

Exhibit No. 302

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Sponsoring Party: Public Counsel
Case No.: EO-2023-0277

SURREBUTTAL TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

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

CASE NOS. EO-2023-0277

** _____ **
Denotes Confidential Information that has been redacted

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SURREBUTTAL TESTIMONY

OF

LENA M. MANTLE, P.E.

EVERGY MISSOURI WEST, INC.

FILE NO. EO-2023-0277

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

2 A. My name is Lena M. Mantle.

3 **Q. Are you the same Lena M. Mantle that filed direct and rebuttal testimony in**
4 **this case?**

5 A. Yes, I am.
6

7 **PURPOSE OF TESTIMONY**

8
9 **Q. What is the purpose of your surrebuttal testimony?**

10 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimonies
11 of Every Missouri West, Inc.'s ("Every West") witnesses Kayla Messamore,
12 Darrin R. Ives, and John J Reed and Staff witness Jordan Hull regarding the
13 impact of the imprudent resource planning decisions on the fuel and purchased
14 power costs Every West incurred during the prudence review time period of
15 June 1, 2021 through November 30, 2022.

16 While I will be addressing the rebuttal testimonies of these witnesses, this
17 testimony is organized, not by witness but instead by the following topics:

- 18 • Clarification of Office of the Public Counsel's ("OPC") position;
- 19 • Important concepts to understand;
- 20 • Clearing of mischaracterizations of my position;
- 21 • Additional areas of concern that need to be addressed; and
- 22 • Conclusion

1 **OFFICE OF THE PUBLIC COUNSEL’S POSITION**

2 **Q. Has the Office of Public Counsel’s position changed since you filed rebuttal**
3 **testimony?**

4 A. No, it remains the same. Evergy West’s witnesses mischaracterize my position in
5 their rebuttal testimonies to an extent that I believe there is a need to again clearly
6 state OPC’s position regarding the imprudence of the fuel adjustment clause
7 (“FAC”) net costs Evergy West incurred during the prudence period.

8 **Q. What is OPC’s position?**

9 A. The central issue of imprudence that has been raised by the OPC in this case is
10 Evergy West’s decision to not acquire generation that would protect its customers
11 from the risks of the energy market but instead to rely on the energy market to
12 meet a substantial portion of its customers’ load requirements. Every market,
13 whether it is the stock market, hog futures market, or natural gas market is subject
14 to volatility and the energy market is no exception. By not acquiring efficient
15 generation resources that can supply energy to the market at the times its
16 customers need energy, *i.e.* hedge against the volatility of the energy market,
17 Evergy West knowingly and unnecessarily exposed its customers to the volatility
18 of the Southwest Power Pool (“SPP”) energy market costs; a practice that Evergy
19 West witness Ives described as being “akin to playing the Lotto with customers
20 energy supply.”¹

21 It is imprudent for Evergy West to not have hedged in the form of cost-
22 effective dispatchable generation to offset the cost of energy from the market
23 incurred to meet its customers’ needs. Section 386.266.1 RSMo. states that
24 Evergy West should only be allowed to reflect **prudently** incurred FAC costs in
25 interim rates charged to customers. Therefore, to compensate customers for this
26 imprudent decision, I recommend the Commission order an imprudence

¹ Ives direct, page. 14.

1 adjustment of \$86,376,294 plus interest to be applied in Evergy West’s first fuel
2 adjustment clause (“FAC”) rate change case after the Commission’s order in this
3 case is effective.

4 **Q. Is Mr. Ives² incorrect when he states that OPC is asking for a prudence
5 adjustment of \$174 million?**

6 A. Yes. It is my testimony that the net FAC costs were too high by \$174 million.
7 But I do recognize that if Evergy West had more generation, its permanent rates
8 would have been higher by the capital cost of that generation. Therefore, I offset
9 the adjustment to net FAC cost by a weighted average of the plant costs of Evergy
10 West and Evergy Metro. That is why my recommendation is, again, for the
11 Commission order an imprudence adjustment of \$86,376,294 plus interest to be
12 applied in Evergy West’s first FAC rate change case after the Commission’s order
13 in this case is effective.

14 **Q. On what did you base this finding of imprudence?**

15 A. I based my finding of imprudence on my review of Evergy West’s triennial
16 resource planning filing case nos. EO-2007-0298,³ EO-2012-0324,⁴
17 EO-2015-0252,⁵ and EO-2018-0269, information from meetings with Evergy
18 West personnel regarding its resource planning process when those cases were
19 filed, and the resulting preferred plans in these cases. I also reviewed Evergy
20 West’s annual resource plan filing updates in case nos. EO-2014-0257, EO-2016-
21 0233, and EO-2017-0230. I have reviewed data request responses pertaining to
22 Evergy West’s resource planning process and the costs and revenues resulting
23 from Evergy West’s resource planning decisions in the cases listed on page 16 of

² Ives rebuttal, page 7.

³ Evergy West was known as Aquila, Inc. at the time of this filing.

⁴ Evergy West was known as KCP&L – Greater Missouri Operations Company, Inc. at the time of this filing.

⁵ Evergy West was known as KCP&L – Greater Missouri Operations Company, Inc. at this time at the time of this filing.

1 my direct testimony. Finally, I based my finding of imprudence on Evergy West
2 monthly FAC submissions to the Commission and the workpapers provided by
3 Evergy West in its FAC rate change cases filed with the Commission.

4 **Q. Ms. Messamore is critical of your finding because you did not point to an**
5 **exact decision or date an imprudent decision was made.⁶ Is there an exact**
6 **decision or date an imprudent decision was made during this time?**

7 A. No. An exact time is not necessary. Evergy West made many decisions over
8 many years to move from having cost-effective generation to rely on to
9 dependence on the energy market to meet its customers' needs. The exact
10 decisions and the exact dates are not important. What is important is that Evergy
11 West knew that it was relying on the energy market and it knew that relying on
12 markets was risky. It also knew that, with an FAC, this was a risk that its
13 customers would bear. With an FAC its shareholders would be insulated from
14 volatile energy prices. It hedged other markets but it chose not to hedge this
15 market placing the risk on its customers.

16 **Q. Mr. Reed states that Evergy West's reliance on the energy market is within**
17 **the industry norm.⁷ Did he provide any examples of other electric utilities**
18 **that rely as much on the market as Evergy West?**

19 A. No. Mr. Reed did not provide any example of other electric utilities that rely as
20 heavily on the market as Evergy West does.

21 **Q. Did you compare the generation resources of Evergy West to any other**
22 **utilities to determine if the magnitude of Evergy West's reliance on the**
23 **energy market was greater than other electric utilities?**

24 A. Yes. Just as I have reviewed the resources of Evergy West for almost the past 40
25 years, I have reviewed the resources of the other Missouri investor-owned electric

⁶ Messamore rebuttal, page 4.

1 utilities. Relevant to this prudence period, I am knowledgeable regarding the
2 resources of Union Electric Company d/b/a Ameren Missouri, the Empire District
3 Electric Company d/b/a Liberty, and Evergy Metro, Inc. (“Evergy Metro”).
4 While this may seem like a small sample, these three investor-owned electric
5 utilities face the same regulatory bodies and statutory requirements as Evergy
6 West so a comparison to these three utilities is relevant.

7 **Q. Did any of these electric utilities rely on an energy market to meet their**
8 **customers’ load requirements to the extent that Evergy West did during the**
9 **prudence period?**

10 A. No. Evergy Metro and Ameren Missouri had an excess of generation during the
11 prudence period meaning that they sold more into their respective markets than
12 their customers required. Liberty relied on the energy market more than Evergy
13 Metro and Ameren Missouri because a large portion of its generation is wind,
14 meaning it cannot be dispatched when needed, but only when the wind is
15 blowing. In addition, its biggest wind project had a forced outage⁸ during a
16 portion of the time of this prudence audit. Even with the outage of its largest
17 wind project, Liberty did not rely on the energy market to the extent Evergy West
18 did.

19 **Q. Have you reviewed anything other than the generation resources of these**
20 **electric utilities?**

21 A. Yes. I have reviewed their FAC costs and revenues since each utility received a
22 FAC.

⁷ Reed rebuttal, page 5.

⁸ A forced outage is an unplanned outage.

1 **Q. Are you myopically focused on SPP revenues and costs as Ms. Messamore**
2 **asserts?**⁹

3 A. No. Prudent resource planning does not focus on any one aspect but instead
4 balances costs, benefits, and risks to customers and shareholders. The SPP energy
5 market is an integral part of the costs incurred and the benefits realized of a
6 resource plan. I recognized this in my whitepaper *Resource Planning of a*
7 *Vertically Integrated Utility in the RTO World* attached to my direct testimony as
8 Schedule LMM-D-2 when I state:

9 A measure of the adequacy of resource planning of a vertically
10 integrated utility (load serving entity or “LSE”) that is a member of
11 a RTO with an energy market is a comparison of the cost of the
12 load charged the utility by the RTO and the revenues the utility
13 receives from the RTO for generation for a vertically integrated
14 utility pays for fuel costs regardless of whether it is a member of a
15 RTO or not. **However, this comparison of RTO costs and**
16 **revenues should not be the objective of resource planning. The**
17 **objective of resource planning should be providing customers**
18 **with energy services that are safe, reliable, and efficient at just**
19 **and reasonable rates.**

20 (Emphasis added)

21 **Q. Based on your review, what do you make of Mr. Reed’s statement that**
22 **Evergy West’s reliance on the energy market is within the industry norm?**¹⁰

23 A. Mr. Reed provides no basis for his statement. In addition, the comparison to the
24 industry norms in Missouri that I have just described show that his statement is
25 demonstrably and emphatically untrue.

26 **Q. Would you summarize how Evergy West was imprudent?**

27 A. Evergy West was imprudent for not providing a hedge against energy market
28 prices with cost-effective generation chosen for its ability to efficiently provide
29 energy when Evergy West’s customers most need energy. Because of this

⁹ Messamore rebuttal, page 10.

1 imprudence, Evergy West incurred in this prudence period \$86 million in
2 imprudent fuel and purchased power costs.

