

# Exhibit No. 5

Evergy West – Exhibit 5  
Darrin Ives Testimony  
Rebuttal  
File No. EO-2023-0276

Exhibit No.: \_\_\_\_\_  
Issue(s): Prudence of PPAs  
Witness: Darrin R. Ives  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Evergy Missouri Metro and  
Evergy Missouri West  
Case No.: EO-2023-0276/0277  
Date Testimony Prepared: December 14, 2023

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

**REBUTTAL TESTIMONY**

**OF**

**DARRIN R. IVES**

**ON BEHALF OF**

**EVERGY MISSOURI METRO AND  
EVERGY MISSOURI WEST**

**Kansas City, MO**

**December 2023**

**REBUTTAL TESTIMONY**

**OF**

**DARRIN R. IVES**

**CASE NOS. EO-2023-0276/0277**

1     **I.    INTRODUCTION**

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

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

5     **Q:    Are you the same Darrin R. Ives that caused to be file Direct Testimony in this case?**

6     A:    Yes.

7     **Q:    What is the purpose of your rebuttal testimony in this proceeding?**

8     A:    The purpose of my testimony is to briefly respond to the (1) Direct Testimony of Staff  
9           witness Brooke Mastrogiannis and (2) Direct Testimony of OPC witness Lena Mantle.

10    **II.   RESPONSE TO STAFF**

11    **Q:    Do you have any responsive testimony to the direct testimony of Staff witness Brooke**  
12        **Mastrogiannis?**

13    A:    Ms. Mastrogiannis has largely re-iterated the points Staff included in the Staff Report. I  
14        have already addressed most of those points in my direct testimony, and it is unnecessary  
15        to repeat them again. One point that is worth mentioning is that Staff recognizes  
16        (Mastrogiannis Direct, pp. 4-5) that the Commission has determined that the Rock Creek  
17        and Osborne PPAs were prudent in a previous FAC audit and that the Commission  
18        specifically found that long term investments should not be subject to a hindsight prudence  
19        analysis. However, despite recognizing the validity of this Commission precedent in past

1 FAC audits, Staff now believes that “any losses incurred for all PPAs going forward that  
2 are halfway through their contract life be borne by Evergy’s shareholders.” (Mastrogiannis  
3 Direct, p. 4) The Company does not believe that the Commission’s prudence determination  
4 can be changed simply by the passage of time. As explained below, I strongly disagree  
5 with this recommendation.

6 **Q: Please explain why you disagree with her recommendation to disallow cost associated**  
7 **with PPAs in future cases?**

8 A: This is a flawed recommendation for all the reasons that we have explained in this case  
9 related to the unreasonableness of the Staff’s disallowances of costs associated with the  
10 Cimarron 2, Spearville 3, Ensign and Gray County PPAs. However, it is also an  
11 unnecessary and inappropriate recommendation since other PPAs that are not halfway  
12 through their contract life are not subjects before the Commission in this case. There is  
13 no testimony explaining the IRP analysis related to those contracts, or the circumstances  
14 and information that existed at the time the decisions to enter into those contracts were  
15 made. It would be unreasonable and probably unlawful for the Commission to make an  
16 announcement about how it will rule in a future FAC prudence review in this case,  
17 notwithstanding the competent and substantial evidence that will exist in future cases.

18 **Q: The Staff Reports also mentioned that the Company has agreed to exclude from its**  
19 **FACs the net costs associated with wind purchased power agreements (“PPAs”)**  
20 **entered into after May 2019 whose costs exceed their revenues. (Staff Reports, p. 30)**  
21 **Do you have any comments about this agreement?**

22 A: Yes. Evergy entered into this provision of the rate case Stipulation as one part of a multi-  
23 faceted agreement that contained many compromises that were necessary to settle many of

1 the rate case issues. There are always “gives” and “takes” and many concessions and trade-  
2 offs that are represented by such agreements. The Stipulation itself states: “The Company  
3 will factor the financial risk of this settlement condition into its evaluation of wind PPAs  
4 in its prospective long-term resource planning during such time that the condition is in  
5 effect.”<sup>1</sup> I have also made clear to the parties to that agreement that Evergy does not expect  
6 to enter into new PPAs, under the restrictive provisions required by the parties to that case.  
7 This is unfortunate, but parties to that case negotiated for such a punitive provision  
8 regarding future renewable PPAs that the Company is in a position that it cannot enter into  
9 new wind PPAs under this arrangement required by Staff, Public Counsel and other parties  
10 to that agreement. As noted, I was very clear with parties that the Stipulation’s terms  
11 meant it was not feasible for the Company to enter into new renewable PPAs in the future.

