Missouri West's proposal to exclude the "Extraordinary costs" related to Winter  
14 Storm Uri from the normal operation of the fuel adjustment clause under Paragraph XI in  
15 Section (8)(A)2.A of the FAC Rule, 20 CSR 4240-20.090.<sup>34</sup>

16 **Q. Has Evergy Missouri West previously proposed an approach that would help address**  
17 **rate shock?**

18 A. Yes. On June 30, 2021, Evergy Missouri West, along with Evergy Missouri Metro, filed  
19 an application for an Accounting Authority Order ("AAO") allowing each company to  
20 record and preserve costs related to Winter Storm Uri.<sup>35</sup> To date, the Commission has not  
21 taken any action in this docket.

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<sup>34</sup> Order Approving Fuel Adjustment True-Up and Approving Tariff to Change Fuel Adjustment Rates, In re Evergy Mo. West, Inc. Fuel and Purchased Power Cost Recovery Mechanism, No. ER-2022-0005 (Aug. 18, 2021).

<sup>35</sup> See, No. EU-2021-0283.

1 **Q. Is securitization an alternative to this approach?**

2 A. Yes. Instead of the customary method under an AAO pursuant to which the utility would  
3 carry the costs on its own books and amortize them as they are recovered from customers  
4 over time, Evergy Missouri West seeks a Financing Order from the Commission under the  
5 Securitization Law so that it can work with its legal and financial advisors to create a new  
6 bankruptcy-remote Special Purpose Entity that will issue Securitization Bonds whose  
7 proceeds will allow the Company to immediately recover its extraordinary costs from  
8 Winter Storm Uri, including the carrying costs it has incurred from the date that the  
9 particular cost was incurred to the date the Securitization Bonds are issued. The  
10 Securitization Bonds will be serviced via a Charge that will be in effect during the term of  
11 the Securitization Bonds (scheduled to be 15 years).

12 **Q. How does this benefit customers?**

13 A. Securitization will save customers money. When EMW filed its AAO application, the  
14 securitization provisions of House Bill (H.B. 734) had not been enacted, so the Company's  
15 proposal to recover Winter Storm Uri costs over 15 years was determined to be the best  
16 option available at that time to minimize rate shock. When H.B. 734 was passed by the  
17 legislature and signed into law by Governor Parson in July 2021, it created a new  
18 alternative that benefits customers. As part of the AAO application, Evergy provided an  
19 estimate of how securitization could result in savings for the benefit of customers compared  
20 to both the customary FAC and AAO cost recovery mechanisms.<sup>36</sup>

21 Mr. Klote provides updates to these estimates in his testimony to support this  
22 petition.

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<sup>36</sup> See Direct Testimony of Ronald A. Klote at 21-22 & Sched. RAK-4, In re Application of Evergy Metro, Inc. and Evergy Mo. West, Inc. for an AAO, No. EU-2021-0283 (June 30, 2021).

1 **Q. How does securitizing these costs create savings for customers?**

2 A. In order to recover Winter Storm Uri costs and attendant financing costs through customary  
3 ratemaking procedures over an extended period, Evergy Missouri West would be permitted  
4 to apply a carrying charge equal to its weighted average cost of capital (“WACC”) that the  
5 Commission has authorized. As Mr. Klote explains in his direct testimony, the costs of  
6 securitization are lower than customary ratemaking treatment, in large part because the  
7 interest rate that will be paid on the Securitization Bonds will be much lower than Evergy’s  
8 WACC.

9 **Q. How much will customers save through securitization?**

10 A. The Company estimates that customers will save between \$89.3 million and \$176.1 million  
11 depending on the customary recovery method that is compared to securitization. As Mr.  
12 Klote explains in his direct testimony, customers will pay about \$467.4 million over the  
13 15-year life of the Securitization Bonds that will be issued, compared to between the \$556.7  
14 million up to \$643.5 million they would pay if EMW recovers its costs through either the  
15 fuel adjustment clause process or the accounting authority order approach applying a  
16 carrying charge equal to its WACC.

17 **Q: Why did the Company select a 15-year maturity term for the Securitization Bonds?**

18 A: The Qualified Extraordinary Costs making up the vast majority of the securitizable amount  
19 consists of fuel and purchased power costs that are typically recovered from customers in  
20 the period incurred or a relatively short time afterward. Although a primary purpose for  
21 the issuance of the Securitization Bonds is to reduce the extreme customer rate impacts in  
22 recovering these costs, the Company also seeks to mitigate intergenerational inequity  
23 among customers by limiting the life or “tenor” of the Securitization Bonds to fifteen years.

1 **Q. Is the bankruptcy-remote Special Purpose Entity (“SPE”) that the Company will**  
2 **establish to issue the Securitization Bonds an affiliate of Evergy Missouri West under**  
3 **the Commission’s Affiliate Transactions Rule, 20 CSR 4240-20.015?**

4 A. Under the circumstances of this proceeding, Evergy Missouri West does not believe that  
5 the SPE is an affiliate of the Company. As explained in the Direct Testimony of Mr. Lunde  
6 and Mr. Humphrey, the SPE’s activities will be restricted to the limited purpose of  
7 acquiring the Securitized Property, issuing the Securitization Bonds, collecting the  
8 Securitized Utility Tariff Charges, and paying principal and interest on the Securitization  
9 Bonds to the bondholders. The SPE will be overseen by an independent manager to ensure  
10 that it only takes actions consistent with its obligations as the holder of the equity interest  
11 in the Securitized Property.

12 If, however, the Commission views the SPE to be an affiliate of the Company that  
13 is subject to the Affiliate Transactions Rule, EMW requests that the Commission grant a  
14 waiver in this case under Section 10(A)(1) of the Rule and 4 CSR 4240-2.015 for good  
15 cause. Because the SPE’s activities will be restricted to acquiring the Securitized Property,  
16 issuing the Securitization Bonds, and the other duties noted above, and will be overseen by  
17 an independent manager to ensure it operates consistent with its obligations, good cause  
18 exists to support a waiver of the Rule under these circumstances.

19 **Q. Has Winter Storm Uri been found by any other state regulatory commission to be**  
20 **an extraordinary event that caused an electric utility to incur costs which qualified**  
21 **for securitization under state law?**

22 A. Yes. The Oklahoma Corporation Commission recently issued two orders that recognized  
23 the “extreme and unique nature” of the storm (“2021 Winter Weather Event”), calling it an

1 “anomalous event” and concluding that the utilities’ prudently incurred costs qualified for  
2 securitization under Oklahoma law. See Order No. 723434, In re Public Serv. Co. of Okla.,  
3 No. PUD 202100076, 2022 Okla. PUC LEXIS 6 (Okla. Corp. Comm’n, Feb. 10, 2022);  
4 Order No. 722254, In re Okla. Gas & Elec. Co., No. PUD 202100072, 2021 Okla. PUC  
5 LEXIS 248 (Okla. Corp. Comm’n, Dec. 16, 2021).