3 **IMPORTANT CONCEPTS TO UNDERSTAND**

4 **Q. What concepts are important in understanding this issue of imprudence?**

- 5 A. The following concepts are important in understanding prudent resource planning:
- 6 1) The difference between energy (mega-watt hour or MWh) and capacity
7 (mega-watt or MW);
 - 8 2) The SPP resource adequacy requirement does not require prudent
9 planning;
 - 10 3) The purpose of the Commission’s Electric Utility Resource Planning
11 Chapter 22; and
 - 12 4) When the resource plans of electric utilities can and should be audited for
13 prudence.

14 **DIFFERENCE BETWEEN ENERGY AND CAPACITY**

15 **Q. Why is it important to know the difference between energy and capacity?**

16 A. Evergy witness Kayla Messamore states multiple times in her rebuttal testimony
17 that Evergy West’s resource planning is prudent because Evergy West meets the
18 SPP resource adequacy requirements.¹¹ The SPP resource adequacy requirement
19 is a requirement of a specific amount of **capacity**. Evergy West is imprudent
20 because it does not have the ability to generate **energy** to sell into the market to
21 offset the cost of its customers’ load at the time that the customers require that
22 energy.

23 Evergy West would be imprudent if it did not meet the SPP resource
24 adequacy requirement. However, meeting the SPP resource adequacy

¹⁰ Reed rebuttal, page 5.

¹¹ Messamore rebuttal, pages 6, 7, and 9.

1 requirement does not signify that Evergy West has prudent resources to meet the
2 resource adequacy requirement or the load requirements of its customers.

3 **Q. What is the difference between capacity and energy?**

4 A. On its website, the ISO New England provides a primer on the difference between
5 capacity and energy.¹² This primer provides the following definitions for capacity
6 and energy:

7 **Capacity** is the maximum output an electricity generator can
8 physically produce, measured in megawatts (MW). You'll often
9 see the ISO refer to nameplate generator capacity, which is the
10 manufacturer's determination of the maximum megawatt output of
11 electricity a generator can produce without exceeding design
12 limits. Demand Resources are measured by their capacity to reduce
13 demand, also in MW.

14 **Energy** is the amount of electricity a generator produces over a
15 specific period of time. Many generators do not operate at their full
16 capacity all the time. For instance, about 26% of New England's
17 system capacity is made up of coal- and oil-fired generators. But
18 combined, they produced just 3% of the region's electric energy in
19 2017. A generator's output may vary according to conditions at the
20 power plant, the availability and cost of fuel, variability of wind
21 and sun, market prices, or dispatch instructions from the ISO.
22 That's why it's important for the system to have a variety of
23 resource types, including those that can start up or dial back
24 quickly in response to sudden changes in consumer demand or the
25 output of other resources.

26 This Primer then gives the following example to help explain the difference
27 between capacity and energy:

28 Consider this recent real-world example of the difference between
29 capacity and energy, from winter 2017/2018:

- 30 ■ Capacity: With more than 32,000 MW of capacity, the
31 regional forecasted winter peak demand of 21,197 MW
32 plus reserve requirements.

¹² [Capacity vs. Energy: A Primer \(iso-ne.com\)](https://www.iso-ne.com/capacity-vs-energy)

1 energy produced by the generator are thus intercalated, in as far as they are
2 dependent on its design but are measuring very different things.

3 **Q. Are there other limiting factors to the energy a generator can produce?**

4 A. Yes. Another limiting factor to the amount of energy that can be produced is the
5 mechanical ability of the generator. Nuclear plants are built to be able to run
6 continuously. It is realistic to estimate that a 1,000 MW nuclear plant will run at
7 1,000 MW for all 8,760 hours of the year thus generating 8,760,000 MWh of
8 energy. On the other hand, natural gas peaking units are built to run a few hours
9 during peak demand periods. It is impractical to expect that a peaking unit with a
10 capacity of 25 MW could generate every hour of the year. It is simply not
11 designed to run for long periods of time.

12 **Q. With respect to an electric utility, is the term energy just used as a
13 measurement of the electricity generated by a power plant?**

14 A. No. It is also a measure of how much electricity a customer uses. For example, if
15 a customer leaves a 100 Watt (“W”) light bulb on for 10 hours, he has used 1,000
16 Watt-hours (“Wh”) of electricity (100 Watt x 10 hours = 1,000 Watt-hours).

17 **Q. What was the SPP capacity requirement of the SPP for its members that
18 have both load and generation resources?**

19 A. According to Ms. Messamore, the SPP’s resource adequacy requirement was a
20 planning reserve margin of 12%.¹³ This means that Evergy West was required to
21 have generation with a total capacity equal to its forecasted peak demand plus an
22 additional 12%.

¹³ Messamore rebuttal, page 7.

1 **Q. What is forecasted peak demand?**

2 A. In its *Glossary for Electric and Natural Gas Industry Terms and Concepts*,¹⁴ the
3 Indiana Utility Regulatory Commission defines demand as follows:

4 **Demand:** The rate of electricity usage (measured in kilowatt - or
5 megawatts) by a customer. Demand is typically measured in
6 kilowatts (kW), megawatts (MW), or gigawatts (GW). It could be
7 measured in kilovolt amperes (kVa). The difference between kW
8 and kVA is the power factor. Demand refers to the maximum
9 amount of electric energy being used at any instant in time. The
10 peak demand for a utility is the maximum usage of all of their
11 customers at a specific moment. Usage by any customer at this
12 moment is referred to as coincident peak demand. However,
13 individual customers may have their highest demand at times other
14 than the utility's peak demand. This is referred to as non-
15 coincident peak demand. The amount of energy consumed is in
16 kWh. For example, A 100 Watt light bulb used for 10 hours = 1
17 kWh. Forecasting the short and long-term utility peak demand is
18 necessary for establishing the amount of resources – including
19 adequate reserve resources for contingencies - needed to serve
20 customers demand. This is referred to as *Resource Adequacy*.

21 The forecasted peak demand used to calculate Evergy West SPP resource
22 adequacy requirement is Evergy West's forecast for its maximum usage of all
23 their customers at the same time.

24 **Q. Would you summarize the definitions of capacity, energy, and demand?**

25 A. Capacity reflects the ability of a power plant to produce electricity and is
26 measured in MW. Energy is the amount of electricity generated over time and is
27 also the amount of electricity consumed by customers over a period of time. It is
28 measured in MWh. Demand refers to the maximum amount of electrical power
29 that customers are consuming. It is measured in MW.

¹⁴ [DD7DB67E-1866-DAAC-99FB-36526B06C7C6 \(naruc.org\)](https://www.naruc.org/Portals/0/Files/2018/06/06-14-18-1866-DAAC-99FB-36526B06C7C6.pdf)

1 THE SPP RESOURCE ADEQUACY REQUIREMENT DOES NOT REQUIRE
2 PRUDENT PLANNING

3 **Q. Does the fact that a utility that is a member of the SPP has generation**
4 **capacity to meet a 12% reserve margin mean that the utility can prudently**
5 **meet its customers demand year-round as Ms. Messamore seems to testify?**

6 A. No. It means that if all of an electric utility's resources were available, it would
7 be able to meet a peak demand equal to 1.12 times its forecasted peak demand if
8 none of its units were on outage, *i.e.* it could produce enough electricity that it
9 could meet the forecasted demand for one hour plus an additional 12% if none of
10 its resources were experiencing an outage. It does not mean that it is the most
11 prudent way to meet the peak demand or that the utility has resources to meet its
12 customers' demands the other 8,759 hours of the year.

13 The reserve margin requirement is set to ensure that SPP will have
14 sufficient capacity to serve SPP's peak demand, not the electric utility's peak
15 demand. SPP acknowledges this in its *Open Access Transmission Tariff, Sixth*
16 *Revised Volume No. 1 – Attachment AA Resource Adequacy Section 1*¹⁵ Overview
17 where it states:

18 Maintaining appropriate planning reserves ensures that the
19 Transmission Provider will have sufficient capacity to serve the
20 SPP Balancing Authority Area's peak demand.

21 (Emphasis added)
22

23 **Q. Does the fact that Evergy West met the resource adequacy requirement of**
24 **SPP of a reserve margin of 12% in 2021 and 2022 mean that it could**
25 **prudently meet its customers demand?**

26 A. No. It does not even assure that Evergy West could meet its peak demand since
27 some of Evergy West's peaking resources are old and some of its capacity is tied
28 to when the wind blows. In addition, the availability of gas peaking units is

1 dependent on whether or not natural gas can be delivered in real time as
2 demonstrated by the limitations on gas delivery during Storm Uri and Storm
3 Elliott

4 **Q. Why does meeting the SPP adequacy reserve margin not equate to having**
5 **prudent resources to meet the needs of the customers in all other hours?**

6 A. As I previously stated, the SPP’s resource adequacy requirement is set to maintain
7 appropriate planning reserves to ensure that SPP will have sufficient capacity to
8 serve the entire SPP Balancing Authority Area’s peak demand. Key in this
9 sentence is that the requirement ensures that the **SPP**, not the load serving entities
10 like Evergy West, has sufficient capacity **to meet SPP’s peak demand** not the
11 individual load serving entities peak demand.

12 It is also important to point out that the word “prudent” does not appear in
13 the SPP resource adequacy requirement tariff. SPP is not concerned with the
14 prudence of the resources its load serving entities use to meet its criteria. It is not
15 concerned with the cost-effectiveness of the resources. It is not concerned about
16 the efficiencies of the generating resources. It is not concerned with minimizing
17 risk associated with the volatility of costs of any single load serving entity. It is
18 just concerned with having resources in its peak hour.

19 **Q. The SPP resource adequacy tariff states on page 10 that “[t]he Transmission**
20 **Provider will study the [resource adequacy reserve margin] such that the**
21 **[loss of load expectation or] LOLE for the applicable planning year does not**
22 **exceed one (1) day in ten (10) years, or 0.1 day per year.” Would you explain**
23 **what this means?**

24 A. It is my understanding that SPP inputs all of the generation resources of its
25 members into a computer model along with the expected load (demand) of all its
26 members. The resource adequacy reserve margin is determined using

¹⁵ Attached as Schedule LMM-S-1.