## 12 **II. RESPONSE TO OPC**

13 **Q: On page 7, lines 4-6, Ms. Mantle recommends that the Commission find Evergy**  
14 **Missouri West imprudent for not having maintained sufficient generation and relying**  
15 **on the Southwest Power Pool for energy to meet its customers’ needs. What is your**  
16 **response to this recommendation?**

17 **A:** As I have already explained in my direct testimony, Ms. Mantle made the same argument  
18 she is making here in File No. EF-2022-0155 where the Company sought a financing order  
19 to allow it to securitize certain extraordinary costs associated with Winter Storm Uri. Ms.  
20 Mantle on behalf of OPC asserted that EMW did not have enough generation resources to  
21 meet the energy needs of its customers and EMW’s resource planning was imprudent. The  
22 Commission disagreed, noting that OPC offered “its own previous concerns about Evergy

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<sup>1</sup> Stipulation and Agreement, p. 5, File Nos. ER-2023-0129 and ER-2023-0130 (August 30, 2022).

1 West’s resource planning as its primary evidence of imprudence.” Ms. Mantle also made  
2 the same argument in File No. EO-2022-0040. The Commission concluded that EMW  
3 “provided sufficient evidence to determine that its resource planning, including its decision  
4 to retire Sibley, was reasonable at the time those decisions were made.”<sup>2</sup> The Commission  
5 reaffirmed this conclusion in the Company’s last rate case where OPC continued to take  
6 issue with the decision to retire Sibley.<sup>3</sup> The Commission should re-affirm its numerous  
7 findings in past orders, and find again that OPC has failed to meet its burden to show the  
8 Company was imprudent in its past resource planning decisions. Ideally, the Commission  
9 will make it clear that it is not in any parties’ best interest to continue to rehash these prior  
10 resource planning decisions that the Commission has weighed in on. Maybe then, we will  
11 be able to turn our attention to current and future resource planning decisions necessary to  
12 support EMW customers now and for years to come.

13 **Q: Ms. Mantle also asserts on pages 18-19 that “Evergy West agree[s] that a dependence**  
14 **on the energy market is risky.” Do you have a response?**

15 A: Unfortunately, Ms. Mantle has selectively taken out of context quotations from Evergy  
16 witnesses pre-filed testimony in the pending Dogwood CCN case, File No. EA-2023-0291,  
17 to improperly conclude that Evergy Missouri West agrees now and presumably in the past  
18 that “a dependence on the energy market is risky.” (Mantle Direct, p. 17, line 2-3) In  
19 response, I would note that Evergy Missouri West has made resource planning decisions,  
20 as explained by Ms. Messamore, that were expected to produce the lowest net present value

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<sup>2</sup> *Amended Report and Order*, pp. 33-34, In the Matter of the Application of Evergy Missouri West, Inc. d/b/a Evergy Missouri West for a Financing Order of Extraordinary Storm Costs Through an Issuance of Securitized Utility Tariff Bonds, File No. EF-2022-0155, (issued November 17, 2022).

<sup>3</sup> *Amended Report and Order*, p. 35, In the Matter of the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro’s Request for Authority to Implement a General Rate Increase for Electric Service, File Nos. ER-2022-0129/0130, (issued December 8, 2022).

1 of revenue requirements for our customers. Evergy Missouri West does agree that the  
2 addition of the Dogwood facility to our fleet will be in the best interests of our customers,  
3 as confirmed by Evergy's Integrated Resource Plan ("IRP") that is discussed by Ms.  
4 Messamore in the Dogwood CCN proceeding. It would be an error, however, to use our  
5 pending application for a CCN for the Dogwood facility to assert that it was imprudent for  
6 Evergy Missouri West to rely upon the energy market in the past when the Company used  
7 the best information available at that time to make its resource planning decisions.

8 **Q: On pages 5-6 of Ms. Mantle's direct testimony, she discusses the impact of the fuel**  
9 **adjustment clause on resource planning. Do you have any comments?**

10 A: Contrary to the suggestions of Ms. Mantle, the existence of the FAC does not remove the  
11 risks of resource planning decisions from the public utility. As Ms. Mantle recognizes, the  
12 Commission continues to conduct prudence investigations of resource planning decisions.  
13 In addition, the current FAC has a 95%/5% sharing mechanism that represents a substantial  
14 incentive for public utilities to make prudent resource planning decisions as well as  
15 decisions related to the purchase of fuel and purchase power. The FAC is an example of  
16 good regulatory policy utilized by substantially all state regulatory jurisdictions with  
17 vertically integrated electric companies, to ensure that customers' rates track the increasing  
18 and decreasing fuel and purchase power costs. However, it is incorrect to suggest as Ms.  
19 Mantle does, that the FAC insulates Company from the risk against imprudent decision-  
20 making related to resource planning. Ms. Mantle's rhetoric here is nothing more than  
21 intended inflammatory accusations without support to entice the Commission to  
22 inappropriately disallow costs that no party has attempted to demonstrate are imprudent  
23 under traditional prudence standard approaches. .