### 6 III. BACKGROUND AND OVERVIEW OF SECURITIZATION LAW

7 **Q. Does the Securitization Law authorize the Commission to allow EMW to recover the**  
8 **costs it incurred arising from Winter Storm Uri via securitization?**

9 A. Yes. Section 393.1700.2(2) allows Missouri utilities that are electrical corporations to seek  
10 a Financing Order from the Commission authorizing the issuance of Securitization Bonds  
11 to finance “Qualified Extraordinary Costs” which are defined in Section 393.1700.1(13) as  
12 follows:

13 [C]osts incurred prudently before, on, or after August 28, 2021, of an  
14 extraordinary nature which would cause extreme customer rate impacts if  
15 reflected in retail customer rates recovered through customary ratemaking,  
16 such as but not limited to those related to purchases of fuel or power,  
17 inclusive of carrying charges, during anomalous weather events.

18 The costs the Company is seeking to finance using securitization clearly meet these criteria  
19 insofar as their recovery through customary ratemaking would create rate shock and exceed  
20 the costs of securitization. These costs were the result of EMW’s purchases of fuel and  
21 power that were required to provide electricity to customers during Winter Storm Uri which  
22 was clearly an “anomalous” weather event.

23 **Q. Does the Company’s Petition and supporting direct testimony demonstrate that these**  
24 **costs were prudently incurred?**

25 A. Yes. Company witness Mr. Bridson describes in detail the Company’s actions that led to  
26 the incurrence of these extraordinary costs as a result of Winter Storm Uri. Mr. Bridson

1 also demonstrates that EMW's actions were reasonable and that the Qualified  
2 Extraordinary Costs caused by this storm were prudently incurred.

3 **Q. What is the total amount estimated by the Company to be financed with**  
4 **Securitization Bonds?**

5 A. EMW seeks to recover costs arising from Winter Storm Uri through December 31, 2021  
6 of approximately \$295.6 million, plus \$54.6 million in carrying costs, and up-front  
7 financing costs incurred of \$6.6 million, with total costs to be financed equaling \$356.8  
8 million.

9 **Q. How was that amount determined?**

10 A. As Mr. Klote explains, the Company analyzed its total costs incurred during Winter Storm  
11 Uri including SPP settlements through December 31, 2021 as compared to a calculated  
12 normal cost level to determine the portion to be appropriately characterized as  
13 extraordinary. Mr. Klote's testimony provides the detail of how the normal costs were  
14 calculated. Only the remaining, extraordinary amounts will be financed using  
15 securitization. In addition to these qualified extraordinary amounts, Mr. Klote provides the  
16 details supporting carrying costs since the incurrence of the costs and up-front financing  
17 costs which are also included in the total estimated amount as supported by Mr. Klote.

18 **Q. Does the Securitization Law indicate what elements a utility must include in a petition**  
19 **to the Commission for a Financing Order that would facilitate securitization of**  
20 **Qualified Extraordinary Costs?**

21 A. Yes, Section 393.1700.2(2) specifies seven required elements that must be included in a  
22 petition for a Financing Order to finance Qualified Extraordinary Costs, each of which are  
23 included in the Company's petition. The chart in paragraph 36 of the petition indicates

1 where each of these elements is addressed in the petition. They are also addressed in the  
2 testimony of the witnesses providing direct testimony in support of the petition.

3 **Q. What is the first required element of the petition and how is it met?**

4 A. Section 393.1700.2(2)(a) requires the petition to include a description of the prudently  
5 incurred Qualified Extraordinary Costs, their magnitude, why they were incurred, and the  
6 retail impact that would result from customary ratemaking treatment of such costs.  
7 Detailed descriptions are provided by Mr. Klote, Mr. Bridson, and me.

8 **Q. What is the second required element of the petition and how is met?**

9 A. Section 393.1700.2(2)(b) requires that the utility indicate whether it will finance all or a  
10 portion of its Qualified Extraordinary Costs. The Company proposes to finance, with the  
11 issuance of Securitization Bonds, Evergy Missouri West's Qualified Extraordinary Costs  
12 incurred in connection with Winter Storm Uri, accrued carrying charges through the date  
13 of the Securitization Bond issuance, and up-front financing costs. Mr. Klote's testimony  
14 provides further details on the calculation of the Company's Winter Storm Uri costs and  
15 the accrued carrying charges. Mr. Humphrey's testimony addresses the estimated up-front  
16 financing costs and ongoing financing costs.

17 **Q. What is the third required element of the petition under the Securitization Law and  
18 how is it met?**

19 A. Section 393.1700.2(2)(c) requires an estimate of the financing costs that will be incurred.  
20 That estimate is provided by Mr. Humphrey.



1 **Q. What is the fourth required element of the petition under the Securitization Law**  
2 **and how is it met?**

3 A. Section 393.1700.2(2)(d) requires an estimate of the Charges the Company will charge and  
4 an indication of the of the period over which those charges will be in effect. The charge  
5 estimates are provided by Company witness Bradley D. Lutz. For Evergy Missouri West,  
6 the estimated Charge as further explained in Mr. Lutz’s testimony and schedules would be  
7 approximately \$4.71 per month for a typical 1,020 kWh residential bill for approximately  
8 15 years.

9 The actual average Charge per kWh will vary based on changes in customer growth  
10 and usage projections, and changes in market interest rates and the proposed Securitization  
11 Bond structure. The Charge will also vary based on changes in Winter Storm Uri costs  
12 that could occur for items such as accrued carrying charges between now and the issuance  
13 date of the Securitization Bonds.

14 **Q. What is the fifth required element of the petition under the Securitization Law and**  
15 **how is it met?**

16 A. Section 393.1700.2(2)(e) requires a comparison between (i) the Net Present Value (“NPV”)  
17 of the costs to customers from using securitization to recover the Qualified Extraordinary  
18 Costs and (ii) the NPV of the costs that customers would bear if the same costs were  
19 recovered using a “customary method of financing.” Section 393.1700.2(2)(e) additionally  
20 requires that the comparison demonstrate that securitization benefits retail customers. Mr.  
21 Klote’s testimony includes that comparison and demonstrates that securitization will create  
22 between \$64.5 million and \$121.3 million in customer savings, expressed on an NPV basis,  
23 depending on the customary recovery method the securitization is compared to.

1 **Q. What is the sixth required element of the petition under the Securitization Law and**  
2 **how is it met?**

3 A. Section 393.1700.2(2)(f) requires that the Company describe the future ratemaking process  
4 by which any difference between the Securitized Utility Tariff Costs financed by  
5 Securitization Bonds and the final Securitized Utility Tariff Costs incurred by the utility.  
6 Mr. Klote addresses this requirement in his testimony.

7 **Q. What is the seventh required element of the petition under the Securitization Law**  
8 **and how is it met?**

9 A. Section 393.1700.2(2)(g) requires that Evergy file direct testimony supporting its petition.  
10 Including myself, seven witnesses have filed direct testimony in support of this petition.