1 probabilistic methods to determine if the generation resources of all its members
2 together are adequate to cover the load in every hour of the year. The resources
3 are considered adequate if resources cover all but 2.4 hours or less of the year, *i.e.*
4 the expected loss of load is 2.4 hours or less a year.¹⁶ If the loss of load is greater
5 than 2.4 hours, then the resource adequacy reserve margin is increased until the
6 number of hours that would not be covered would be less than 2.4.

7 **Q. Doesn't this mean that the loss of load for each of its members should meet**
8 **the LOLE of less than 2.4 hours of the year?**

9 A. Yes. However, again, SPP does not require that the resources be prudent for the
10 individual load serving entities. It only requires that resources be available for the
11 peak hour.

12 **Q. Is the determination of prudence of Evergy West's resources within the**
13 **SPP's authority?**

14 A. No, it is not. For Evergy West, the Commission has prudence authority.

15 **Q. How can an increase in the required reserve margin result in a direct**
16 **increase in Evergy West's energy needs as Ms. Messamore testifies?¹⁷**

17 A. It cannot. An increase in reserve margin simply is an increase in the amount of
18 capacity that Evergy West must have. An increase in the reserve margin does not
19 change the energy needs of its customers; it simply increases the amount of
20 capacity that Evergy West needs to meet the reserve margin. Assume, Evergy
21 West's forecasted peak demand is 100 MW and the forecasted energy
22 requirement is 10,000 MWh. If the reserve margin requirement is 12%, then
23 Evergy West is required to have 112 MW of capacity. If the reserve margin is

¹⁶ One day in ten years equals 24 hours. The amount of 2.4 hours per year is calculated as 24 hours divided by 10 years.

¹⁷ Messamore, rebuttal, pg. 7.

1 increased to 15%, then Evergy West is required to have 115 MW of capacity. It
2 does not change the energy needs of its customers.

3 **Q. Does reserve margin have anything to do with energy of the utility?**

4 A. Only that is it assumed that if the utility can meet the reserve margin, it has the
5 generation resources necessary to meet its load. Again, it assumes nothing about
6 prudence.

7 Evergy West met SPP’s reserve margin requirement margin in this
8 prudence period but it only sold energy equal to 25%¹⁸ of the energy demanded
9 by its customers into the market because its generation resources used to meet the
10 capacity requirement could not cost effectively generate energy to be sold into the
11 SPP market.¹⁹

12 PURPOSE OF THE COMMISSION’S ELECTRIC UTILITY RESOURCE PLANNING

13 CHAPTER 22

14 **Q. Is the Commission’s Electric Utility Resource Planning Chapter 22 (20 CSR**
15 **4240-22) the “requirements of the State of Missouri” that Ms. Messamore**
16 **references in her rebuttal testimony?²⁰**

17 A. Yes. According to her response to OPC data request 8054,²¹ Ms. Messamore was
18 referring to the Commission’s Chapter 22 Electric Utility Resource Planning rules
19 as the “requirements set forth by the State of Missouri.”

¹⁸ Evergy West response to OPC data request 8055. Attached as Schedule LMM-S-2.

¹⁹ Its wind resource purchased power agreements generated energy equal to 31% of its customers’ energy requirements. However, this generation was dictated by the purchased power contracts and the availability of wind not by the market prices. (Data to calculate the 31% was provided by Evergy West response to OPC data request 8055)

²⁰ Messamore rebuttal, pg. 6 – 7.

²¹ Attached as Schedule LMM-S-3.

1 **Q. What is the purpose of the Commission’s Chapter 22 Electric Utility**
2 **Resource Planning rules (“Chapter 22” or “20 CSR 4240-22”)?**

3 A. 20 CSR 4240-22.010(1) states that the policy goal of the Commission’s Chapter
4 22 is to set minimum standards for resource planning. Chapter 22 was written to
5 require that the utilities gather and analyze important information to the resource
6 planning process with the hope that with good information and analysis, the
7 electric utility would make good decisions. It is not intended to prescribe the final
8 resource plan to be implemented. That is the responsibility of the electric utility’s
9 management.

10 **Q. If a utility meets the requirements of Chapter 22, does that mean that its**
11 **resource plans are prudent?**

12 A. No. 20 CSR 4240-22.080(17) specifically states:

13 If the commission finds that the filing achieves substantial
14 compliance with the requirements outlined in section (16), the
15 commission may acknowledge the utility’s preferred resource plan
16 or resource acquisition strategy as reasonable at a specific date.
17 The commission may acknowledge the preferred resource plan or
18 resource acquisition strategy in whole, in part, with exceptions, or
19 not at all. Acknowledgment shall not be construed to mean or
20 constitute a finding as to the prudence, pre-approval, or prior
21 commission authorization of any specific project or group of
22 projects. In proceedings where the reasonableness of resource
23 acquisitions are considered, consistency with an acknowledged
24 preferred resource plan or resource acquisition strategy may be
25 used as supporting evidence but shall not be considered any more
26 or less relevant than any other piece of evidence in the case.
27 **Consistency with an acknowledged preferred resource plan or**
28 **resource acquisition strategy does not create a rebuttable**
29 **presumption of prudence and shall not be considered to be**
30 **dispositive of the issue.** Furthermore, in such proceedings, the
31 utility bears the burden of proof that past or proposed actions are
32 consistent with an acknowledged preferred resource plan or
33 resource acquisition strategy and must explain and justify why it
34 took any actions inconsistent with an acknowledged preferred
35 resource plan or resource acquisition strategy.

1
2 (Emphasis Added).

3 **Q. Does the fact that Evergy West met the requirements of Chapter 22 mean**
4 **that Evergy West’s resource plans were prudent?**

5 A. No, it does not.

6 WHEN PRUDENCE OF RESOURCE PLANNING CAN BE REVIEWED

7 **Q. This leads to the next concept that you wanted to address. Why should the**
8 **prudence of Evergy West’s resource plans be addressed in this case?**

9 A. Evergy witness Darrin Ives states in his rebuttal testimony that the Commission
10 addresses the prudence of resource planning²² but does not mention where this
11 prudence has been addressed. In her direct testimony, Evergy West witness
12 Messamore states that the FAC prudence review is not the place to address the
13 prudence of resource planning unless the resource planning decision was made in
14 the prudence period.²³ So it seems that Evergy West acknowledges that the
15 Commission can review its resource plans but just not in FAC prudence cases.
16 However, Evergy has offered no alternative time period for the prudence of
17 resource planning to be reviewed. In reality, Evergy is seeking to insulate itself
18 from ever being subject to review by constantly telling the Commission that it is
19 not the proper “time” or “place” for review and thereby delaying the review
20 indefinitely.

21 **Q. Does Staff do a prudence review of an electric utility’s resource planning**
22 **Chapter 22 compliance filings?**

23 A. It does not as Mr. Hull explained in response to data request 90.²⁴

²² Ives rebuttal, page 5.

²³ Messamore direct, page 14.

²⁴ Attached as Schedule LMM-S-4.

1 **Q. When should the Commission review prudence of resource plans?**

2 A. The Commission should not limit when or in what type of case it can review the
3 prudence of a utility's resource planning process. Resource planning effects
4 almost all aspects of the provision of electricity to customers and the cost of that
5 provision. So just as OPC has brought up the prudence of Evergy West's
6 resource plans in a variety of cases as I listed in my direct testimony,²⁵ the
7 Commission should consider the prudence (or imprudence) of an electric utility's
8 resource plan in any case the plan impacts.

9 The Commission's remedy for cost recovery is limited to rate cases and
10 FAC prudence cases. In a rate case, the Commission can adjust the amount of
11 investment in a generating resource that is included in rate base. This is a
12 prospective adjustment. Customers will not have to pay for imprudent investment
13 in generation resources.

14 However, imprudence can also impact fuel and purchased power costs. In
15 a rate case, the Commission can order that only a portion of the fuel and
16 purchased power cost be recovered. However, without a corresponding change to
17 its FAC, the utility would recover 95% of the difference between fuel costs
18 incurred and the reduced fuel included in permanent rates making the adjustment
19 to rates for fuel costs meaningless. Instead of changing the definition of what can
20 pass through the FAC, the Commission could change the sharing mechanism, in
21 an attempt to provide a disincentive for imprudent fuel and purchased power
22 costs. These are prospective adjustments; they would only impact future fuel and
23 purchased power costs. It does nothing to reverse the impact on customers of
24 imprudent fuel and purchased power costs already recovered from customers.

25 The Missouri Legislature included language in Section 386.266.1 that only
26 prudent fuel and purchased power costs be included in the FAC and to achieve
27 that, it required the Commission conduct a prudence review at least every

²⁵ Mantle direct, page 16.

1 eighteen months. By their nature, fuel and purchased power costs are driven by
2 the utility’s resource planning decisions making it proper for the Commission to
3 review the prudence of resource planning decisions that impact the fuel and
4 purchased power costs in the prudence period in an FAC prudence review. In
5 exchange for the utility getting to begin recovery of costs before they are found to
6 be prudent, the Commission has the ability and the responsibility to return to
7 customers any imprudent costs through the FAC including costs it incurred due to
8 imprudent resource planning.

9 It is Ms. Messamore’s and Mr. Reed’s position²⁶ that the Commission can
10 only review the resource planning decisions made during the prudence period.
11 This makes no sense because resource planning decisions made during the
12 prudence period are unlikely to impact the net FAC costs in the prudence period.
13 Resource acquisition decisions take years to be fully implemented. The FAC audit
14 should **review the prudence of all decisions that impact the fuel and**
15 **purchased power costs in the prudence period.** To exclude the ability to
16 review the resource planning decisions made prior to the prudence period that
17 impacts the fuel and purchased power costs in the prudence period negates the
18 Legislature’s requirement that only prudent cost be included in the FAC.

19 **CLEARING OF MISCHARACTERIZATIONS**

20 **OPC’S POSITION IS NOT BASED ON HINDSIGHT**

21 **Q. Did you, as Mr. Reed asserts, rely on hindsight in your analysis?**²⁷

22 A. No. The Cambridge dictionary defines hindsight as “the ability to understand an
23 event or situation only after it has happened.”²⁸ My analysis was not based on my
24 evaluation of Evergy West’s resource planning decisions after the decisions were
25 made. It was based on my participation in Evergy West’s resource planning filing

²⁶ Messamore direct, page 14; Reed direct, page 22 – 23.

