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SURREBUTTAL TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

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

CASE NOS. ER-2022-0129 AND ER-2022-0130

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OF

LENA M. MANTLE

**EVERGY METRO, INC.
CASE NO. ER-2022-0129**

**EVERGY MISSOURI WEST, INC.
CASE NO. ER-2022-0130**

1 **Q. Please state your name.**

2 A. Lena M. Mantle.

3 **Q. Are you the same Lena Mantle who previously testified in rebuttal in this case for the**
4 **Office of Public Counsel?**

5 A. I am.

6 **Q. What witnesses are you responding to in your surrebuttal testimony?**

7 A. I am responding to the rebuttal testimony of Evergy witness James Meitner regarding the
8 inclusion of hedging costs and gains in the FAC, the rebuttal witness of Evergy witness Eric
9 T. Peterson regarding the inclusion of the Central Nebraska Public Power and Irrigation
10 District (“CNPPID”) hydro purchased power agreement (“PPA”) and Evergy’s Ponderosa
11 and Cimarron Bend III wind PPAs in the fuel adjustment clause (“FAC”), and the rebuttal
12 testimony of Linda J. Nunn regarding the FAC.

13 I am also responding to the rebuttal testimony of Staff witness Amanda C. Conner
14 regarding the FAC.

15 **Q. In this testimony do you change any of the recommendations that you made in your**
16 **direct and rebuttal testimony?**

17 A. Yes. In my direct testimony, I recommended transmission revenues from the Southwest
18 Power Pool (“SPP”) that are provided under the transmission costs schedules included in
19 the FACs be included in Evergy’s FACs. In this testimony I modify that recommendation
20 as follows:

21 The Commission should order that revenues and costs from the SPP schedules for
22 which costs are currently in Evergy’s FACs be treated consistently within Evergy’s

1 FACs. Either both revenues and costs are included or neither revenue nor costs are
2 included.

3 **Q. Do you have any additional recommendations for the Commission?**

4 A. Yes. I make the following additional recommendations:

- 5 • For Evergy Metro, changes to its FAC tariff sheets should be filed when it files
6 requesting a special market rate schedule;
- 7 • The revenues generated by Evergy's new customer programs not flow through its
8 FACs but instead be recorded in a regulatory liability account that earns a return at
9 the weighted average cost of capital. This regulatory liability will, along with the
10 interest will be returned to the customers in the next general rate case;
- 11 • Include unit train property taxes in Evergy's FACs;
- 12 • Unit train maintenance language consistent with the current language in Evergy
13 Metro's FAC be included in Evergy West's FAC;
- 14 • The ten new SPP charge types Staff witness Amanda C. Conner lists in her rebuttal
15 testimony not be included in Evergy's FACs; and
- 16 • Firm Bulk Sales (Capacity & Fixed) costs not be included in Evergy's FACs.

17 **Hedging**

18 **Q. Evergy witness James Meitner states on page 2 of his rebuttal testimony that “Evergy
19 considers a well-designed hedging strategy as a risk reducing exercise.” Do you agree?**

20 A. I agree that a well-designed hedging strategy can be a risk reducing exercise. However, a
21 utility that can pass all of its hedging losses through to its customers through a fuel
22 adjustment clause (“FAC”) has little incentive to have a well-designed hedging strategy.

1 **Q. By bringing up Evergy’s track record on hedging, were you intending “to drive**
2 **controversy” as Mr. Meitner asserts?¹**

3 A. No. It is not an attempt to drive controversy. Because the past can be an indicator of the
4 future, it is important for the Commission to be aware of past practices of Evergy West. Mr.
5 Meitner says that he was not engaged in Evergy’s previous hedging process so he cannot
6 speak in detail. He would like the Commission to turn a blind eye to Evergy’s past poor
7 hedging policies.

8 I am not recommending the Commission not allow Evergy to hedge. It is my
9 recommendation and the recommendation of OPC witness John Riley that the Commission
10 should not allow hedging costs and gains to flow through the FAC until Evergy has shown
11 that it has a well-defined hedging strategy that is reducing the risk to customers. OPC
12 witness John Riley further explains the accounting treatment for gains and losses in his
13 testimony.

14 **Q. Mr. Meitner testifies in his rebuttal testimony² that relying on the power markets is**
15 **extremely difficult in SPP. Do you agree?**

16 A. Yes. It is the reason for the substantial increase in the fuel and market costs for Evergy
17 West. Evergy West has pushed this risk onto its customers since it substantially relies on
18 energy from the SPP power markets to meet their needs. This reliance on the SPP market
19 passes the volatility of the SPP power market to customers through the FAC.

20 **Q. What is the best way for Evergy West to reduce its reliance on the SPP power market?**

21 A. The least-risky way for Evergy West to reduce its reliance of the SPP market is for Evergy
22 West to acquire generation resources that offset its customers’ reliance on the market for
23 energy. It is not to enter into cross-hedging.

¹ Page 3.

² *Id.*

1 **Q. Mr. Meitner says that stakeholders will get an opportunity to evaluate the effectiveness**
2 **of Evergy’s hedging policy every six months when parties review FAC filings to change**
3 **FAC rates.³ What is the purpose of the reviews of these filings for changes of the FAC**
4 **rates?**

5 A. The review process is to determine whether or not Evergy West is following its FAC tariff
6 sheets.

7 **Q. Is there opportunity for hedging costs to be excluded from the FAC at these filings?**

8 A. No. By statute, the FAC cannot be changed between rate cases.

9 **Q. At what point in the FAC process would there be an opportunity for parties to review**
10 **the effective of Evergy West’s hedging policy?**

11 A. A review of the hedging policy would occur in the prudence audit which occurs every 18
12 months after costs and revenues have already flowed through the FAC to customers. At
13 that point in time, a party would have the almost impossible task of proving that the hedging
14 policy was not just bad but also was imprudent before Evergy West would be required to
15 return any losses.