11 **Q: How will the Commission perform its responsibilities under section 393.1700?**

12 A: Section 393.1700.2(4)(a) states how the Commission is to undertake a due diligence  
13 process prior to issuing a Financing Order regarding Evergy Missouri West's petition. The  
14 Commission may designate a representative or representatives from its Staff, who may be  
15 advised by a financial advisor or advisors engaged by the Commission, to provide input to  
16 and collaborate with the Company in all facets of the process undertaken by Evergy  
17 Missouri West to place the Securitization Bonds to market so the Commission's  
18 representative(s) can provide the Commission, on an expedited basis, with an opinion on  
19 the reasonableness of the pricing, terms and conditions of the Securitization Bonds.  
20 Neither the representative(s) designated by the Commission nor the advisor(s) providing  
21 advice to Commission Staff shall have the authority to direct how the Company places the  
22 Securitization Bonds to market although they shall be permitted to attend all meetings

1 convened by Evergy Missouri West to address placement of the Securitization Bonds to  
2 market.

3 **Q: Under Section 393.1700.2(3)(c), a Commission Financing Order must include a**  
4 **finding that the proposed structuring and pricing of the Securitization Bonds are**  
5 **reasonably expected to result in the lowest Charges consistent with market conditions**  
6 **at the time the Securitization Bonds are priced and the terms of the Financing Order.**  
7 **How does the Company propose to support such a Commission finding?**

8 A: Mr. Lunde describes in detail the proposed structuring of the transaction as well as the  
9 expected marketing process that are intended and expected to result in the issuance of  
10 Securitization Bonds at favorable pricing and terms under market conditions prevailing at  
11 the time of issuance. We expect that these Securitization Bonds will receive AAA ratings  
12 given the process Mr. Lunde describes, the provisions of Missouri's Securitization Law  
13 and the contents of the proposed financing order proposed by the Company and appended  
14 to Mr. Lunde's direct testimony. I believe it is also important for the Commission to note  
15 that the Company will certify to the Commission, during the Issuance Advice Letter  
16 process required by section 393.1700.2(3)(h), that the structuring and pricing of the  
17 Securitization Bonds result in the lowest Charges consistent with market conditions and  
18 the Financing Order. This certification by the Company will be based in part on similar  
19 certification it will have received from the Securitization Bond underwriter.

1 **Q: Section 393.1700.2(3)(c)g provides that the Commission’s financing order is to include**  
2 **an element regarding the degree the degree of flexibility to be afforded the Company**  
3 **in establishing the terms of the Securitization Bonds. How does the Company propose**  
4 **that the Commission address this?**

5 A: This topic is covered broadly in ordering paragraph 39 of the proposed financing order  
6 attached to Company witness Lunde’s testimony. The Company is comfortable with the  
7 general nature of this provision given the existence of the issuance advice letter process I  
8 describe later in this testimony that enables the Commission to observe the actual pricing,  
9 terms and conditions of the Securitization Bonds before they are issued.

10 **Q: Section 393.1700.2(3)(c)n provides that the Commission’s financing order is to**  
11 **include an outside date, which shall not be earlier than one year after the financing**  
12 **order is no longer subject to appeal, when the authority to issue the Securitization**  
13 **Bonds shall expire. How does the Company propose that the Commission address**  
14 **this?**

15 A: This topic is also covered in the proposed financing order and Company witness Lunde’s  
16 testimony. Based on the experience and recommendation of Mr. Lunde, the Company  
17 recommends that the financing authority should not expire until two years has elapsed after  
18 the financing order is no longer subject to appeal. Mr. Lunde also recommends special  
19 consideration if market disruptions were to occur during this window.

1                                    **IV.     SUMMARY OF COMPANY REQUEST**

2    **Q:     Please summarize the Company’s request to finance Winter Storm Uri’s Qualified**  
3            **Extraordinary Costs through the issuance of Securitization Bonds under Section**  
4            **393.1700.**

5    **A:**     Evergy Missouri West requests that the Commission approve the issuance of Securitization  
6            Bonds to finance its Winter Storm Uri costs. The proceeds from the Securitization Bond  
7            issuances will be used to pay Evergy Missouri West’s Qualified Extraordinary Costs  
8            resulting from Winter Storm Uri, accumulated carrying costs and up-front Financing Costs.  
9            The amortization of the Securitization Bonds will be structured to provide an annual  
10           revenue requirement (including recovery of ongoing financing costs) of approximately  
11           \$31.2 million for Evergy Missouri West over the scheduled final term of approximately 15  
12           years, as discussed in more detail by Company witness Lunde. This annual revenue  
13           requirement estimate excludes any accrued carrying charges on the Qualified  
14           Extraordinary Costs subsequent to January 31, 2023 and excludes incremental up-front  
15           Financing Costs and ongoing Financing Costs that may be incurred above Evergy’s current  
16           estimate of up-front Financing Costs and ongoing Financing Costs, if applicable.  
17           Customers will be billed on a kWh basis beginning with the first billing cycle of the month  
18           following the issuance of the Securitization Bonds.

19    **V.     REGULATORY ACTIVITIES BETWEEN THE COMMISSION’S ISSUANCE OF**  
20            **THE FINANCING ORDER AND THE ISSUANCE OF SECURITIZATION BONDS**  
21            **PURSUANT TO SUCH AUTHORIZATION**

22    **Q:     Please generally describe the regulatory activities the Company expects will occur**  
23            **after the Commission issues its Financing Order in this proceeding.**

24    **A:**     Assuming a grant of financing authority by the Commission that the Company decides to  
25            implement, the work of placing the Securitization Bonds to market will commence.

1 Section 393.1700.2(3)(h) requires EMW to provide an Issuance Advice Letter (“IAL”) to  
2 the Commission following the determination of the final terms of such Securitization  
3 Bonds no later than one day after the pricing of such Securitization Bonds. Company  
4 witness Mr. Lunde of Citigroup sponsors a proposed form of IAL in the proposed  
5 Financing Order that is being submitted with his direct testimony.

6 Unless the Commission specifies an earlier date in the Financing Order, the  
7 Company may proceed with the issuance of the Securitization Bonds unless, prior to noon  
8 on the fourth business day after final pricing of the Securitization Bonds has been obtained  
9 (which will be the third business day after the Commission receives the IAL), the  
10 Commission issues a disapproval letter directing that the Securitization Bonds as proposed  
11 shall not be issued and the basis for that disapproval.

12 This IAL process is consistent with the provisions of Section 393.1700.2(3)(h) and  
13 gives the Commission an opportunity to disapprove the issuance of Securitization Bonds  
14 under the Financing Order based on its review of the final pricing, terms and conditions  
15 and the advice of its designated representative(s).

16 **Q: How and when will the Commission approve the tariff necessary for the Company to**  
17 **implement the Securitized Utility Tariff Charge?**

18 A: Mr. Lutz sponsors the Company’s proposed tariff in his direct testimony. As he describes  
19 in greater detail, the Company envisions that the tariff necessary to effectuate the Charge  
20 will occur in two steps.

21 In the first step, the tariff setting forth the Securitized Utility Tariff Rider  
22 (“Schedule SUR”), attached as a schedule to Mr. Lutz’s direct testimony – with the rate  
23 elements on the second sheet of Schedule SUR left blank – will be approved by the

1 Commission in the Financing Order. Alternatively, the tariff will be revised pursuant to  
2 the Financing Order and submitted as a compliance tariff in response to the Commission's  
3 Financing Order.