²⁷ Reed rebuttal, page 5.

²⁸ <https://dictionary.cambridge.org/us/dictionary/english/hindsight>

1 process at the Commission over the last 30 years. Specifically, my analysis
2 centered on Evergy West’s resource planning and FAC filings since 2015.

3 **Q. Did OPC file anything with the Commission documenting its concerns**
4 **regarding Evergy West’s lack of generation to meet its customers’ load since**
5 **2015?**

6 A. Yes. On page 16 of my direct testimony, I listed ten cases in which the OPC filed
7 documents detailing its concerns regarding Evergy West’s reliance on SPP for
8 energy to meet its customers’ load requirements beginning in 2017.

9 **Q. Why is it significant that these filings started in 2017?**

10 A. It takes time to add generation. If Evergy West had begun the process of
11 acquiring more efficient generation in 2017, it could have been available by this
12 prudence period. Likewise, if there had been a resource planning decision made
13 in this prudence period to add generation it would not impact fuel and purchased
14 power cost in this prudence period but in a subsequent future prudence period.

15 **Q. What did OPC file in case no. EO-2017-0230?**

16 A. On July 30, 2017, OPC filed comments that, among other concerns, included
17 OPCs concern regarding Evergy West’s potential reliance on SPP’s energy
18 market in Evergy West’s 2017 annual resource plan update in case no.
19 EO-2017-0230.²⁹ The pertinent paragraph is provided below.

20 Based on OPC’s review of the annual update, the Company has
21 met the minimum filing requirements for the plan and is in
22 compliance with 4 CSR 240-22. (“IRP Rule”). OPC is concerned,
23 however, with the significant degree to which GMO’s preferred
24 plan deviates from its previous Triennial filing. OPC is also
25 apprehensive that the premature retirement of approximately 900
26 MW of capacity (GMO and KCPL combined) creates significant
27 risk by not fully accounting for the highly uncertain,
28 interdependent energy market and policy arena the revised

²⁹ Attached as Schedule LMM-S-5.

1 “preferred” plan would operate in. More specifically, **the**
2 **premature forced closure of large amounts of dispatchable**
3 **base load-serving generation in favor of unknown capacity**
4 **contracts through the SPP energy market raises prudence**
5 **concerns moving forward by potentially producing significant**
6 **stranded costs, increased risk exposure from market volatility**
7 **and future reliability concerns.** To be clear, OPC’s primary
8 concern centers on the early retirement of Sibley 3’s 364MW of
9 energy in 2018 where it was previously scheduled to be retired in
10 2040. (see GM-1) The accelerated retirement dates for the other
11 five units are a secondary concern. With this preferred plan, **it**
12 **seems GMO is moving from a vertically integrated electric**
13 **utility to a utility that relies on the capacity and energy of other**
14 **utilities.**

15
16 (Emphasis added, footnote omitted)

17 **Q. What did OPC file in case no. EO-2017-0232?**

18 A. Case no. EO-2017-0232 was an Evergy West FAC prudence case. In a memo
19 included in OPC’s *Response to Staff’s Prudence Review Report and Results of*
20 *OPC’s Limited Fuel and Purchased Power Adjustment Clause Prudence Review*
21 filed on September 7, 2017, I stated my concerns regarding Evergy West’s
22 reliance on SPP for energy. In that memo, attached as Schedule LMM-S-6, I
23 stated in part:

24 One of the components of FAC, as allowed by section 386.266.1
25 RSMo, is purchased power costs. It is important to look at the costs
26 and amounts of energy purchased on the SPP IM separate from
27 other purchased power costs. An increased reliance on market
28 purchases of energy indicates that the utility has shifted its
29 responsibility of cost-effectively providing energy to its customers
30 to the SPP IM. When the utility has an FAC, this shift in
31 responsibility is accompanied by a shift in cost risk to the
32 customers.³⁰

33 And

³⁰ Page 1.

1 OPC's analysis shows GMO has not maintained cost effective
2 resources sufficient to meet its native load energy requirements;
3 instead it relied on the SPP IM to meet its customers' energy needs
4 during the prudence review period. Doing so subjected GMO's
5 customers to SPP IM price volatility. Because of low market prices
6 during the review period, customers were not harmed during the
7 review period. However, because GMO has not secured cost
8 effective long-term resources to meet its native load energy
9 requirements, and has announced its intention to retire some of its
10 base load generation, its reliance on the SPP IM for energy places
11 risk on GMO's customers.³¹

12 These memos filed with the Commission show that I did not rely on hindsight in
13 determining imprudence in this case. To the contrary, it shows that OPC notified
14 Energy West and the Commission in 2017 that it was concerned about the path
15 Energy West was taking with respect to meeting its customers' load requirements.
16 Even so, Energy West continued down the path of relying on other utilities to
17 provide energy for its customers through the SPP energy market and placing the
18 risk of volatility in that market squarely on its customers through its FAC.

19 EXACT MATCHING OF LOAD AND GENERATION IS NOT NECESSARY FOR A
20 PRUDENT UTILITY

21 **Q. What are the mischaracterizations of your position regarding generation and**
22 **load following?**

23 A. Ms. Messamore improperly testifies that: 1) I am arguing that generation volumes
24 should effectively match load volumes,³² 2) I am implying that a prudent resource
25 mix is a plan where actual economic dispatch is perfectly matched to customer
26 demand,³³ and 3) I am saying a prudent resource plan must have economic
27 dispatch which matches its energy needs in every hour.³⁴ Likewise, Mr. Reed

³¹ Page 2.

³² Messamore rebuttal, page 8.

³³ *Id.*

³⁴ *Id.*

1 incorrectly states that my definition of a prudent utility requires Evergy West to
2 perfectly procure resources that always beat market prices.³⁵

3 **Q. How are these a mischaracterization of your position?**

4 A. A reading of my white paper *Resource Planning of a Vertically Integrated Utility*
5 *in the RTO World* that I attached to my direct testimony as Schedule LMM-D-2
6 shows the fallacy of these statements. In this whitepaper I state:

7 Prudent resource planning treats the RTO as a supplemental
8 resource and does not cede to the RTO the electric utility's
9 responsibility of providing its customers reliable service at a
10 reasonable rate. There are times when a neighboring utility will
11 have excess energy to sell at a lower price but there is risk in
12 counting on electricity being available at a reasonable cost.³⁶

13 Later, in the portion of the whitepaper describing a load serving entity with
14 prudent resource planning, I state:

15 While a prudent utility can meet its customers' needs on a stand-
16 alone basis, it sees value in being a part of a market where it can
17 sell its generation when it is not needed by its customers and can
18 take advantage of other utilities' diversity of energy resources and
19 loads.³⁷

20
21 It is clear from this whitepaper that I do not expect a prudent utility to have
22 economic resources that meet its customer's demand every hour. It is my
23 expectation that a prudent utility would **plan** to be able to meet its customers'
24 demand economically every hour. I note in this whitepaper that there are
25 uncertainties such as reliability of fuel delivery, availability of intermittent
26 renewable resources, extreme fuel prices, market volatility, and extreme weather
27 that must be forecasted over the long-term in resource planning. These are the
28 same uncertainties that can result in energy market prices being lower than the
29 variable cost of generation resources and it would be imprudent for an electric

³⁵ Reed rebuttal, page 5.

³⁶ Page 1.

1 utility to generate at a loss instead of buying from the market when market prices
2 are lower than the variable costs of generating.

3 It should be clear that I do not think that a prudent utility must have
4 generation equal to its customers' demand in every hour. But I do think that a
5 prudent utility **should have the ability** to meet the demands of its customers in
6 every hour of the year with its own generation as a hedge against volatile markets.

7 **Q. Did you suggest anywhere in your testimony that it is imprudent for utilities
8 to purchase energy from the SPP market as Mr. Reed testifies?³⁸**

9 A. No. To the contrary. It would be imprudent for utilities to not purchase energy
10 from the SPP market when the cost of generating electricity from its own units is
11 greater than the cost of purchasing the energy from the market. To do so would
12 cause harm to customers through increases in costs.

13 **Q. Mr. Reed opines that it is your opinion that prudence requires perfection.³⁹
14 Is that your position?**

15 A. In no way does prudence require perfection. As I said in my whitepaper, resource
16 planning is complex optimization of many uncertain, unpredictable variables.
17 The only thing that is certain about resource planning is that the variables used
18 will be wrong. That is why resource planning should involve the identification of
19 critical uncertain factors and weighing the risks, and costs of unexpected events.
20 A prudent resource plan is flexible and provides hedges to minimize as many of
21 these risks as possible. But it is unrealistic to expect a resource plan to be perfect
22 in every situation.

³⁷ Page 8.

³⁸ Reed rebuttal, Page 8.

³⁹ Reed rebuttal, page 5.

1 **Q. Is Mr. Reed correct in that, if Evergy West had built or acquired generation**
2 **and market conditions changed you would allege that the decision to build**
3 **was imprudent?⁴⁰**

4 A. I am uncertain what my position would be. I would only allege that decision to
5 build was imprudent if it was not a good value to the customer. There are many
6 variables that I would consider including what was known at the time the decision
7 was made. For example, if the cost was above market value, or if it did not
8 produce electricity at a time when customers need a hedge to high market costs, it
9 would be my responsibility as a part of the OPC to point this out to the
10 Commission. As Mr. Reed says, “making a claim of imprudence [] without
11 looking at the information that was known or knowable at the time the decision
12 [is] made is simply unjust, unreasonable, and illogical.”⁴¹

13 BEING A NET BUYER IS NOT INHERENTLY IMPRUDENT

14 **Q. Are Ms. Messamore and Mr. Reed correct when they characterize that your**
15 **position is that being a net buyer in the market is imprudent?⁴²**

16 A. No. What is imprudent is continuously buying large quantities of energy on the
17 market without generation to offset the purchases. What is imprudent is not just
18 being dependent upon the market for energy to meet customer demand but
19 planning on the market to meet customers’ needs. While the resource planning
20 process can be manipulated to show that this is a least cost option, it places great
21 risk on customers and, if the utility has an FAC, very little risk on the utility.