16 **Q. Do you agree with Mr. Meitner that “[g]ains and losses associated with hedging**
17 **activity flowing through the FAC is timelier and more appropriate”⁴**

18 A. If Evergy’s hedging process demonstrates that it actually is a well-designed hedging strategy
19 that reduces risk for customers, it is timelier to pass losses and gains through the FAC. If it
20 is not well-designed and the losses pass through the FAC, it can be a long, time-consuming
21 process for customers to get back any losses passed through to them through the FAC. It is
22 not more appropriate for customers if the hedging program is not well-designed.

³ Page 6.

⁴ *Id.*

1 **Q. Mr. Meitner state in his rebuttal testimony that Evergy’s notice that it was resuming**
2 **hedging, it would work with parties to address changes it felt was needed in its FAC**
3 **tariff sheets.⁵ To your knowledge, has Evergy worked with OPC to address changes**
4 **necessary to the FAC tariff sheets?**

5 A. No. The first that I saw regarding changes to the FAC tariff sheets was its proposed FAC
6 tariff sheets provided in the direct filing. I have not heard anything in addition regarding
7 changes to the tariff sheets.

8 **Q. Can the tariff sheets be changed between rate cases to allow hedging costs?**

9 A. No. That would constitute a change in the FAC and that cannot be done between rate cases.

10 **Q. Is a hedging policy that results in losses imprudent?**

11 A. Not necessarily. But a rigid hedging policy that results in continuous losses is. A hedging
12 policy should be a dynamic instrument that changes with the markets and the times.

13 **Q. Mr. Meitner states “Evergy Missouri West has a different exposure than Evergy**
14 **Metro and those entities have different exposures than other electric utilities.”⁶ Do you**
15 **agree?**

16 A. Yes. Evergy West is a large net buyer in the SPP market because it does not have much
17 generation to sell into the market. Evergy Metro is a large net seller because it has a large
18 amount of generation that it sells into the market.

19 **Q. Should the hedging policy then be different for Evergy West and Evergy Metro?**

20 A. Yes.

21 **Q. Are Evergy’s hedging policies different for Evergy West and Evergy Metro?**

22 A. I have only seen one policy for both of these utilities and their sister utility Evergy Kansas
23 Central, Inc.

⁵ Page 7.

⁶ Page 6.

1 **Q. Does OPC support ongoing conversations with Evergy regarding its hedging**
2 **program?**

3 A. Yes.

4 **Fuel and Purchased Power Costs**

5 **Q. Evergy Metro witness Peterson provides rebuttal testimony that the Central Nebraska**
6 **Public Power and Irrigation District (“CNPPID”) hydro PPA should be included when**
7 **calculating variable fuel and purchased power expense in the general rate case for**
8 **Evergy Metro.⁷ Do you agree?**

9 A. No. Mr. Peterson, in his rebuttal testimony seems to agree that the costs and revenues from
10 this hydro PPA should be excluded from the FAC but argues those costs should be included
11 in fuel and purchased power costs built into base rates.

12 **Q. What is the NPPID hydro PPA?**

13 A. This is a costly purchased power agreement Kansas City Power & Light Company
14 (“KCPL”) n/k/a Evergy Metro entered into in 2014 to meet the renewable energy standards
15 (“RES”) requirements of the State of Kansas. These facilities cannot be used to meet the
16 Missouri RES statutes. The energy is not needed to meet Evergy Metro’s Missouri
17 customers’ RES requirements and the capacity is not needed for Evergy Metro to meet the
18 SPP resource adequacy requirement.

19 In its last rate case, KCPL agreed, as provided in Mr. Peterson’s testimony, to
20 exclude all costs and revenues associated with this PPA from KCPL’s (now Evergy Metro’s)
21 FAC.

⁷ Page 3.

1 **Q. Does it make sense to include the costs in base rates but not let the costs or revenues**
2 **flow through the FAC?**

3 A. No. Both Staff witness Amanda C. Conner and I provided direct testimony on the
4 importance of the costs included in the FAC base factor being consistent with the fuel and
5 purchased power costs included in the revenue requirement.

6 **Q. What would be the impact on customers of including the CNPPID hydro PPA costs in**
7 **revenue requirement but not in the calculation of the FAC base factor or the actual**
8 **FAC costs in future accumulation periods?**

9 A. If the CNPPID hydro PPA is included in revenue requirement but not in the FAC base factor
10 or the actual FAC costs and revenues, Evergy Metro would recover the normalized cost of
11 this PPA through increased base rates increasing customers' bills. Also, if the costs are not
12 included in the FAC base nor the accumulation period FAC, changes in the costs of the PPA
13 would not impact the FAC.

14 **Q. What would be the impact on customers of including the CNPPID hydro PPA costs in**
15 **revenue requirement and in the calculation of the FAC base factor but not included in**
16 **the actual FAC costs in future accumulation periods?**

17 A. Evergy Metro would recover the normalized cost of the PPA through increased base rates
18 and therefore increase customers' bills. Including the CNPPID hydro PPA in the calculation
19 of the FAC base factor would result in a higher base factor.

20 Because the CNPPID hydro PPA is a cost, the absence of the PPA costs in the
21 calculation of the actual FAC costs in the accumulation period would, everything else being
22 consistent with the costs included in base rates, result in a negative FAC rate with Evergy
23 getting to keep 5% of what was "saved," *i.e.* the cost of the CNPPID hydro PPA that was
24 allocated to Evergy Metro in this case. While Evergy Metro's customers would not be
25 paying for the entire CNPPID hydro PPA cost, they would be paying for 5% or over
26 \$150,000 a year.