1 **Q: At p. 19 of her direct testimony, Ms. Mantle made a proposed disallowance and used**  
2 **Evergy’s planning documents that indicated that the combined resource plans of**  
3 **Evergy West and Evergy Metro were the preferred plan for Evergy West. Do you**  
4 **have any comments about her approach?**

5 A: Yes. Evergy performs IRP analysis on a jurisdictional utility stand-alone basis and  
6 performs supplemental combined-company analysis as well. However, as explained by  
7 Ms. Messamore, resource planning decisions are made for each company based upon the  
8 stand-alone analysis for each company. As elaborated on by Ms. Messamore, Ms. Mantle’s  
9 assertions of combined planning are flat wrong.

10 **Q: Ms. Mantle states at p. 15 of her direct testimony that “Evergy has made it clear that**  
11 **it does not intend to merge the two utilities.” What is your response?**

12 A: In File Nos. ER-2018-0145 and ER-2018-046, OPC suggested that the rates of Evergy  
13 Missouri West and Evergy Missouri Metro be consolidated. Evergy agreed in those cases  
14 to perform a study investigating the consolidation of Kansas City Power & Light Company  
15 and KCP&L GMO rates, and make a recommendation regarding the consolidation of rates  
16 within two years of the date that the stipulation was approved.<sup>4</sup> On October 30, 2020,  
17 Evergy filed its Consolidation Study in File Nos. ER-2028-0145 and ER-2018-146.<sup>5</sup>

18 In its Consolidation Study, Evergy concluded that it would be necessary to utilize  
19 a phased in approach over several rate cases to accomplish a consolidation of rates of EMM  
20 and EMW:

21 Given the need for an incremental approach to future rate consolidation, as  
22 part of this study, the Company has outlined a process and plan for

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<sup>4</sup> See *Order Approving Stipulations and Agreements*, File Nos. ER-2018-0145 and ER-2018-0146 (issued October 31, 2018 with attached Non-unanimous Partial Stipulation And Agreement, p. 9, para. 16 (filed September 18, 2018)).

<sup>5</sup> See Notice of Filing Consolidation Study, Exhibit A, File Nos. ER-2018-0145 and ER-2018-0146 (filed on October 30, 2020).



1 completing the necessary steps that can accomplish rate consolidation over  
2 time. This process includes rate comparison across jurisdictions, analysis  
3 and comparison of rate structures, and customers/classes, and the review of  
4 methodologies for calculating bill components. Steps after this would  
5 include rate cleanup/elimination and simplification, as well as, the  
6 calculation of bill compares to fully understand the customer impact of rate  
7 consolidation to minimize customer disruption, as well as, migration  
8 analysis. Where such analysis reveals that there's enough similarity such  
9 that rate consolidation makes sense and won't negatively impact the  
10 customer, the Company will align rates and structures, but will need to do  
11 so incrementally to allow for customer adjustment.<sup>6</sup>

12 **Q: Is Evergy still interested in pursuing a phased approach to rate consolidation of the**  
13 **EMM and EMW rates?**

14 A: Yes. Generally. However, there are many obstacles to combining jurisdictional rates. Ms.  
15 Mantle's theory in this case is a perfect example. She opines that joint resource utilization  
16 would benefit EMW customers by \$174 million. As noted by Ms. Messamore, the problem  
17 is Ms. Mantle's approach conveniently ignores that the EMW customer benefit can only  
18 come at a \$174 million cost to EMM customers through the utilization of their resources  
19 to benefit EMW customers. I would assert that making such a consolidation request to  
20 EMM customers might result in some unhappy EMM customers. While a noble goal to  
21 combine jurisdictional rates, the combination will have to work for and be acceptable to  
22 customers of both stand-alone utilities in order to be implemented. Ms. Mantle's analysis  
23 in this proceeding demonstrates that may be a difficult outcome to achieve currently. In  
24 the meantime, it is important to review the EMW's resource planning decisions on a stand-  
25 alone basis, as we have done in this proceeding.

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

27 A: Yes, it does.

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<sup>6</sup> Id. at 24.