⁴⁰ Reed rebuttal, page 6.

⁴¹ Reed rebuttal, page 7.

⁴² Reed rebuttal, page 8; Messamore rebuttal, page 8.

1 **Q. Do you agree with Mr. Reed when he says that “being net negative in energy**
2 **transactions, while also achieving the required level of reliable capacity,**
3 **signifies that the participant’s least-cost benefits from participation in the**
4 **pool were substantial as compared to what would have been achieved on a**
5 **stand-alone basis.”?⁴³**

6 A. Being net negative, *i.e.* buying more from the market than selling in, only
7 signifies that it was cheaper for Evergy to have participated in the SPP than to
8 have operated completely independently, which is a point that is not in dispute in
9 this case. In this regard, Mr. Reed is right, though I cannot assume that the
10 benefits are as “substantial” as he claims. However, this statement by Mr. Reed
11 does not indicate that a utility that was a net buyer was prudent. It just indicates
12 that others in the pool have more cost-effective generation and were likely earning
13 additional revenue from that generation because the net-buyer utility did not have
14 cost-effective generation. If this continues at a substantial or increasing amount
15 for years, that means the net buyer is not responding to the market price signals
16 prudently. A prudent utility would acquire cost effective generation that would
17 reduce its costs and the risk associated with market volatility.

18 To compare by way of analogy, a person looking for housing on a short-
19 term basis may find that it is cheaper to rent than to purchase. However, if a
20 person seeks housing on a long-term or semi-permanent basis, it is most likely
21 going to be more economically efficient to buy a home than to continue paying
22 rent indefinitely. Thus, a utility that needs energy in the short run should consider
23 buying off the market if that is cheaper, but if the utility finds itself buying energy
24 off the market continuously and buying large amounts of energy, year after year
25 for several years up to a decade, that utility is imprudent for not noticing the price
26 signals and acquiring cost effective generation.

⁴³ Reed rebuttal, page 8.

1 **Q. What would happen if a majority of the pool participants decided that it was**
2 **prudent to rely on energy from the market and rely on old, inefficient**
3 **capacity to meet the capacity reserve margin requirements?**

4 A. If the old, inefficient capacity could provide energy, the utilities would continue
5 to meet customers' needs. However, the cost of meeting needs would drive
6 market prices high because the cost of electricity from the generation would be
7 high. Therefore, if the majority of the load serving entities in the SPP chose
8 Evergy West's strategy of relying on inefficient, high heat rate natural gas
9 turbines for capacity and other utilities for energy, market prices would be even
10 more volatile. Fortunately, most of the utilities hedge their customers energy
11 needs and have cost-effective generation.

12 SUFFICIENCY REQUIREMENTS

13 **Q. Ms. Messamore suggests that OPC has two sufficiency requirements for a**
14 **prudent resource plan in that it must 1) meet a utility's peak load, and 2)**
15 **have economic dispatch which matches its energy needs in every hour.⁴⁴ Is**
16 **Ms. Messamore correct?**

17 A. No. First, OPC does not have any "sufficiency" requirements for a prudent
18 resource plan. As I have previously stated, there are a number of variables and
19 inputs and risks that need to be included in prudent resource planning. Therefore,
20 it is restricting to say that OPC has two requirements and if a resource plan meets
21 these two requirements, it is prudent.

22 As described earlier in this testimony, in this case it is OPC's position that
23 by not acquiring efficient generation resources that can supply energy to the
24 market at the times its customers need energy, *i.e.* to hedge against the volatility
25 of the energy market prices, Evergy West knowingly and unnecessarily exposed
26 its customers to the volatility of the SPP energy market costs. In this case, OPC

⁴⁴ Messamore rebuttal, page 9.

1 does not believe that meeting the peak demand load is any more important than
2 meeting the minimum load of the utility. Evergy West is asking the Commission
3 to believe that it prudently plans to meet its customers' needs because it meets the
4 SPP resource adequacy requirement for the peak day, while ignoring its
5 customers' demand in all other hours. OPC's position is exactly the opposite: If
6 Evergy West's resource plans result in efficient generation that can meet its
7 customers' demands in every hour of the year, it will easily meet the demand in
8 its peak hour and have the capacity available to meet the SPP resource adequacy
9 requirement.

10 **Q. Is Ms. Messamore correct when she states that OPC's requirement that**
11 **Evergy West plan to meet all of its customers' demand is entirely**
12 **infeasible?**⁴⁵

13 A. No. In fact, Evergy West's sister utility, Evergy Metro, Inc. ("Evergy Metro")
14 has generation that is more than sufficient to meet its customers' demand
15 requirements. In fact, Evergy West depended on Evergy Metro's excess to meet
16 the SPP resource adequacy requirements during the prudence period.

17 Ameren Missouri, like Evergy Metro, had generation during this prudence
18 period that was more than sufficient to meet its customers' needs.

19 **Q. Is Ms. Messamore aware that Evergy Metro has more than enough**
20 **generation to meet its customers' load requirements?**

21 A. She should be. She is employed by Evergy Metro and serves as Vice President of
22 Strategy and Long-Term Planning for Evergy Metro, Evergy West, and Evergy
23 Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas
24 Central.⁴⁶

⁴⁵ Messamore rebuttal, page 9.

⁴⁶ Messamore direct, page 1.

1 **Q. To be clear, Ms. Messamore is stating that having enough generation to meet**
2 **its customers load is infeasible for Evergy West yet Evergy Metro has more**
3 **than enough generation to meet its customers' load?**

4 A. That is correct. Ms. Messamore is Vice President of Strategy and Long-Term
5 Planning for both of these utilities which are operating utilities of the same parent
6 company, Evergy, Inc. What she is saying is infeasible for one of the utilities has
7 been feasibly accomplished by the other for decades.

8 **Q. Then is Ms. Messamore incorrect when she says the only way that a resource**
9 **mix that cost-effectively meets customers' load requirements could be**
10 **constructed would be if Evergy West decided to ignore the energy market of**
11 **the SPP overall or if it had perfect foresight of all factors that impact**
12 **economic dispatch?**⁴⁷

13 A. She is incorrect. Evergy Metro has generation that meets its customers load
14 requirements and is still a participant in the SPP market. And if Evergy West
15 doesn't have perfect foresight of all factors that impact economic dispatch then
16 neither does Evergy Metro. Yet Evergy Metro functions and thrives.

17 2007 RESOURCE PLAN

18 **Q. Is it your position that Evergy West should have executed the 2007 Aquila**
19 **resource plan as Ms. Messamore asserts?**⁴⁸

20 A. No. I do not have an opinion regarding whether or not Evergy West should have
21 executed this plan.

22 **Q. Then why did you include a discussion on the 2007 Aquila resource plan in**
23 **your direct testimony?**

24 A. I included information regarding Aquila's 2007 plan filing to demonstrate to the
25 Commission that, prior to the acquisition of Aquila by Evergy (then known as

⁴⁷ Messamore surrebuttal, page 9.

1 Great Plains Energy), Aquila saw a need over the next 20 years for a significant
2 amount of additional generation. Aquila’s plan was to add 775 MW of
3 dispatchable generation in addition to the 153 MW of Iatan 2 that was being built
4 at that time for a total of an additional 928 MW. In addition, Aquila did not plan
5 to retire any of its generation during the planning horizon. Evergy West would
6 have had 2,670 MW⁴⁹ of capacity that it owned in this prudence period including
7 efficient natural gas generation.

8 Of the 928 MW of capacity that Aquila planned to add, only the 153 MW
9 of Iatan 2 was actually added to Evergy West’s generation portfolio.

10 **Q. So, you were not including this information “as evidence the [Evergy West]
11 has not added resources that it needed over time” as Ms. Messamore
12 asserted?**⁵⁰

13 A. I included the discussion of Aquila’s 2007 plan to show that Evergy knew it
14 would need more generating resources to meet its customers load requirements. I
15 did not include the discussion of Aquila’s 2007 plan to argue that the Company
16 should have followed this exact plan. However, I would note that the
17 Commission found Aquila in compliance with its resource planning Chapter 22⁵¹
18 in its 2007 resource plan filing just as it has done for all the resource plan filings
19 of Evergy West since then.

⁴⁸ Messamore rebuttal, page 11.

⁴⁹ Aquila’s preferred resource plan included wind generation. However, it did not include any capacity from that wind to meet the reserve margin requirement.

⁵⁰ Messamore rebuttal, page 11.

⁵¹ EO-2007-0298, *Order Approving Non-Unanimous Stipulation and Agreement and Accepting Integrated Resource Plan*, page 3.

1 IMPACT OF FAC ON RESOURCE PLANNING

2 **Q. Is Evergy Witness Mr. Ives incorrect when he asserts that you suggest that**
3 **the FAC insulates Evergy West from the risk of imprudent decision**
4 **making?**⁵²

5 A. Yes. My testimony is that with an FAC, a resource planning decision to rely on
6 an energy market places very little risk on the electric utility and a great deal of
7 risk on the customers that are billed the market prices as “purchased power” costs.
8 What would insulate the utility from an imprudent decision to rely on the energy
9 market would be a decision that, because a resource planning decision was not
10 “made” during an FAC prudence audit period, it cannot be reviewed in an FAC
11 prudence audit because it could be done in a rate case.

12 **Q. Could resource planning imprudence be determined in a rate case?**

13 A. It could be and, in the case of cost overruns or the addition of imprudent
14 resources, resource planning imprudence should be determined in a rate case.
15 However, as I explained earlier in this testimony, rate case decisions are forward
16 looking. The Commission typically does not go back and recover costs for
17 customers in a rate case. In this situation, if the Commission waits until Evergy
18 West’s next rate case to determine that it was imprudent for Evergy West to rely
19 on the energy market, it would have already determined that the FAC costs in this
20 prudence period were not found to be imprudent. This would make it very
21 unlikely that revenue collected from customers through the FAC because of the
22 imprudence of a resource planning decision would be returned to customers. I am
23 not an attorney but, to me, this flies against the statutory requirement of Section
24 386.266.1 that only prudent costs can be included in an FAC and would prevent
25 the refund of imprudently incurred cost required by Section 386.266.5(4).