4 Then, in the second step, the tariff setting forth the rate elements of the Charge  
5 applicable to the Company's various customer classes and calculated in the basis of the  
6 final pricing, terms and conditions of the Securitization Bonds, as detailed in the IAL, will  
7 be submitted by Evergy Missouri West to the Commission no later than the business day  
8 after final pricing is obtained. Assuming the Commission allows the Securitization Bonds  
9 to be issued after receipt of the IAL, the tariff will go into effect on the effective date stated  
10 on the tariff, as required by Section 393.1700.2(3)(c)i. This effective date shall be five  
11 business days after the final pricing of the Securitization Bond issuance has been obtained,  
12 as permitted by Section 393.1700.2(3)(h). The period of time between the submission of  
13 the tariff with the rate elements and its effectiveness on the date the Securitization Bonds  
14 are issued provides the Commission the opportunity to confirm, based upon the review and  
15 advice of its Staff during the IAL process, that the Charges have been calculated  
16 appropriately under the Financing Order.

17 Mr. Lutz also discusses "housekeeping" tariff changes in connection with Schedule  
18 SUR that would also be submitted for Commission approval sometime after the issuance  
19 of the financing order and perhaps even after the issuance of the Securitization Bonds. As  
20 Mr. Lutz states in his direct testimony, these "housekeeping" tariff changes do not affect  
21 the operability or effectiveness of Schedule SUR or the Charges.

22 **Q: Does this conclude your testimony?**

23 **A:** Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

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. )

Case No. EF-2022-0155

**AFFIDAVIT OF DARRIN R. IVES**

**STATE OF MISSOURI**     )  
  ) ss  
**COUNTY OF JACKSON**    )

Darrin R. Ives, being first duly sworn on his oath, states:

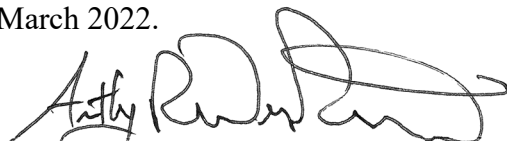
1.       My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Vice President – Regulatory Affairs.

2.       Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri West consisting of twenty-eight (28) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

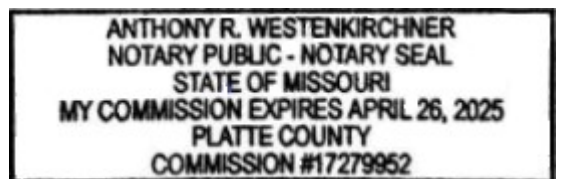
3.       I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Darrin R. Ives

Subscribed and sworn before me this 11<sup>th</sup> day of March 2022.

  
\_\_\_\_\_  
Notary Public

My commission expires: 4/26/2025







## February 2021 Weather and Its Impacts on Missouri

**Pat Guinan**

**State Climatologist**

**University of Missouri Extension**

After what was appearing to be another mild winter for Missouri, Mother Nature had a different plan for February. Early in February, the polar vortex migrated from near the North Pole to southern Canada and the north central U.S., bringing exceptionally cold temperatures and wind chills to the central U.S., from North Dakota to Texas, Figure 1. Temperature departures in Missouri for the 2-week period, February 6-19, 2021, averaged more than 20 degrees below normal, Figure 2, with a statewide average temperature of 10.2°F, Figure 3. Preliminary data indicate it was the coldest 2-week period to impact Missouri in over 30-years.

The last time a colder 2-week period occurred in Missouri was 1989, between Dec 11-24. Statewide temperature departures during the 1989 cold wave were also more than 20 degrees below normal, Figure 4, and the statewide average temperature for the 2-week period was 8.5°F, Figure 5. The coldest 2-week period on record for Missouri occurred during an extreme cold wave in late January and February 1899, when the statewide average temperature for the 2-week period, Jan 31-Feb 13, was a bone-chilling 4.5°F, and chunks of ice were reported flowing from the Mississippi River into the Gulf of Mexico.

Minimum temperatures during the 2021 cold wave occurred during the morning of February 16th, with many locations reporting record-breaking double-digit temperatures below 0°F, especially across the western and northern half of the state, Figure 6. The core of the coldest air impacted western and northern Missouri where a fresh snowpack, clear skies and calm conditions resulted in an extremely cold morning, Table 1. Two locations in northwestern Missouri, Corning (Atchison Co.) and Smithville Lake (Clay Co.) reported morning low temperatures of -26°F on the morning of the 16th.

Seasonably mild days during the beginning and toward the end of February, Figure 7, slightly moderated the overall statewide average temperature for all of February, but it was still a much below average month. Preliminary data indicate a statewide average temperature of 23.5°F, or 10 degrees below the long-term average. It was the coldest February since 1979 and ranked as the 7th coldest February on record, Figure 8. The rankings could change if the month turns out to be slightly cooler than the current estimate.

Even though the two previous months, December and January, were mild, Figure 9, the extreme 2-week cold wave in February resulted in a below average meteorological winter for the Show Me State, and the first cooler than average winter in six years, Figure 10.

Preliminary precipitation data indicated a statewide average monthly total of 1.41 inches, or 0.64 inches below the long-term average. It was the first drier than average February in four years, Figure 11. Lightest monthly totals were generally between 0.5-1.0" and fell over the western half of the state. The precipitation gradient increased heading eastward and southeastward through the rest of the Missouri, ranging from 1-3 inches. Heaviest totals were in the Bootheel, from 3-4 inches. Winter precipitation (Dec-Jan-Feb) was slightly below average, with only January wetter than usual, Figure 12. It was also the first drier than average winter in four years, Figure 13.

The cold weather translated to most precipitation events falling in the form of snow, and above normal snowfall reported statewide, ranging from 6-14 inches for the month, Figure 14. A CoCoRaHS observer just south of Kirksville reported 15.9 inches for February. Visible

satellite pictures taken on February 20, 2021, indicated all of Iowa, Illinois and Missouri under a blanket of snow, an unusual occurrence, Figure 15.