1 **Q. Which of these two proposals is Mr. Peterson recommending?**

2 A. His testimony is unclear about his proposal other than he is proposing “the CNPPID hydro
3 PPA be included when calculating variable fuel and purchased power expense in the general
4 rate case for [Eversource Energy].” However, both proposals would result in Missouri customers
5 paying for this contract that provides no benefit, only costs. From my review of his
6 workpapers, it seems as if he is including the CNPPID hydro PPA in the calculation of base
7 rates and the FAC base factor while Eversource Energy’s proposed FAC tariff sheets require that
8 the costs not be included in the calculation of actual costs.

9 **Q. What is the appropriate way to deal with the CNPPID hydro PPA in this case?**

10 A. The costs and revenues associated with the CNPPID hydro PPA should not be included in
11 the revenue requirement, calculation of the FAC base, and Eversource Energy’s actual FAC costs
12 in future accumulation period.

13 **Q. What is your recommendation to the Commission regarding the CNPPID hydro PPA?**

14 A. I recommend the Commission order that no costs and revenues of the CNPPID hydro PPA
15 be included in base rates or flow through Eversource Energy’s FAC.

16 **Q. On page 4 of his rebuttal testimony Mr. Peterson describes two wind PPAs that he believes
17 Staff incorrectly modeled in its estimate of normalized fuel and purchased power costs.
18 How should these two Eversource Energy wind PPAs Mr. Peterson described in his rebuttal
19 testimony be treated?**

20 A. As I stated in my rebuttal testimony, these wind PPAs should not be included in either
21 Staff’s or Eversource Energy’s estimates of fuel and purchased power costs because these costs are
22 designated as resources for Eversource West’s and Eversource Energy’s renewable energy riders.
23 These tariffed riders exclude any of the costs of these PPAs from being paid by non-
24 participants or revenues provided by the PPAs being provided to non-participants.
25 Therefore neither the costs nor the revenues for these wind PPAs should be included in the

1 variable fuel and purchased power costs for Evergy Metro and Evergy Wests, in the FAC
2 base factors, or as a FAC cost and revenue source.

3 **Treatment of Wind Purchased Power Agreements**

4 **Q. In her rebuttal testimony, Evergy witness Linda Nunn responds to Staff witness Brad**
5 **Fortson’s recommendation that Evergy be required to absorb any costs in excess of**
6 **revenues for any PPA effective after May 2019.⁸ Would you respond to Ms. Nunn’s**
7 **issues with this recommendation?**

8 A. Yes. Ms. Nunn starts with the perspective that Evergy is entitled to recover prudently-
9 incurred costs and that if Mr. Fortson’s recommendation was adopted Evergy would never
10 enter into a PPA again.

11 **Q. Do you agree with Ms. Nunn?**

12 A. I agree that Evergy is entitled to recover prudently incurred costs. However, Ms. Nunn’s
13 statement that Evergy would never again enter into a PPA if Evergy was required to take
14 the risk of a wind PPA indicates that perhaps the wind PPAs that Evergy has entered into
15 are not prudent.

16 **Q. Why did Evergy enter into its current wind PPAs?**

17 A. Evergy has provided a variety of reasons that it has entered into wind PPAs. However, it
18 has stated that its analysis has shown that all of the wind PPAs would be “economic”
19 meaning they would provide more revenues than they cost.

20 **Q. Have the revenues from these PPAs exceeded the costs as Evergy’s analysis predicted?**

21 A. No. These PPAs have cost customers over \$468 million over the last eight years. It is very
22 apparent that Evergy is unwilling to take the risk of its “economic” analysis on itself but is
23 very willing to push the risk on its customers.

⁸ Page 18.

1 **Q. What is your recommendation regarding Evergy's wind PPAs?**

2 A. Since wind PPAs are too risky for Evergy, the Commission should remove this risk from
3 customers for a time until customers have recouped the losses of the current PPAs through
4 revenues generated by these PPAs and adopt the recommendations that I made in my
5 rebuttal testimony regarding the treatment of these PPAs. If Evergy is not willing to take
6 the risk of its calculations being wrong, then neither should its customers shoulder these
7 risks.

8 **Q. What is the recommendation you made in your rebuttal testimony regarding Evergy's**
9 **wind PPAs?**

10 A. My recommendation is the Commission order costs of Evergy's current PPAs not be passed
11 to customers once their cumulative net cost exceeds 100,000 times its contracted capacity.
12 If that point has already been reached then customers should not have to pay any additional
13 losses for that PPA but should receive any positive margins through the FAC. Once the
14 benefits are greater than the accumulated losses that have already been recovered from
15 customers, then shareholders and customers will split the losses and costs 50%/50%.

16 **Q. What is your response to Ms. Nunn stating that the accounting for Staff's proposal**
17 **would be burdensome resulting in increases in labor costs?⁹**

18 A. Actions should not be dictated by the difficulty of accounting. If these wind PPAs were in
19 fact profitable as Evergy's analysis indicates and Evergy was allowed a portion of the
20 profits, I am confident Evergy would find some way to overcome that burden.

⁹ Rebuttal testimony, page 19.

1 **Other FAC Issues**

2 **Q. Ms. Nunn states in her rebuttal testimony that transmission revenues from the SPP**
3 **that are provided under the same transmission cost schedules that are included in the**
4 **FACs should not be included in the FAC because “[t]hose revenues are based on the**
5 **transmission formula rates and are paid by wholesale customers.”¹⁰ What is your**
6 **response to Ms. Nunn?**

7 A. These revenues are generated from the same SPP schedules for which costs are currently
8 flowing through the FAC. If revenues from these same schedules should not flow through
9 the FAC because these schedules are based on transmission formula rates and paid by
10 wholesale customers, then the costs should not either. Evergy needs to pick a lane; both
11 costs and revenues from SPP schedules should both flow through the FAC or neither should
12 flow through the FAC.