⁵² Ives rebuttal, page 5.

1 **Q. Would you respond to Mr. Ives’ testimony that your “rhetoric here is**
2 **nothing more than intended inflammatory accusations without support to**
3 **entice the Commission to disallow costs that no party as attempted to**
4 **demonstrate are imprudent under traditional prudence standard**
5 **approaches”?**⁵³

6 A. I believe Mr. Ives, when he says “traditional prudence standard approach” is
7 referring to a review in a general rate. Section 386.266.5(4) requires a prudence
8 review of the costs subject to the FAC “no less than frequently than at eighteen-
9 month intervals.”

10 This same statute in 386.266.5(3) states that a utility with an FAC has to
11 file a general rate case every four years. This demonstrates to me that the
12 legislature thought it was important for the prudence of costs included in an FAC,
13 and the cause for those imprudent costs, be reviewed more often than just in rate
14 cases.

15 Mr. Ives accusation that there is no support for my position, is wrong.
16 There is support for my position in my direct and rebuttal testimony in this case.
17 There is support beyond my testimony in this case. Evergy West has provided
18 support for my position through its resource plan filings that show it made
19 decisions to not add generation facilities. Evergy West has filed support for the
20 harm to customers through its filings to change its FARs.⁵⁴ There is support for
21 my position in Evergy West’s filed testimony in its certificate of convenience and
22 necessity case requesting the Commission approve its acquisition of a portion of
23 the Dogwood combined cycle facility because Evergy West’s generating units are
24 inefficient.⁵⁵ There is a plethora of support for my position.

⁵³ Ives rebuttal, page 5.

⁵⁴ Case nos. ER-2022-0174, ER-2023-0011, and ER-2023-0210.

⁵⁵ Direct testimony of Evergy West witness John Carlson attached to as Schedule LMM-S-14, page 7.

1 EVERGY DID JOINT PLANNING FOR EVERGY WEST AND EVERGY METRO

2 **Q. What is your response to Ms. Messamore testimony that you referenced**
3 **Evergy West’s recent 2023 annual resource plan update as evidence of**
4 **Evergy performing combined resource planning?**⁵⁶

5 A. That is not why I referenced Evergy West’s 2023 annual resource plan update. In
6 footnote 14 in my direct testimony, I mentioned that Evergy West’s resource
7 planning as summarized in its filing in its 2023 annual resource planning update
8 case no. EO-2023-0213, included a combined analysis of the resources of Evergy
9 Metro, Evergy West, and Evergy Kansas. It was in a footnote because the 2023
10 annual update is irrelevant to this case in that any decision described in this filing
11 had no impact on the costs in the prudence period. However, I believe it is
12 important to provide information to the Commission that the current direction of
13 Evergy’s resource planning is to not only do joint resource planning between
14 Evergy Metro and Evergy West but now also include Evergy Kansas in its
15 resource planning analysis.

16 **Q. Has Evergy done resource planning jointly for Evergy West and Evergy**
17 **Metro?**

18 A. Yes. Evergy West’s 2014 annual resource plan update contains the following
19 explanation:

20 **KCP&L/GMO are both held by Great Plains Energy,**
21 **additional alternative resource plans were developed to**
22 **determine if the KCP&L and/or GMO stand-alone resource**
23 **plans should be modified to reflect potential combined**
24 **company operations.** This additional analysis is intended to
25 minimize the risk that either stand-alone utility would implement
26 an alternative resource plan that would not be in the best interests
27 of Missouri retail customers under combined-company operations.
28 For example, KCP&L has more base load resources available for
29 service to its retail customers than does GMO. While the planning
30 results indicate that KCP&L’s Montrose station should be retired

⁵⁶ Messamore rebuttal, page 12.

1 over the next several years, a combined KCP&L/GMO asset
2 analysis could indicate that it is in the best interests of Missouri
3 retail customers to keep Montrose in service for a longer period of
4 time under a combined company scenario.⁵⁷
5

6 (Emphasis added).

7 In Evergy West’s 2015 and 2018 triennial resource plan filings and 2016 annual
8 resource plan update it states “[Evergy West] considers it prudent resource
9 planning to develop and analyze Alternative Resource Plans that are based upon
10 [Evergy Metro] and [Evergy West] combining resources.”⁵⁸ Similar language
11 was included in Evergy Metro’s 2015 and 2018 triennial resource plan filings.⁵⁹

12 Evergy West, in its 2017 annual resource plan update stated “[g]iven the
13 results of the joint plans, no changes to the GMO or KCP&L Preferred Plans were
14 warranted.”⁶⁰

15 **Q. Why did you bring up joint resource planning in your direct testimony?**

16 A. It was clear that Evergy West’s resource planning decisions to rely on the market
17 were not only imprudent but were now resulting in harm. Evergy has stated that it
18 conducted joint resource planning to see if Evergy West’s plans should be
19 modified to reflect potential combined operations. Therefore, it seems the best
20 way to calculate the harm was to look at what Evergy West’s customers would
21 have paid under combined-company operations.

⁵⁷ EO-2014-0257, *2014 Annual Update*, page 54.

⁵⁸ EO-2015-0252, *Volume 6: Integrated Resource Plan and Risk Analysis*, page 10 and EO-2018-0269
Volume 6: Integrated Resource Plan and Risk Analysis, page 10.

⁵⁹ EO-2015-0254, *Volume 6: Integrated Resource Plan and Risk Analysis*, page 9; EO-2018-0268 *Volume*
6: Integrated Resource Plan and Risk Analysis, page 10; and EO-2016-0233, page 60.

⁶⁰ EO-2016-0230, page 53.

1 **Q. Mr. Reed states that developing the cost of a minimally prudent decision is a**
2 **well-established principal in performing a prudence review.⁶¹ Is it possible**
3 **to determine the minimally prudent decision for Evergy West’s customers**
4 **had it been a stand alone utility?**

5 A. No. There is no clear-cut answer to what resources should have been added to be
6 minimally prudent. It is a matter of opinion that would be formed with many
7 assumptions and complex analysis.

8 **Q. What is your response to Mr. Reed’s testimony that if a minimally prudent**
9 **decision cannot be determined then the Commission cannot find a decision**
10 **imprudent because his standards have not been met?⁶²**

11 A. Section 386.266 does not say that imprudent costs should be allowed to be
12 recovered through the FAC if a minimally prudent decision cannot be determined.
13 Evergy West made an imprudent decision to not hedge the energy market for their
14 customers imposing the risk of a volatile market on customers. This imprudent
15 decision has resulted in harm to customers and they have seen their electric bills
16 increase due to this harm. Section 386.266.5(4) says that imprudently incurred
17 costs are to be refunded to customers. It does not say that costs incurred due to
18 imprudent decisions only have to be returned if a minimally prudent decision can
19 be determined.

20 I used the costs of the combined utilities to determine a realistic FAC cost
21 and an amount that should be returned to customers. Evergy West has not
22 provided any other estimate of minimally prudent costs.

23 **Q. Did you calculate harm in any other manner?**

24 A. Yes. I looked at what the cost would have been to customers if Evergy West had
25 been required to take on 50% of the risk of its decision. I calculated what the

⁶¹ Reed rebuttal, page 10.

⁶² Reed rebuttal, page 10.

1 costs customers would have been asked to pay if the sharing mechanism of the
2 FAC would have been 50/50 instead of 95/5.

3 **Q. What would the imprudence adjustment be using this calculation?**

4 A. This would have resulted in an imprudence adjustment of over \$91 million⁶³
5 which is \$5 million more than what OPC is asking for in this case.

6 **Q. Are you aware of any other way to calculate harm using actual data?**

7 A. Yes. Harm could be calculated as the amounts that customers paid because of the
8 FAC.

9 **Q. What would the adjustment be under this measurement of harm?**

10 A. Evergy West would have to return \$193 million.⁶⁴

11 **Q. Which of these measures of harm would impact Evergy West the least?**

12 A. The measure of harm recommended by OPC of \$86 million.

13 EFFORT TO COMBINE EVERGY WEST AND EVERGY METRO

14 **Q. Ms. Messamore states that OPC does not realize or chooses to ignore the**
15 **complexity and procedural requirements associated with merging Evergy**
16 **Metro and Evergy West.⁶⁵ Are you asking for Evergy West and Evergy**
17 **Metro to be merged as one utility in this case?**

18 A. No. However, it does seem that Evergy West's customers have been harmed
19 because of the joint planning. Had the planning really been as a stand-alone
20 utility, it is likely more resources would have been added like Aquila planned in
21 2007.

⁶³ Workpaper attached as Schedule LMM-S-7.

⁶⁴ Schedule LMM-S-7 also shows this calculation.

⁶⁵ Messamore rebuttal, page 14.

1 **Q. Does OPC believe that a merger of these two utilities would be easy?**

2 A. I cannot speak for the entire OPC, but I understand the difficulties, perhaps better
3 than Ms. Messamore does. I worked with the Commission Staff when Aquila
4 acquired St. Joseph Light & Power Company in 2001. Aquila continued operating
5 the two systems as two separate operating divisions, MPS and SJLP. These two
6 divisions operated in an integrated fashion just as Evergy West and Evergy Metro
7 is currently operating.⁶⁶ Rate classes and rate designed were different for each of
8 the divisions. This continued after Evergy acquired Aquila in 2008. In fact, the
9 two divisions were not combined until 2017; over 15 years after Aquila merged
10 with St. Joseph Light & Power Company. The complete merging of these two
11 divisions was not easy and I expect that the merging of Evergy West and Evergy
12 Metro would be even more difficult.

13 **Q. Is the fact that something is hard to do a reason not to do it?**

14 A. No.

15 **ADDITIONAL AREAS OF CONCERN**

16 **MR. REED'S REVIEW OF EVERGY WEST'S RESOURCE PLANNING IS NOT**
17 **UNBIASED**

18 **Q. Mr. Reed claims “[b]ased on an unbiased review of the facts of this case,**
19 **there is no reasonable indication that the Company’s decisions to procure the**
20 **resources and products that underlie the 2021-2022 Fuel Adjustment Clause**
21 **(“FAC”) were imprudent.”⁶⁷ Would Mr. Reed’s review necessarily be**
22 **unbiased?**

23 A. No. He is a consultant that has been hired several times by Evergy to provide
24 testimony for Evergy West. It would not be in his best interest to be unbiased

⁶⁶ *Rate Consolidation Study* filed on October 31, 2020, in Case no. ER-2018-0146, page 4 “In many respects, Missouri Metro and Missouri West do operate in an integrated fashion.”