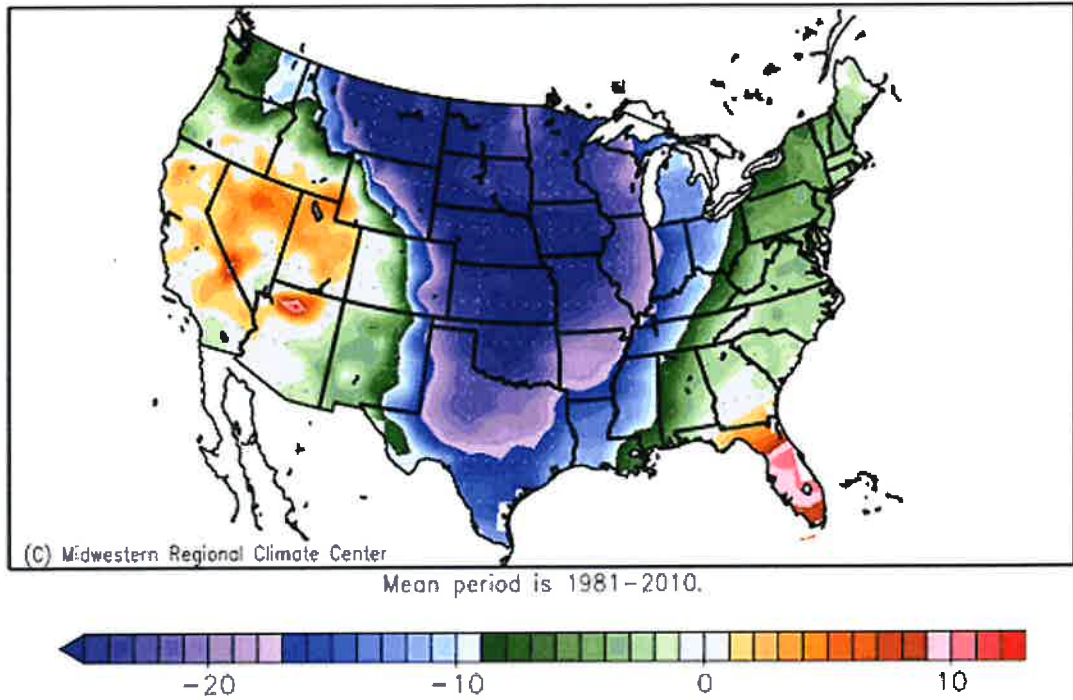
Impacts were numerous with the anomalously cold February temperatures not seen in more than a generation. Energy consumption was unusually high and reflected in consumer's home heating bills. Cold stress on outdoor workers, exposed livestock and pets was unrelenting, especially with wind chills dropping to -30°F. Ranchers were challenged with keeping newborn calves warm, feeding hay and routinely chopping ice-covered ponds for water. Dock damage due to freezing and thawing of ice on lakes was also reported and the extended period of cold weather contributed toward a deeper frost line than usual in the soil with numerous instances of frozen and broken pipes reported.

With spring around the corner, farmers and gardeners are likely thinking about planting. University of Missouri Extension, in collaboration with MU Integrated Pest Management, developed a [Missouri Frost Freeze Probabilities Guide](#). Median dates for the last hard freeze in Missouri ( $\leq 24^{\circ}\text{F}$ ) range from March 4 (extreme southeast Missouri) to April 3 (MO/IA border), Figure 16.

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- [Figure 6](#)
- [Table 1](#)
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- [Figure 20](#)

### Average Temperature (°F) Departure from Mean, February 6-19, 2021



**Figure 1.**

### Average Temperature (°F): Departure from Mean February 6, 2021 to February 19, 2021

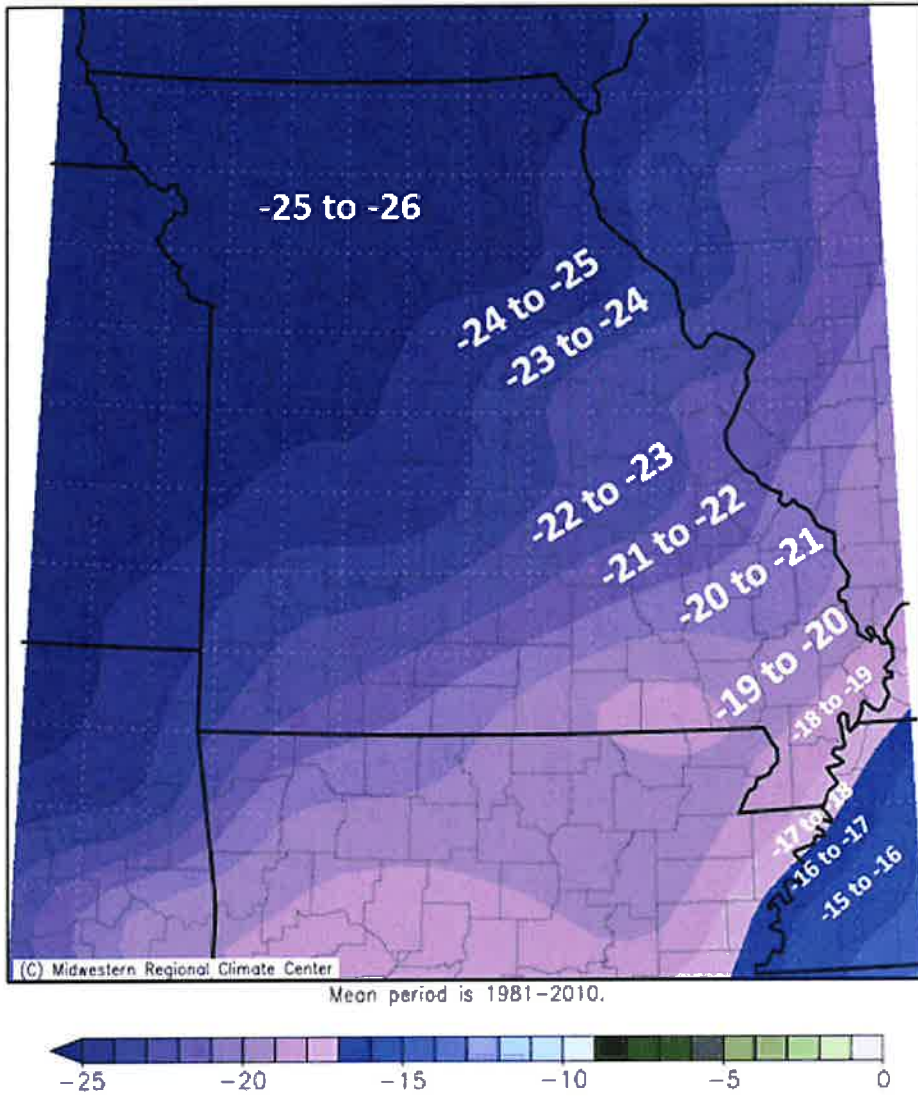


Figure 2.