13 **Q. Did Ms. Nunn provide any additional rationale for excluding these revenues from the**
14 **FAC?**

15 A. Ms. Nunn’s other rationale is that the transmission “revenues have nothing to do with the
16 costs associated with producing and transporting electricity to our retail customers.” She
17 did not explain how the revenues received through SPP schedules of which costs are
18 included in the FAC were not FAC related revenues.

19 **Q. Have you changed your recommendation regarding the inclusion of the transmission**
20 **revenues in Evergy’s FACs based on Ms. Nunn’s testimony?**

21 A. Yes. I now recommend:

22 The Commission should order that revenues and costs from the SPP schedules for
23 which costs are currently in Evergy’s FACs be treated consistently within Evergy’s
24 FACs. Either both revenues and costs are included or neither revenue nor costs are
25 included.

¹⁰ Page 20.

1 **Q. Ms. Nunn says that she disagrees with your second recommendation in your direct**
2 **testimony to include changes to SPP energy market charge types currently included in**
3 **Evergy's FACs.¹¹ Do you understand her concerns with your recommendation?**

4 A. No. I was merely recommending that all the SPP charges currently included in Evergy's
5 FAC be codified in the tariff sheets including costs that have changed SPP designation since
6 the last rate case but are not currently listed in Evergy's FAC tariff sheets. Her response is
7 that Evergy has included all charge types where SPP has indicated the costs/revenues should
8 be charged to FERC accounts 447 or 555.

9 **Q. How is this different from the current FAC?**

10 A. She did not specify.

11 **Q. Are there additional SPP charges or revenues Evergy is requesting be added to its**
12 **FAC?**

13 A. She did not identify any specific SPP charges or revenues that Evergy is requesting be added
14 in her rebuttal testimony. In her direct testimony she stated that Evergy was requesting the
15 listing of the SPP charge types be updated and provided proposed tariff sheets that included
16 some additional charge types. But she did not specify which charge types Evergy was
17 requesting be added or removed in her direct testimony.

18 The Commission's FAC rule 20 CSR 4240-20.090(2)(A)9 requires GMO to provide
19 a detailed explanation of the costs that it is recommending be included in its FAC. She did
20 not provide any additional information in her rebuttal testimony to clarify what Evergy was
21 requesting be added or removed nor did she provide detailed explanations of what she was
22 requesting. She merely stated she was against my recommendation to the Commission that
23 specifically stated what SPP charges were being added.

¹¹ *Id.*, page 20.

1 **Q. Is an indication from SPP that a cost or revenue be charged to a certain FERC account**
2 **justification for a cost or revenue to be included in the FAC?**

3 A. No. According to section 386.266.5 the Commission approves, rejects, or modifies a FAC.
4 Therefore it is the Commission that makes the determination on what costs and revenues
5 are included in Evergy's FACs. This authority should not be ceded to SPP based on what
6 FERC account it indicates a cost should be recorded in. It is not the account that a cost is
7 recorded in that determines that it is a FAC cost or revenue. That determination is made by
8 the Commission.

9 **Q. Have you changed your recommendation regarding what SPP energy market charge**
10 **types should be added to Evergy's FACs based on Ms. Nunn's testimony?**

11 A. No. The only two charge types that should be added to Evergy's list of SPP charge types
12 included in its FACs are the Day-Ahead Combined Interest Resource Adjustment Amount
13 and the Real Time Combined Interest Resource Adjustment Amount. Evergy requested
14 additional charges be added but did not provide in its direct or rebuttal testimony an
15 explanation of what the costs were, how they pertained to fuel and purchased power costs,
16 the magnitude of the costs, or the volatility of the costs as required by Commission rule.

17 **Q. Did Ms. Nunn agree with your recommendation that language be added that explicitly**
18 **prohibits recovery of retirement and/or decommissioning costs related to the**
19 **retirement of a generation plant?**

20 A. No. Ms. Nunn believes that the language is not necessary.¹² She states that "Plant
21 retirements are infrequent occurrences; therefore, future facts and circumstances, once fully
22 reviewed and vetted, should dictate whether or not costs associated with the ending of a
23 plant should or should not be recorded to accounts rightfully included in the FAC."

24 Ms. Nunn further states that the language is not necessary because "there was no
25 alternative mechanism in place to move the amounts to at [the time of the retirement of

¹² *Id.*

1 plants by Evergy], nor would it have been appropriate to record these costs against the
2 depreciation reserve Account 108 as these costs do not fall within the guidelines of
3 depreciable plant per the Code of Federal Regulations (“CFR”). The Company consistently
4 records the appropriate costs to the accounts included in the FAC according to the FERC
5 Uniform System of Accounts. Those costs are then included in the FAC.”¹³

6 **Q. Should the account that a cost is recorded in dictate whether or not a cost is rightfully**
7 **included in Evergy’s FACs?**

8 A. No. The Commission determines what costs are rightfully included in Evergy’s FACs.
9 Recording a cost or revenue in a specified account should not determine whether or not a
10 cost or revenue flows through Evergy’s FACs.

11 **Q. Does the fact that “costs do not fall within the guidelines of depreciable plant per the**
12 **Code of Federal Regulations” determine whether or not a cost can flow through the**
13 **FAC?**

14 A. No. The Commission determines what costs are rightfully included in Evergy’s FACs.

15 **Q. Do you agree with Ms. Nunn that plant retirements are infrequent occurrences and**
16 **therefore there is no reason to include such language in the FAC?**

17 A. No. In the past 10 years at least 11 power plants have retired by Missouri investor-owned
18 utilities.¹⁴ Clarifying that costs associated with plant retirements are not allowed in
19 Evergy’s FACs should provide direction concerning what costs are allowed in Evergy’s
20 FACs, regardless of what accounts they are recorded in or the guidelines in the CFR.