⁶⁷ Reed rebuttal, page 5.

1 since it would be unlikely that Evergy would continue to hire Mr. Reed if he filed
2 testimony that showed that he agreed that Evergy West was imprudent.

3 **Q. Is Mr. Reed being paid to provide testimony to support Evergy?**

4 A. Yes. In response to OPC data request 8009,⁶⁸ Mr. Reed states that, as of
5 December 7, 2023, he had charged Evergy for approximately 100 hours for
6 preparing his testimony in this case and in Evergy Metro's FAC prudence case no.
7 EO-2023-0276.

8 **Q. Has Mr. Reed ever found that his clients were imprudent?**

9 A. I cannot say for sure. In response to OPC data request 8014A,⁶⁹ Mr. Reed
10 provided a summary of twelve different clients he worked for over the last ten
11 years. Of the twelve, he found no imprudence in eleven. Mr. Reed stated that for
12 one client, Florida Power & Light, he made a number of specific recommended
13 disallowances of costs over nine years but did not say the disallowances were for
14 imprudence.

15 Based on the information provided by Mr. Reed on these twelve clients, it
16 is very unlikely that he would find any action by a client imprudent.

17 **Q. Did Mr. Reed do a review of the prudence of Evergy's resource planning
18 process in this case?**

19 A. No. According to Mr. Reed's response to OPC data request 8074,⁷⁰ he did not
20 conduct a full prudence review of Evergy's resource planning process in this case
21 because, in his opinion, there is a rebuttable presumption of prudence that neither
22 OPC nor Staff overcame.

⁶⁸ Attached as Schedule LMM-S-8.

⁶⁹ Attached as Schedule LMM-S-9.

⁷⁰ Attached as Schedule LMM-S-10.

1 **Q. Despite this lack of review, Mr. Reed testifies that Evergy West’s strategy**
2 **was the best option for its customers based on what was known or reasonably**
3 **known at the time.⁷¹ How could Mr. Reed have known this if he did not do a**
4 **prudence review?**

5 A. In response to OPC data request 8078,⁷² Mr. Reed said that he has “familiarity”
6 with Evergy West’s processes as he has been hired by Evergy West to file
7 testimony in its certificate of convenience and necessity (“CCN”) case no.
8 EA-2023-0291 to acquire a portion of the Dogwood Energy Facility. He also
9 points out he was hired by Evergy West to support its request for securitization of
10 cost it incurred related to Storm Uri, case no. EF-2022-0155. Finally, Mr. Reed
11 states that he was hired to file testimony for Evergy West in its last rate case, ER-
12 2022-0130. It is from this familiarity with Evergy since 2022 that he based his
13 opinion that Evergy West’s resource planning strategy prior to the prudence
14 period was based on what was known or reasonably known at the time.

15 **Q. Earlier you discussed how your analysis was not based on hindsight but**
16 **participation in Evergy West’s resource planning process. Was Mr. Reed a**
17 **participant in those resource planning process meetings?**

18 A. Not that I recall.

19 **Q. Would his analysis, light as it was, be based on hindsight?**

20 A. Mr. Reed was hired by Evergy West for this case to convince the Commission
21 that Evergy West had not acted imprudently. Any review of resource planning
22 conducted by Mr. Reed would have been colored by his contract with Evergy
23 West and his desire to continue to be hired by Evergy West and other utilities in
24 the future.

25 Mr. Reed, in his response to OPC data request 8078, states:

⁷¹ Reed rebuttal, page 8.

⁷² Attached as Schedule LMM-S-11.

1 Second guessing a decision based on “how things turned out”
2 using information that was not reasonably known or knowable at
3 the time the decision was made, as the challenging parties are
4 doing here, clearly meets the definition of relying on hindsight.

5 I would add that reviewing a past decision with a predetermined conclusion is
6 hindsight.

7 **Q. Does Mr. Reed view his limited analysis as completed with hindsight?**

8 A. No. Mr. Reed is creative with terminology. According to his response to OPC
9 data request 8078, he states that he was constructing a “retrospective review.”

10 **Q. Did Mr. Reed use hindsight in his analysis of Evergy West’s resource plans?**

11 A. Based on Mr. Reed’s response to OPC’s data request 8010,⁷³ I am not convinced
12 that Mr. Reed reviewed any information in this case regarding Evergy West’s past
13 resource planning decisions. I believe that his role in this case is to cast
14 dispersion on my work convincing the Commission that I did not do an adequate
15 review, not to provide the Commission with an alternative, unbiased review of
16 Evergy West’s decisions. Any analysis that he might have done was definitely
17 done with an eye to what would be best for his employer. This would be looking
18 at past decisions to justify a current conclusion.

19 MS. MESSAMORE’S BELIEF THAT EVERGY WEST COULD MEET ITS
20 CUSTOMERS LOAD REQUIREMENTS IS INCORRECT

21 **Q. Do you agree with Ms. Messamore that Evergy West planned to have enough**
22 **generating resources to meet its customers’ needs from an energy**
23 **perspective?⁷⁴**

24 A. No. In response to OPC data request 8064,⁷⁵ Ms. Messamore details her belief of
25 how this could actually be done. She states that Evergy West’s fossil fuel fleet

⁷³ Attached as Schedule LMM-S-12.

⁷⁴ Messamore rebuttal, page 12.

⁷⁵ Attached as Schedule LMM-S-13.

1 was *theoretically* capable of producing enough energy during the prudence period
2 and the only reason that the resources were not used was that market energy was
3 more cost-effective.

4 **Q. What are the flaws in Ms. Messamore’s analysis in her response to this data**
5 **request?**

6 A. First of all, Ms. Messamore assumes that all of Evergy West’s fossil fuel plants
7 would be available every hour of the year. In his direct testimony in Evergy West
8 Dogwood CCN case no. EA-2023-0291,⁷⁶ Evergy witness John Carlson testifies
9 that Evergy West’s peaking units have higher heat rates and are designed to
10 operate in peak hours.⁷⁷ Ms. Messamore states that Evergy West has 1,637 MW
11 of capacity of dispatchable fossil fuel generation. What she does not mention is
12 that of the total 1,637 MW of capacity, 1,166 MW or 71% are peaking units that
13 are designed to only designed to operate in peak hours. In its *Glossary for*
14 *Electric and Natural Gas Industry Terms and Concepts*,⁷⁸ the Indiana Utility
15 Regulatory Commission defines Peak Load Plant as follows:

16 Peak Load Plant: A plant usually housing old, low-efficiency
17 steam units, gas turbines, diesels, or pumped-storage hydroelectric
18 equipment normally used during the peak-load periods.

19 **Q. Is this a fair description of Evergy West’s peaking units?**

20 A. Some of Evergy West’s peaking units are old and, as Mr. Carlson testified, have
21 high heat rates meaning that they are inefficient.⁷⁹ Evergy West’s newest peaking
22 units went into service over 18 years ago in 2005.

⁷⁶ Public version is attached as Schedule LMM-S-14.

⁷⁷ Schedule LMM-S-15, Carlson direct in EA-2023-0291, page 7.

⁷⁸ [DD7DB67E-1866-DAAC-99FB-36526B06C7C6 \(naruc.org\)](https://www.naruc.org/record/DD7DB67E-1866-DAAC-99FB-36526B06C7C6)

⁷⁹ Schedule LMM-S-14, Carlson direct in EA-2023-0291, page 8: “A generating plant’s average heat rate is a measure of efficiency in converting fuel input to electric energy output using the ratio of British thermal unit (“Btu”) heat input to kilowatt-hour (“kWh”) output.”

1 **Q. How much energy did these units produce during the prudence period?**

2 A. According to Ms. Messamore's response to OPC data request 8055,⁸⁰ Evergy
3 West peaking units provided almost 500,000 MWh or 3.5% of the load
4 requirements of Evergy West's customers during the prudence period.

5 **Q. Could these plants have produced the energy necessary to meet Evergy West
6 customers' load requirements?**

7 A. No. They are designed to run a few hours of the year. Evergy West does not even
8 have a record of one of its peaking units, the Ralph Green facility, running 24
9 hours consecutively.⁸¹ It is unrealistic to expect peaking units to be able to run
10 for the hours that would be necessary to meet Evergy West's customers' load
11 requirements.

12 **Q. Are there other flaws in Ms. Messamore's analysis in her response to OPC
13 data request 8064 attached as Schedule LMM-S-13?**

14 A. Yes. Ms. Messamore assumes that the energy produced by Evergy West's wind
15 PPAs was generated at the times when its customers needed energy. This too is
16 an unrealistic expectation. These facilities do not produce energy when it is
17 needed but when the wind is blowing. In addition, because of the PPA contracts,
18 the facilities also generate wind when the market prices are negative meaning SPP
19 does not need the energy from these facilities.

20 Finally, Ms. Messamore uses data from Evergy West's 2023 annual
21 update to its resource plan. This resource plan has no bearing on the resources
22 available in the prudence period.

⁸⁰ Attached as Schedule LMM-S-2.

⁸¹ Response to OPC data request 8067 attached as Schedule LMM-S-15.

1 **Q. Do you have information regarding Evergy West’s generation and load**
2 **requirements during the prudence period?**

3 A. Yes. Using the data supplied in response to OPC data request 8055,⁸² I calculated
4 the following for the prudence period:

5 Table 1
6 Generation and Load⁸³
7 June 1, 2021 - November 30, 2022

8 **

9 **

10 This data shows Evergy West’s peaking units were used consistent with how
11 peaking units typically are used.

12 **Q. Would relying on Evergy West’s peaking units to meet customer load**
13 **requirements be imprudent?**

14 A. Yes. Not only are peaking units not designed to run for long periods of time but
15 they are also very expensive to run. Peaking units are a prudent part of a diverse
16 resource mix. However, their role is to meet peak loads in a few hours of the
17 year. Because of this, they are not generally hedges against market prices in non-
18 peaking hours.