### Average Temperature (°F) February 6, 2021 to February 19, 2021

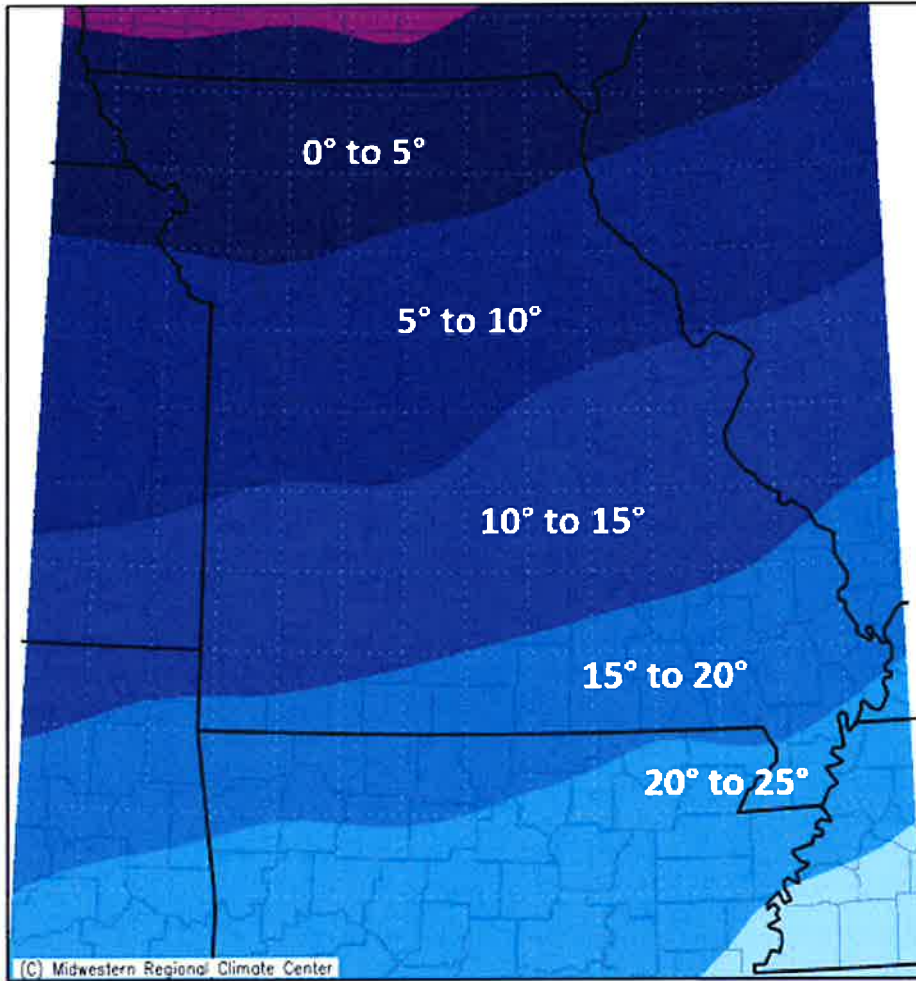


Figure 3.

# U.S. Selected Significant Climate Anomalies and Events for February and Winter 2021



Coldest Feb since 1999 across AK. Bering Sea ice cover was below average.

On Mar 2, about 47% of the CONUS was in drought, up about 1% from the beginning of Feb. Drought conditions expanded or intensified across portions of the northern and southern Plains and Great Basin. Improvements were observed across parts of the central Rockies, Midwest, Southeast and Pacific Northwest.

Least snowy winter (Dec–Feb) on record for Glasgow, MT, with only 1.5 in. of accumulation.

The largest snow event since Feb 2016 in the Denver metro area occurred on Feb 24–25 when more than a foot of snow fell across portions of the Front Range.

A springtime frontal boundary became established along a line from AR to WV from Feb 27 to Mar 1. Between 5 and 10 in. of rain fell across much of the region, causing flash flooding. Many water rescues occurred in KY, TN and WV.

Fueled by a major winter storm, an EF-3 tornado struck Brunswick County, NC, on Feb 15 and caused 3 fatalities.

Drought intensity and extent continue to lessen across HI.

Cold-air outbreak across the central U.S. from Feb 10–19 brought frigid temperatures, snow and ice to the northern Plains down to southern TX. It was the coldest event across the CONUS in more than 30 years and caused power outages for nearly 10 million people.

The average U.S. temperature for February was 30.6°F, 3.2°F below average, ranking as the 19th-coldest February in the 127-year record. The U.S. precipitation average for February was 1.99 in., 0.14 in. below average, ranking in the middle third of the historical record. The winter average U.S. temperature was 33.6°F, 1.4°F above average, ranking in the warmest third of the winter record. The winter precipitation total was 6.10 in., 0.69 in. below average, ranking among the driest third on record.

Drought coverage expanded nearly 9%.

Please Note: Material provided in this map was compiled from NOAA's State of the Climate Reports. For more information please visit <http://www.ncdc.noaa.gov/sotc>



February 14, 2021

## **Southwest Power Pool preparing for worsening system conditions due to extreme cold**

Little Rock, Ark. – The effects of widespread and extreme cold weather have led to increasingly tightening conditions in Southwest Power Pool’s (SPP) service territory. We have requested that our members and market participants throughout the SPP region conserve energy beginning at midnight central time on Monday, Feb. 15 and for the following 48 hours to mitigate the risk of more widespread and longer-lasting outages.

SPP declared a period of conservative operations for our entire balancing authority area at 00:00 central time on Feb. 9. Then, on Feb. 14, we declared an Energy Emergency Alert (EEA) Level 1 to be effective at 5:00 am central time on Monday, Feb. 15.

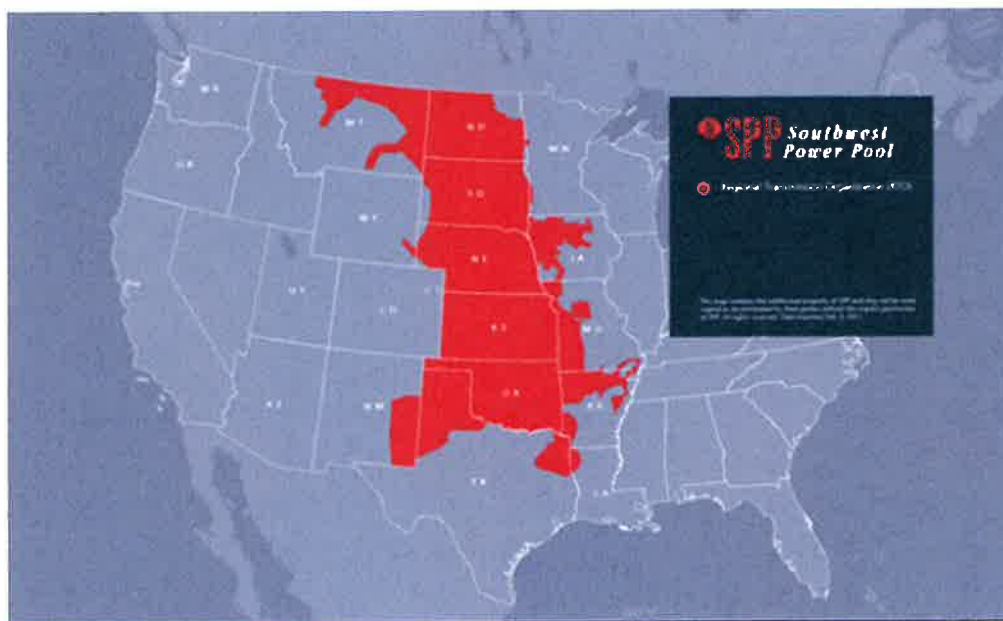
The declaration of conservative operations signaled to SPP’s member company utility operators that they should operate conservatively to mitigate the risk of worsening conditions. To bolster system reliability, SPP may require generating units to be available for upcoming operating days with notifications for commitment issued multiple days in advance. SPP took these steps in preparation for the extreme weather conditions already experienced and expected over the next couple of days.