¹³ *Id.*, page 21.

¹⁴ Evergy West Sibley units 1, 2, and 3 units; Evergy Metro Montrose units 1, 2, and 3; Liberty Riverton units 7, 8, and 9 and Asbury units 1 and 2.

1 **Q. Have you changed, based on Ms. Nunn’s rebuttal testimony, your recommendation**
2 **that language that explicitly prohibits recovery of retirement and/or decommission**
3 **costs be included in Evergy’s FACs?**

4 A. No. Such language would have provided direction for past retirements and could prevent
5 misunderstandings in the future.

6 **Q. Does Ms. Nunn agree with your recommendation to add language to allow the**
7 **mitigation of the impact of extraordinary net fuel and purchased power costs?**

8 A. No.¹⁵ Ms. Nunn believes that the Commission’s FAC rule already provides this mitigation.

9 **Q. Do you agree with Ms. Nunn that the Commission’s FAC rule¹⁶ already provides for**
10 **the type of mitigation you are requesting?**

11 A. No.

12 **Q. What does 20 CSR 4240-20.090(8)(A)2.A.(XI) that Ms. Nunn cites provide for**
13 **regarding extension of the recovery period for extraordinary costs?**

14 A. It provides nothing regarding an extension for mitigation of the recovery of extraordinary
15 costs. This section of the FAC rule only requires the utility to report when it has
16 extraordinary costs that it has chosen to not pass through the FAC. It does not provide for
17 recovery through an extension of the FAC recovery period. In fact, the rule specifies
18 nothing with regard to cost recovery. What I recommend is allowing recovery for some
19 extraordinary costs through the FAC across 24 months instead of the current 12 month
20 recovery.

¹⁵ Rebuttal, page 22.

¹⁶ Ms. Nunn specifically states that “The code” provides for mitigation of the impact of extraordinary costs. I am assuming here that she means the Commissions FAC rule 20 CSR 4240-20.090.

1 **Q. Based on Ms. Nunn’s rebuttal testimony, have you changed your recommendation to**
2 **add language in Evergy’s FACs to allow for mitigation of extreme costs by extending**
3 **the current recovery period?**

4 A. No. I recommend the Commission order the language that I proposed in my Class Cost-of-
5 Service direct testimony be included in Evergy’s FACs.

6 **Q. Did Ms. Nunn agree with your recommendation to include language in Evergy’s FACs**
7 **that explicitly prohibits recovery of fuel and purchased power costs incurred for**
8 **research projects?**

9 A. No.¹⁷ She states it is not necessary because Evergy has not experienced these types of costs.
10 She believes it is premature to assume that such cost would be imprudent or not appropriate
11 for recovery through the FAC.

12 **Q. What is your response to Ms. Nunn?**

13 A. I have a couple of responses to Ms. Nunn. First, while Evergy has not experienced this type
14 of cost, Ameren Missouri has, so it is not unreasonable to assume that perhaps Evergy may
15 also experience this type of cost.

16 Secondly, it is premature to assume that such cost would be prudent and appropriate
17 for recovery through the FAC. If such a cost would be appropriate for recovery through
18 Evergy’s FACs, then, in the next general rate case, Evergy can show that it is prudent and
19 ask for future costs for specific research projects flow through its FACs.

20 **Q. Ms. Nunn agrees with your direct testimony that changes should be made to the FAC**
21 **to account for the Special Market Rate (“Schedule MKT”) customers and proposes**
22 **some changes to the FAC tariff sheets.¹⁸ Do you agree with her proposed changes?**

23 A. Yes. I agree that the power purchased from the market for these customers should be
24 excluded from the purchased power costs included in the FAC and that the definition of the

¹⁷ Rebuttal, page 23.

¹⁸ *Id.*

1 recovery period sales (SRP) needs to include language that excludes the energy usage of
2 these customers. However, as I provided in my direct testimony, there are more changes
3 that need to be made to the FAC tariff sheets to account for the MKT customers.

4 **Q. What are the additional changes that need to be made to properly incorporate the**
5 **provisions of Schedule MKT?**

6 A. The COSTS AND REVENUES section of the FAC tariff sheets needs a clarifier as to what
7 costs are included. The following sentence needs to be changed from:

8 Eligible costs do not include the purchased power demand costs associated
9 with purchased power contracts in excess of one year.

10 To:

11 Eligible costs do not include the purchased power demand costs associated
12 with purchased power contracts in excess of one year or costs associated with
13 service provided to customers taking energy through Schedule MKT.

14 The first sentence in the APPLICABILITY section should be changed from:

15 The price per kWh of electricity sold to retail customers will be adjusted (up
16 or down) periodically subject to application of the Rider FAC and approval
17 by the Missouri Public Service Commission (“MPSC” or “Commission”).

18 To:

19 The price per kWh of electricity sold to retail customers not served under
20 Schedule MKT will be adjusted (up or down) periodically subject to
21 application of the Rider FAC and approval by the Missouri Public Service
22 Commission (“MPSC” or “Commission”).