⁸² Schedule LMM-S-2.

FAC 95/5 SHARING IS NOT A SUBSTANTIAL INCENTIVE FOR EVERGY WEST
 DECISION MAKING

Q. Do you agree with Mr. Ives testimony that the current FAC sharing mechanism represents a substantial incentive for utilities to make prudent decisions as well as decisions related to the purchase of fuel and purchased power?⁸⁴

A. It may be for some utilities but is not for Evergy West. Table 2 provide some enlightening information on the impact of the 95/5 sharing mechanism on Evergy West.

Table 2
 FAC Cost Recovery
June 1, 2021 through November 30, 2022⁸⁵

(FC)	501 Fuel	\$ 83,491,299
(FC)	504 Steam Transfer-Fuel	\$ (20,067,997)
(E)	509 Allowances	\$ (8,040,156)
(FC)	547 Fuel	\$ 58,397,932
(PP)	555 Purchased Power	\$ 426,478,124
(TC)	565 Transmission Cost	\$ 17,653,374
(OSSR)	447 Off-System Sales Revenue	<u>\$ (48,711,182)</u>
	Actual Net Energy Cost (ANEC)	\$ 509,201,396
	Recovered in Base Rates	<u>\$ 305,999,133</u>
	Actual minus Recovered in Base Rates	\$ 203,202,262
	95%	\$ 193,042,149
	5%	\$ 10,160,113
	Total Recovered from Customers	\$ 499,041,283
	Not Recovered from Customers	\$ 10,160,113

The 95/5 sharing mechanism resulted in Evergy West only absorbing \$10.2 million or 2% of total FAC costs for the 18-month prudence period. On the other

⁸³ Workpaper provided as Schedule LMM-S-16.

⁸⁴ Ives rebuttal, page 5.

⁸⁵ Workpaper provided as Schedule LMM-S-17.

1 hand, Evergy West expects customers to provide \$499 million. The customers
2 had no say in the resource planning process but trusted Evergy to make good
3 decisions on their behalf. This seems lopsided. Evergy West had the information
4 and the ability to hedge these costs. The 95/5 sharing is not a sufficient incentive
5 for Evergy West to prudently make resource planning decisions on behalf of its
6 customers. It was willing to take the risk of \$10.2 million and was okay with
7 pushing costs of \$499 million onto its customers.

8 PRUDENCE ADJUSTMENT SHOULD NOT IMPACT EVERGY METRO
9 CUSTOMERS

10 **Q. Would you respond to Ms. Messamore's⁸⁶ and Mr. Reed's⁸⁷ contention that**
11 **the adjustment you are recommending would have an impact on Evergy**
12 **Metro's customers?**

13 A. The Commission should issue its order with a clear and definitive statement that
14 the imprudence amount will not be collected from Evergy Metro's customers. As
15 I stated in my rebuttal testimony, this should not be a zero-sum game for Evergy
16 decision makers. If Evergy West had added resources, there would be little to no
17 impact on Evergy Metro's costs and revenues in the SPP market. Evergy Metro's
18 customers should not be harmed by the imprudent decisions made for Evergy
19 West.

20 RESPONSE TO STAFF'S POSITION REGARDING EVERGY WEST'S IMPRUDENT
21 RESOURCE PLANNING

22 **Q. Did Staff review the resource planning decisions that impacted the fuel and**
23 **purchased power costs of this prudence period?**

24 A. I could not find anywhere in its prudence report filed in this case that Staff
25 reviewed any resource planning decisions.

⁸⁶ Messamore rebuttal, page 14.

⁸⁷ Reed rebuttal, pages 8 – 9.

1 **Q. Has Staff done a prudence review of Evergy West’s resource planning**
2 **process or decisions?**

3 A. Not according to Staff’s response to data request 90.⁸⁸

4 **Q. Does any Staff witness file rebuttal testimony regarding OPC’s finding of**
5 **imprudence?**

6 A. No. Staff witness Jordan T. Hull did file rebuttal testimony to my direct
7 testimony. His conclusion was:

8 Staff agrees that Evergy Missouri West has relied on the market at times
9 to meet its customer’s energy needs. Staff is not alleging this as
10 imprudent and is unsure what a reasonable disallowance would be based
11 on the amount of variables you would have to consider when trying to
12 quantify such a number.

13 **Q. Do you understand this answer to be that Mr. Hull is saying that Evergy**
14 **West is not imprudent because Staff cannot calculate a disallowance?**

15 A. No. In response to OPC’s data request 88,⁸⁹ Mr. Hull stated that Staff has not
16 alleged Evergy West’s decisions were imprudent due to the number of variables
17 that would need to be considered. He did not state what those variables were.

18 **Q. Is Mr. Hull stating that you used hypothetical numbers in calculating the**
19 **harm to Evergy West’s customers?**

20 A. No. According to his response to OPC data request 91,⁹⁰ he agrees that I used
21 real numbers but states that it is a hypothetical example, with many unknown
22 variables.

23 **Q. Do you agree that it is a hypothetical example?**

24 A. Joint costs in resource planning is not a hypothetical. Even Mr. Hull states that
25 Evergy does resource planning on a combined basis.⁹¹

⁸⁸ Attached as Schedule LMM-S-4.

⁸⁹ Attached as Schedule LMM-S-18

⁹⁰ Attached as Schedule LMM-S-19.

1 **Q. Do you agree with Mr. Hull that there are many unknown variables?**

2 A. No. The generation resources of both utilities are known. The revenues
3 generated by the resources in the prudence period are known. The capital costs of
4 the resources are known. The customer requirements of both utilities are known.
5 The FACs of both utilities are the same. I do not know what variables are known.

6 **Q. Why did Mr. Hull bring up Evergy West’s Dogwood CCN case?**

7 A. In his response to data request 93,⁹² Mr. Hull states that he brought up the
8 potential Dogwood acquisition to acknowledge an effort on Evergy’s part to
9 reduce its reliance on the market in the future.

10 **Q. Does the acknowledgment that Evergy West may be reducing its future
11 reliance on the market cure any harm incurred in the prudence period of this
12 case?**

13 A. No. However, Mr. Hull believes that Evergy West realizes that it needs to reduce
14 its reliance on the market.

15 **Q. Is he correct?**

16 A. No. In her direct testimony in the Dogwood CCN case, Ms. Messamore ties the
17 need for energy to Evergy West’s need for additional capacity. It is Ms.
18 Messamore’s testimony that Evergy West needs capacity because “Evergy Metro
19 has only 88 MW of additional forecasted excess capacity.”⁹³ However Ms.
20 Messamore does acknowledge that the Dogwood facility offers something that a
21 capacity contract with Evergy Metro would not – meeting an incremental need for
22 energy to meet customer load requirements.

⁹¹ See response to data request 92 attached as Schedule LMM-S-20.

⁹² Attached as Schedule LMM-S-21.

⁹³ EA-2023-0291, Messamore direct, page 11.

1 **Q. Why is this important in this case?**

2 A. This demonstrates that combined planning is still occurring and Evergy West
3 needs additional capacity because Evergy Metro does not have enough to cover its
4 capacity needs. It also shows that it prefers capacity only contracts from Evergy
5 Metro and that acquiring resources to meet energy needs is not a concern to
6 Evergy West. This is why determining the harm to Evergy West’s customers
7 based on joint costs and revenues is the right way to determine harm.

8 **CONCLUSION**

9 **Q. Would you please summarize your surrebuttal testimony?**

10 A. Evergy West acted imprudently when it made the decision to not add efficient,
11 cost-effective generation to hedge the cost of purchasing energy from the SPP
12 energy market. Evergy West made this decision several times before the
13 prudence period. While resource planning decisions are long-term with a long-
14 term impact, resource planning is not static. The decision to not add generation
15 was made in every resource planning process from the time Great Plains Energy
16 through this prudence period. It was not a one-time decision that could not be
17 rectified.

18 My finding of imprudence is not based on hindsight but on foresight.
19 OPC began pointing to the risks of relying on the market long before this
20 prudence period and in time for Evergy West to correct the imprudence.

21 Having determined that Evergy West’s decision was imprudent the harm
22 to customers needs to be determined. A “minimally prudent” decision is
23 impossible to determine. Educated, experienced minds will differ on what is
24 minimally prudent but all would be based on forecasts and estimates. However,
25 “hard to determine” harm does not mean the Commissions should not find
26 imprudence and not return imprudently incurred costs back to customers as
27 required by Section 386.266.5(4). If the Commission does not believe the harm
28 recommended by OPC is correct, then it should set the parameters, *i.e.* what

1 should have been built, when it would have been available, the energy that would
2 have been generated and the revenues it would have generated on the market, so a
3 determination could be made.

4 OPC's recommended disallowance is the best possible estimate of the
5 harm that Evergy West's customers have suffered because of its imprudent
6 resource planning. In every resource planning process filed with the Commission,
7 Evergy has explained how it had modeled the resource plans of Evergy Metro and
8 Evergy West both separately and together. Therefore, a reasonable method of
9 determining harm is to allocate the cost of the utilities combined to Evergy West.
10 The difference between the FAC cost and capital cost incurred by Evergy West
11 and what it actually incurred is an appropriate measure of harm. In this case that
12 amount is \$86,376,294.

13 **Q. How do you respond to Mr. Ives testimony that we turn our attention to**
14 **current and future resource planning decisions?**⁹⁴

15 A. I agree we should turn our attention to the future. As I previously stated, resource
16 planning is long-term but it is not static. Evergy West should remedy its lack of
17 hedging the energy costs for its customers with cost-effective, efficient generation
18 that can be dispatched when SPP market prices are high and its customers need
19 energy.

20 However, in looking to the future, we must not forget that the customer
21 protections of the FAC statute, section 386.266. Evergy West has enjoyed the
22 benefit of recovering costs soon after the costs are incurred without Commission
23 review on prudence. Looking forward to the future should not mean that we
24 forego prudence reviews or neglect returning imprudently incurred costs that have
25 already been collected from customers.

⁹⁴ Ives rebuttal, page 4.

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

2 A. Yes, it does.