An EEA1 signals that SPP foresees or is experiencing conditions where all available resources are scheduled to meet firm load obligations and that we may be unable to sustain its required contingency reserves.

SPP's analysis of current forecast data indicates that conditions may continue to tighten over the next several days because of persistent, widespread and extreme cold. We have recommended that load-serving utilities throughout our region take conservation measures to mitigate the risk of more widespread and longer-lasting outages. End-use customers in the SPP region should follow their local utilities' instructions regarding the potential for outages, the need to conserve electricity or natural gas, and other steps to ensure their safety and the integrity of the regional grid.

An EEA1 is the first of three levels of energy emergency alert. An EEA2 would be triggered if SPP could no longer meet expected energy requirements and was considered energy deficient, or if SPP foresaw or had taken actions up to but excluding the interruption of firm load obligations. At this point, SPP would have utilized available energy reserves and would have requested assistance from other neighboring utility operators.

SPP is coordinating closely with our members and market participants to respond to high demand for electricity, inadequate supply of natural gas, and wind-forecast uncertainty among other variables.



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## Stakeholder Groups





February 15, 2021

## **SPP issues new energy emergency alert due to extreme cold**

Little Rock, Ark. – Extreme cold weather has created energy deficiencies in the Southwest Power Pool’s (SPP) region. SPP declared an Energy Emergency Alert (EEA) Level 2 beginning at 7:22 am central time Monday, Feb. 15.

An EEA Level 2 requires SPP to direct its member companies to issue public conservation appeals. This EEA2 alert will remain in effect until further notice to mitigate the risk of more widespread and longer-lasting outages.

An EEA2 is the second of three EEA levels. An EEA3 would be triggered if SPP has to utilize operating reserves below the required minimum or ask our members to implement controlled service interruptions.

SPP declared a period of conservative operations for our entire balancing authority area at midnight central time on Feb. 9. Then, on Feb. 14, we declared an Energy Emergency Alert (EEA) Level 1 effective at 5:00 am central time on Monday, Feb. 15.

The declaration of conservative operations signaled to SPP’s member company utility operators that they should operate conservatively to mitigate the risk of worsening conditions. To bolster system reliability, SPP may require generating units to be available for upcoming operating days with

notifications for commitment issued multiple days in advance. SPP took these steps in preparation for the extreme weather conditions already experienced and expected over the next couple of days.

An EEA1 signaled that SPP foresees or is experiencing conditions where all available resources are scheduled to meet firm load obligations and that we may be unable to sustain its required contingency reserves.

Operating conditions may continue to tighten over the next several days because of this widespread and extreme cold winter weather event, as well as an inadequate supply of natural gas required to power some gas powered electric generation units. SPP is coordinating closely with our members and market participants to respond to high electricity demand and ensure the power grid remains reliable.

Consumers in the SPP region should follow their local utilities' instructions regarding local outages and energy conservation. We thank the public for their cooperation during this power grid emergency.

Follow us on Twitter or visit [SPP.org](http://SPP.org) for updates.

*About SPP: Southwest Power Pool, Inc. is a regional transmission organization: a not-for-profit corporation mandated by the Federal Energy Regulatory Commission to ensure reliable supplies of power, adequate transmission infrastructure and competitive wholesale electricity prices on behalf of its members. SPP manages the electric grid across 17 central and western U.S. states and provides energy services on a contract basis to customers in both the Eastern and Western Interconnections. The company's headquarters are in Little Rock, Arkansas. Learn more at [SPP.org](http://SPP.org).*

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## Stakeholder Groups

Meeting materials, member info, and more.



## Evergy Asks Customers to Conserve Electricity

*Record-setting cold temperatures across the Midwest have potential to impact power supply*

**Kansas City, MO – February 14, 2021** – At the request of the Southwest Power Pool (SPP), Evergy is asking customers to conserve electricity use as much as possible through Wednesday, Feb. 17. The SPP, which coordinates the 17-state regional power supply, advises that the region's coldest weather in decades is creating high demand for electricity. At the same time, the extreme weather is driving high demand for natural gas used to heat homes and businesses, straining the gas supply available to generate electricity, and icy conditions have made availability of wind generation uncertain. The SPP has advised that the unprecedented low temperatures across a widespread region creates the potential for electricity shortages and has asked all utilities in the region to encourage customers to reduce electricity usage in order to maintain electricity supply overall and avoid potential power outages.

"Our Evergy employees are working around the clock to manage our power plants and power lines. But even with reliable operations, the extreme cold is driving high demand for electricity and straining natural gas supplies, requiring all the utilities in the region to ask for customers' help in conserving energy until the temperatures warm up later this week," said Kevin Bryant, Evergy's Chief Operating Officer. "Everybody doing their part to save electricity the next few days will help us make sure the power supply continues to best serve the region's needs."

All customers can help, and can lower their bills, by taking the following steps, if they can do so safely:

- Turn thermostats a little cooler (65-68 degrees). Avoid the use of electric space heaters.
- Close blinds and shades to reduce the amount of heat lost through windows.
- Change or clean filters on furnaces.
- Turn off unnecessary lights and appliances in your home.
- When possible, use large appliances (clothes washers, dryers and dishwashers) between 10 p.m. and 5 a.m.
- Reduce air leaks that let cold air in by sealing around doors and windows with weatherstripping or caulk and inserting foam gaskets on electrical switches and outlets.
- Businesses should reduce the use of electric lighting and electricity-consuming equipment as much as possible.
- Large consumers of electricity should consider shutting down or reducing non-essential processes.

Evergy began preparing for the extreme weather early last week by planning for additional fuel needs and increasing 24/7 staffing levels. The proactive preparations have the company's system handling the current demand and well positioned to maintain reliable operations for its contribution to the region's power needs. Evergy has reduced electricity use at its facilities, implemented cold-weather procedures, and adapted operations at its power plants to keep equipment working and fuel available to generate electricity for customers.

Evergy is a member of the Southwest Power Pool, which coordinates the regional transmission grid and wholesale energy markets for the central United States, including Kansas and Missouri.



The SPP monitors power flow through its footprint and coordinates regional response in emergency situations.

**About Evergy, Inc.**

Evergy, Inc. (NYSE: EVRG) serves approximately 1.6 million customers in Kansas and Missouri. We were formed in 2018 when long-term local energy providers KCP&L and Westar Energy merged. We are a leader in renewable energy, supplying nearly half of the power we provide to homes and businesses from emission-free generation. We support our local communities where we live and work and strive to meet the needs of customers through energy savings and innovative solutions.

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February 15, 2021

## **SPP elevates Energy Emergency Alert to Level 3 as grid conditions tighten further**

Little Rock, Ark. – Persistent and extreme cold weather has led to region-wide electricity use that exceeds available generation across the Southwest Power Pool (SPP) service territory. At 10:08 a.m. central time on Monday, Feb. 15 the grid operator declared an Energy Emergency Alert (EEA) Level 3, signaling that its operating reserves are below the required minimum. SPP has directed its member utilities to be prepared to implement controlled interruptions of service if necessary.

“Controlled service interruptions are a last resort, and a step we take only when necessary to safeguard continued reliability of the regional grid,” said SPP’s executive vice president and chief operating officer Lanny Nickell.