23 Also the definitions of the kilo-watt hour (“kWh”) sales used in the FAC needs to be modified
24 to exclude the energy used by the customers served under the MKT Schedule as follows from:

25 $S_{AP} =$ Net system input (“NSI”) in kWh for the accumulation period

26 To:

27 $S_{AP} =$ Net system input (“NSI”) in kWh for the accumulation period
28 excluding the energy used by Company research and development
29 projects and the energy used by customers served under the MKT
30 Schedule.
31

1 **Q. Is this the same language that you proposed in your direct testimony?**

2 A. Yes, it is.

3 **Q. Do you agree with Ms. Nunn that changes for the MKT Schedule should be made to**
4 **both Evergy West's and Evergy Metro's FAC tariff sheets?**

5 A. No. I do recommend these changes be included in Evergy West's FAC tariff sheets but not
6 Evergy Metro's FAC tariff sheets. At the time of the writing of this surrebuttal testimony,
7 Evergy West had filed those tariff sheets in Case No. EO-2022-0061 for Commission
8 approval with an effective date of August 28, 2022.¹⁹

9 However, Evergy Metro has not filed requesting a similar special market tariff
10 schedule or proposed tariff sheets for a special market tariff. Therefore, I do not agree that
11 these changes be made to Evergy Metro's FAC tariff sheets. Instead, I recommend, for
12 Evergy Metro, changes to its FAC tariff sheets be filed when it files requesting a special
13 market rate.

14 **Q. Would that be changing Evergy Metro's FAC between rate cases?**

15 A. No. It would be maintaining Evergy Metro's FAC consistent with the FAC ordered in this
16 case and the special market tariff approved by the Commission.

17 **Q. Ms. Nunn provided, in response to your direct testimony, changes Evergy intends to**
18 **make to the FAC tariff sheets regarding new customer programs.²⁰ What is your**
19 **response to Evergy's intentions regarding changes to its FAC tariff sheets for these**
20 **new programs?**

21 A. I appreciate Ms. Nunn's proposals and look forward to working with her to properly
22 implement changes to Evergy's FAC tariff sheets to address the impact of the renewable
23 Energy Credit program and the Business EV Charging Service Carbon Free Energy Option
24 specific to final program design.

¹⁹ P.S.C. MO. No. 1 Original Sheet No. 158 through 158.5.

²⁰ Pages 24 – 25.

1 **Q. Is it your testimony that revenues and costs from these programs should be included**
2 **in Evergy's FAC?**

3 A. Not necessarily. Evergy's FACs should only be modified to account for any impact on fuel
4 and purchased power costs and revenues that are included in Evergy's FACs. Specifically,
5 if a program is designed with the intent of not impacting the costs of non-participants, then
6 all costs incurred for the program should be reviewed to makes sure that there are no costs
7 unintentionally passed to non-participants through Evergy's FACs.

8 In addition, Evergy's FACs should not be used as a quick way to get revenues to
9 customers. The Commission should make a determination of whether or not to include the
10 revenue based on testimony provided by Evergy detailing why revenue generated through
11 these programs is a FAC revenue consistent with Commission rule 20 CSR 4240-
12 20.090(2)(A)10. Merely including the revenue in Evergy's FAC to get the revenue back to
13 customers sooner does not justify including the revenue in Evergy's FACs.

14 If the Commission determines, based on evidence provided to it, that revenue is of
15 the nature of Evergy's FACs and Evergy expects a substantial revenue flow from these
16 programs, then the revenue requirements of Evergy West and Evergy Metro also need to be
17 reduced by the expected revenue from the programs and the revenue should be included in
18 the calculation of Evergy's FAC base factors. Not all revenue will be returned to customers
19 if no revenues are included in the revenue requirement but the revenue from these programs
20 is included in the FAC. Evergy will get to keep five percent.

21 **Q. Is there a mechanism that can be used to return all of the revenues back to customers?**

22 A. Yes. Because there are so many unknowns regarding these programs including the potential
23 revenue streams, to assure that customers receive all the revenues from the programs, I
24 recommend the revenues be recorded in a regulatory liability account that earns a return at
25 the weighted average cost of capital. This regulatory liability will, along with the interest
26 will be returned to the customers in the next general rate case.

1 In Evergy's next general rate case it should have a better understanding of the
2 programs, including the potential revenue streams, and provide testimony to the
3 Commission regarding the expected amount of revenues that were included in revenue
4 requirement and why each of the revenues streams should be specifically included in the
5 FAC.

6 **Q. Did Ms. Nunn provide in her rebuttal testimony proposed FAC tariff sheets that**
7 **incorporates her proposed language?**

8 A. No.

9 **Q. Ms. Nunn, in her direct testimony, stated that Evergy was proposing to include in its**
10 **FAC the costs that would be recorded in account 555070.²¹ In her rebuttal testimony**
11 **Ms. Nunn provides that this account would include SPP administrative costs.²² Should**
12 **the Commission allow Evergy's FACs to be changed to include these costs?**

13 A. No. Ms. Nunn justifies the inclusion of these costs because they are variable costs. Evergy
14 has requested administrative costs be included in the FAC in prior general rate cases. The
15 Commission specifically addressed Evergy's request to include SPP administrative costs in
16 its *Report and Order* in Case No. ER-2014-0370 where it made the following conclusion:

17 KCPL has requested that SPP Schedule 1-A and 12 fees be included in its FAC. The
18 Commission finds that these fees are administrative in nature and not directly linked
19 to fuel and purchased power costs. These fees support the operation of SPP and are
20 not needed for KCPL to buy and sell energy to meet the needs of its customers.
21 These fees are neither fuel and purchased power expenses nor transportation
22 expenses incurred to deliver fuel or purchased power. The Commission concludes
23 that including such fees would be unlawful under Section 386.266.1, RSMo, and,
24 therefore, Schedule 1-A and 12 fees should not be included in the FAC. These fees
25 are appropriate for recovery in base rates. (Emphasis added)²³

²¹ Page 10.

²² Page 26.

²³ Page 36.

1 Ms. Nunn did not provide any information that would justify the Commission changing its
2 position to include SPP administrative costs. The Commission should continue to deny
3 including these costs in Evergy's FACs.

4 **Q. Ms. Nunn provided information in her rebuttal testimony regarding costs she provided**
5 **only limited information on in her direct testimony.²⁴ Did she meet the Commission's**
6 **requirement that Evergy provide a detailed explanation of these costs including the**
7 **magnitude and volatility of these costs and how not having these costs included in the**
8 **FAC will impact Evergy's return on equity to justify including them in Evergy's**
9 **FACs?**

10 A. No, she did not. She justifies the inclusion of these costs by saying the costs are in
11 accordance with the guidance provided by SPP as well as the FERC uniform system of
12 accounts, are completely outside the control of Evergy, variable in nature, and should not
13 be removed from recovery in the FAC.

14 **Q. Did she present the guidance provided by the SPP to help the Commission in its**
15 **determination of whether or not these cost be included in Evergy's FACs?**

16 A. No.

17 **Q. Is the fact that these costs are recorded in accordance with FERC uniform system of**
18 **accounts mean that these costs should be included in Evergy's FACs?**

19 A. No. As I have previously stated in this testimony, the account that a cost or revenue is
20 recorded in should not determine whether or not they are included in Evergy's FACs; the
21 Commission should. To properly make that determination, the Commission needs to 1)
22 understand the cost, 2) be able to identify how the costs is a fuel or purchased power cost,
23 including transportation, 3) understand the magnitude and volatility of the costs, and 4)
24 know how not having these costs included in the FAC will impact Evergy's return on equity.

²⁴ Page 27.

1 **Q. Is the fact that these costs are outside the control of Evergy and variable mean that**
2 **these costs should be included in Evergy’s FACs?**

3 A. No. Many costs are beyond Evergy’s control. As provided in the Commission’s *Report*
4 *and Order* in Case No. ER-2014-0370, a portion that is provided above, the Commission
5 rejected as a justification for costs being included in a FAC that the costs were variable.
6 Section 386.266 RSMo only allows, at the discretion of the Commission, for fuel, purchased
7 power, and transportation costs that are outside the control of Evergy be included in its
8 FACs.

9 **Q. In her rebuttal testimony Ms. Nunn describes costs that are recorded in account**
10 **547027 that she is proposing be included in Evergy’s FACs.²⁵ Did Ms. Nunn request**
11 **these costs be added to Evergy’s FACs in her direct testimony?**

12 A. No. Ms. Nunn simply included the account in Evergy’s proposed FAC tariff sheets. It was
13 one of the changes that I found only through review of Evergy’s responses to Staff data
14 requests. It is only in her rebuttal testimony that Ms. Nunn revealed that Account 547027
15 is used to record the gas pipeline reservation fees for gas fired generation and this cost is a
16 part of the overall pipeline transport costs.

17 **Q. In her rebuttal testimony, does Staff witness Conner recommend the Commission**
18 **allow these costs in Evergy’s FACs?**

19 A. Yes. The rationale Ms. Conner provides is that it “appears” to her that the costs are
20 variable.²⁶

21 **Q. Did she provide any basis for her belief that the costs appear variable?**

22 A. No she does not. She only provides that the costs that Evergy says it will record in this
23 account are “similar” to costs included in Ameren Missouri’s FAC.

²⁵ Page 27.

²⁶ Page 5.

1 **Q. Does she provide how they are similar?**

2 A. No.

3 **Q. Should the Commission allow these costs in Evergy's FAC?**

4 A. No. While these costs could possibly be considered "transportation" costs that are one of
5 the costs that could be included in FAC, and may be similar to costs that are included in
6 Ameren Missouri's FAC, not enough information has been presented to make a
7 determination of whether or not it should be included. Neither Ms. Nunn nor Ms. Conner
8 has provided the magnitude of the costs, the volatility of the costs or the impact on the return
9 on equity of not having these costs in Evergy's FACs.

10 **Q. Ms. Nunn also provides rebuttal testimony regarding costs in account 501420.²⁷ Is she
11 asking these costs now be included in Evergy's FAC?**

12 A. It is difficult to tell. Ms. Nunn states that these are fuel residual costs that Evergy previously
13 recorded in account 502 that Evergy has determined to be more appropriately charged to
14 account 501. She then states they are recorded in 501420 to separate these costs out so they
15 could be excluded from the FAC calculation since they are included in base rates.²⁸ She
16 then goes on to say that these costs are for fuel residual activity and fuel residual activities
17 are fuel costs allowed to flow through the FAC.

18 **Q. Staff witness Conner recommends the Commission allow costs in account 501420 in
19 her rebuttal testimony.²⁹ Does she provide any additional information on the costs
20 recorded in this account?**

21 A. No. It is her testimony that including this account will ensure that Evergy Metro is
22 consistent with what is already included in Evergy West's FAC.

²⁷ Page 27.

²⁸ Page 28.

²⁹ Page 5.

1 **Q. Is this consistent with Evergy witness Nunn’s rebuttal testimony?**

2 A. No. Her testimony does not specify that this change is just for Evergy Metro.

3 **Q. Should the Commission allow these “fuel residual” costs in Evergy’s FACs?**

4 A. No. First, Ms. Nunn’s explanation of what these costs are is vague and Ms. Conner’s is
5 non-existent. Neither of the testimonies provided meet the Commission rule requirement
6 that Evergy provide a detailed explanation of the cost. Secondly, it is unclear to which
7 utility’s FAC this would be added or if the request is for both Evergy Metro and Evergy
8 West. Finally, Ms. Nunn states that Evergy did not incur any of these costs in the test year.

9 **Q. Has the Commission previously made a determination regarding including in a FAC
10 costs that had not been incurred?**

11 A. Yes. The Commission addressed the inclusion of costs that had not been incurred in its
12 Report and Order in Case No. ER-2014-0370 as follows.