If necessary, SPP will instruct our members’ transmission system operators to reduce electricity demand by an amount needed to prevent further and uncontrolled power interruptions. Should that occur, individual utilities will determine how best to curtail their use by the required amount based on their own emergency operating plans.

While SPP and our member companies work to restore the regional power grid to full capacity, consumers are urged to reduce electricity use, both at home and work.

SPP declared a period of conservative operations for our entire balancing authority area at midnight central time on Feb. 9. Then, on Feb. 14, we declared an EEA Level 1 effective at 5:00 am central time on Monday, Feb. 15, and subsequently an EEA Level 2 at 7:22 am on Monday, February 15.

The declaration of conservative operations signaled to SPP's member company utility operators that they should operate conservatively to mitigate the risk of worsening conditions. An EEA1 signals that SPP foresees or is experiencing conditions where all available resources are scheduled to meet firm load obligations and that we may be unable to sustain its required contingency reserves. An EEA Level 2 required SPP to direct its member companies to issue public conservation appeals.

We thank the public for their cooperation and understanding during this power grid emergency. **Follow us on Twitter** or visit **SPP.org** for updates.

*About SPP: Southwest Power Pool, Inc. is a regional transmission organization: a not-for-profit corporation mandated by the Federal Energy Regulatory Commission to ensure reliable supplies of power, adequate transmission infrastructure and competitive wholesale electricity prices on behalf of its members. SPP manages the electric grid across 17 central and western U.S. states and provides energy services on a contract basis to customers in both the Eastern and Western Interconnections. The company's headquarters are in Little Rock, Arkansas. Learn more at **SPP.org**.*

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## Stakeholder Groups

Meeting materials, member info, and more.

## Documents

Filings, governing documents, and other resources.



February 15, 2021

## **SPP restores load, anticipates that regional grid conditions will continue to evolve**

Little Rock, Ark. – After directing its member utilities to implement controlled interruptions of service shortly after noon on Feb. 15, Southwest Power Pool (SPP) has restored load to its 14-state region as of 2:00 p.m. Central time. The grid operator now has enough generation available to meet demand throughout its service territory and to fully meet its minimum reserve requirements.

The SPP system reached a peak electricity usage of 43,661 megawatts (MW) on Feb. 15, and is required to carry additional operating reserves in excess of load. After committing all of its reserves and exhausting other avenues such as importing power from other regions, available generation in SPP fell about 641 MW short of demand for a period beginning just after noon. In response, SPP directed its member utilities to implement planned interruptions of service to curtail electricity use by that amount.

Effective at 2:00 p.m., SPP cancelled the Energy Emergency Alert (EEA) Level 3 it had declared at 10:08 a.m. when its reserves were exhausted, and re-entered an EEA Level 2. SPP's forecasts anticipate that due to high load and persistent cold weather, it is likely its system will fluctuate between EEA Levels 2 and 3 over the next 48 hours and may have to direct further interruptions of service if available generation is inadequate to meet high demand.

While SPP and our member companies work to maintain regional reliability, we urge consumers across our service territory to conserve electricity at home and work, and to follow their local utility's directions regarding safety, conservation, and potential outages.

Henceforth, SPP will cease distributing press releases such as this one with every declaration of an Energy Emergency Alert, and will instead publish regular system updates to social media and to its [Current Grid Conditions page on SPP.org](#).

SPP thanks the public for their cooperation and understanding during this power grid emergency. [Follow us on Twitter](#) or visit [SPP.org](#) for updates.

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## **Stakeholder Groups**

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## **Documents**

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February 16, 2021

## **Grid Conditions Update (Feb. 16, 2021 6:46 a.m.): EEA3 declared effective immediately**

SPP is declaring an Energy Emergency Alert (EEA) Level 3 effective immediately for our entire 14-state balancing authority area. System-wide generating capacity has dropped below our current load of approximately 42 gigawatts (GW) due to extremely low temperatures and inadequate supplies of natural gas.

We'll be working with our member utilities to implement controlled interruptions of electric service throughout our region. This is done as a last resort to preserve the reliability of the electric system as a whole. Individuals in the SPP service territory should take steps to conserve energy use and follow their local utilities' instructions regarding conservation, local conditions and the potential for outages to their homes and businesses.

We are currently forecasting a morning peak of above 44.6 GW around 9:00 a.m. Central time.

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February 18, 2021

## **SPP ends Energy Emergency Alert, remains in conservative operations**

As of 9:30 a.m. Central time, Feb. 18, Southwest Power Pool (SPP) is no longer under an energy emergency alert (EEA). Due to continuing high loads and other implications of severe cold weather, it remains in a period of conservative operations until 10 p.m. Central time, Feb. 20, for the entire SPP balancing authority area.

"SPP thanks its members, neighboring systems and the millions of people in our region for their response to this historic event," said Barbara Sugg, SPP president and chief executive officer. "This has been a case study in everyone doing their part on behalf of the greater good. We take our responsibility to keep the lights on very seriously and appreciate the trust placed in us to do so. Thanks to voluntary conservation by people across our 14-state region, the quick actions taken by local utilities, and the dedication and expertise of our operators, we're thankful we could keep the region-wide impact of this storm to a minimum."

While grid conditions have improved, we anticipate load and generation fluctuation over the next 48 hours, and conditions could change rapidly. In periods of conservative operations, SPP may use longer-term unit commitment notifications, including making commitments prior to day-ahead and/or committing resources that are in reliability status.

SPP previously declared a move from EEA Level 2 to EEA Level 1 at 10:59 p.m. Central time, Feb. 17, 2021. An EEA is declared when all available resources have been committed to meet obligations, and SPP is at risk of not meeting required operating reserves.

“SPP’s and our members’ grid operators are highly trained in crisis situations and work closely together to bring power back online in a controlled manner to ensure grid stability and safety,” said Bruce Rew, SPP senior vice president of operations. “We appreciate how impactful the loss of electricity can be, especially in extreme cold, and only direct our utilities to temporarily reduce regional electricity use when it’s the only way to prevent longer, more widespread, more dangerous, and more costly blackouts.”

This cold-weather event marks the first time in SPP’s history that it has declared Energy Emergency Alert Levels 2 or 3 for its entire region. It is also the first time the grid operator has had to direct member utilities to implement controlled, temporary service interruptions to prevent widespread blackouts.

“Considering the historic nature of this storm and how broadly it affected the entire SPP region, we’re grateful we could limit the use of controlled service interruptions to lessen the chance of longer, more impactful and more costly outages,” said Lanny Nickell, SPP executive vice president and chief operating officer.

Since SPP’s issuance of a Cold Weather Alert to member utilities on Feb. 6, the first indication that heightened awareness was needed in response to forecast weather conditions, the grid operator only directed the interruption of service twice: once for approximately 50 minutes on the morning of Feb. 15, and again for a little more than three hours on the morning of Feb. 16.

While SPP works to maintain regional reliability, customers across our region should continue to follow their local utility’s directions regarding safety, conservation and potential outages.

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