13 KCPL argues that the FAC should include all costs and revenues relating to net fuel
14 and purchased power costs, whether or not they are currently being incurred.
15 However, allowing a new cost or revenue to flow through an FAC is a modification
16 to that FAC, which under Section 386.266, RSMo, only the Commission has the
17 authority to modify. It is the Commission that should make the determination as to
18 what costs or revenues should flow through the FAC, not the electric utility. An
19 exception to this would be insurance recoveries, subrogation recoveries and
20 settlement proceeds related to costs and revenues included in the FAC because such
21 revenue increases are likely the result of circumstances that already caused
22 additional costs or reduced revenues in the FAC. The Commission concludes that
23 the FAC should not include costs and revenues that KCPL is not currently incurring
24 or receiving, other than insurance recoveries, subrogation recoveries and settlement
25 proceeds related to costs and revenues included in the FAC. (emphasis added)

26 Ms. Nunn provided no reason for the Commission to now allow costs that it did not incur
27 in the test year to be included in Evergy’s FACs. It is unlikely that these costs will be great
28 in magnitude or volatile and that the exclusion of these costs will impact Evergy’s abilities
29 to earn a return.

1 **Q. Ms. Nunn discusses changing the accounts for REC revenues and costs from account**
2 **509 to accounts 411.8 and 411.9.³⁰ Should the Commission allow this change?**

3 A. Yes as long as it is merely changing where the current REC revenues and costs that are
4 currently included in Evergy's FAC be recorded.

5 **Q. Do you recommend the Commission allow unit train property tax be included in**
6 **Evergy's FACs as described in Ms. Nunn's rebuttal testimony?³¹**

7 A. Yes.

8 **Q. Based on Ms. Nunn's rebuttal testimony, do you recommend the Commission allow**
9 **unit train maintenance language consistent with the current language in Evergy**
10 **Metro's FAC be included in Evergy West's FAC?³²**

11 A. Yes.

12 **Q. In her rebuttal testimony, Ms. Conner recommends the Commission include a list of**
13 **ten new SPP charge types she says Evergy Metro proposed to include on Evergy**
14 **Metro's proposed tariff sheet pages 50.38 and 50.39 provided to Staff in Evergy's**
15 **response to data request 257.1.³³ Did you find any Staff or Evergy Metro direct or**
16 **rebuttal testimony that provide a detailed explanation of these new charge types?**

17 A. No.

18 **Q. Does any Staff or Evergy Metro witness provide the magnitude or the volatility of these**
19 **charge types?**

20 A. No.

³⁰ Page 28.

³¹ *Id.*.

³² Page 29.

³³ Page 4.

1 **Q. Does any Staff or Evergy Metro witness provide testimony on the impact on Evergy**
2 **Metro’s ability to earn a return if these costs are not included in its FAC?**

3 A. No.

4 **Q. Based on the lack of information regarding these charge types, should the Commission**
5 **allow these costs in Evergy Metro’s FAC?**

6 A. No.

7 **Q. Ms. Conner provides rebuttal testimony that Evergy proposes to include amounts for**
8 **Firm Bulk Sales (Capacity & Fixed) in its FAC.³⁴ Did you find this proposal in the**
9 **testimony of any of Evergy witnesses?**

10 A. No and Ms. Conner did not provide a cite to any Evergy witness’ testimony. I did find that
11 Evergy witness Nunn included in her direct case workpapers an amount for Firm Bulk Sales
12 (Capacity & Fixed) in her calculation of Evergy’s FAC base factors.

13 **Q. Do you agree that it should be included in Evergy’s FACs?**

14 A. No. It is not clear what Evergy is asking for or why it should be allowed. From the limited
15 information provided in Ms. Conner’s testimony, it seems she is recommending including
16 these amounts, not because they are fuel and purchased power costs, but because including
17 these costs will reduce the complexity of administering transmission costs for Evergy’s
18 FACs. That alone is not a reason to include these cost in a FAC. These costs should be
19 shown to be fuel and purchased power costs to be included.

20 **Q. Should the Firm Bulk Sales (Capacity & Fixed) costs be included in the calculation of**
21 **Evergy’s FACs’ base factors?**

22 A. No. These costs should be included in revenue requirement but not in the calculation of
23 Evergy’s FAC base factors.

³⁴ Page 8.

1 **Q. Would you summarize your position regarding Evergy's request to modify its FACs?**

2 A. Evergy has filed testimony as if it was entitled to FACs and simply told the Commission
3 that it wanted to change its FACs without explanation of the changes. Many changes were
4 not identified or described in testimony but in responses to data requests that are not
5 included in testimony.

6 The Commission should be wary of making changes to FACs. The more costs that
7 get included in a FAC, the more risk that is moved from Evergy to its customers. Statute
8 requires that costs included in the FAC be fuel and purchased power costs, including
9 transportation. It does not say that the FAC should be designed to make accounting easier,
10 or because it is recorded in a certain account or just because a cost was a variable cost.
11 Therefore, I recommend that the Commission adopt the changes to the FAC that I identified
12 in my direct testimony with the addition of the inclusion of unit train property tax and unit
13 train maintenance costs.

14 **Q. Does this conclude your surrebuttal testimony?**

15 A. Yes, it does.

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

In the Matter of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro's Request for Authority to) Case No. ER-2022-0129
Implement a General Rate Increase for Electric)
Service)

In the Matter of Evergy Missouri West, Inc. d/b/a)
Evergy Missouri West's Request for Authority to) Case No. ER-2022-0130
Implement a General Rate Increase for Electric)
Service)

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena M. Mantle, of lawful age and being first duly sworn, deposes and states:

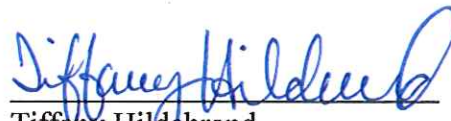
1. My name is Lena M. Mantle. I am a Senior Analyst for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Lena M. Mantle
Senior Analyst

Subscribed and sworn to me this 16th day of August 2022.



TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121


Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.