Exhibit No.:	_____
Issue:	Overview; February 2021 Winter Storm; Accounting Authority Orders; Deferral and Cost Recovery Tools
Witness:	Darrin R. Ives
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Evergy Missouri Metro and Evergy Missouri West
Case Nos.:	EU-2021-0283
Date Testimony Prepared:	June 30, 2021

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EU-2021-0283

DIRECT TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

EVERGY METRO, INC. d/b/a EVERGY MISSOURI METRO and EVERGY MISSOURI WEST, INC. d/b/a EVERGY MISSOURI WEST

Kansas City, Missouri

June 2021

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DIRECT TESTIMONY

OF

DARRIN R. IVES

Case No. EU-2021-0283

Q: Please state your name and business address.

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

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

A: I am employed by Evergy Metro, Inc. and serve as Vice President – Regulatory Affairs for Evergy Metro, Inc.. d/b/a as Evergy Missouri Metro ("Evergy Missouri Metro"), Evergy Missouri West, Inc.. d/b/a Evergy Missouri West ("Evergy Missouri West"), Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("Evergy Kansas Metro"), and Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central ("Evergy Kansas Central"). These are the operating utilities of Evergy, Inc.

Q: On whose behalf are you testifying?

A**:** I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West (collectively, "Evergy" or "Company").

Q: What are your responsibilities?

A: My responsibilities include oversight of Evergy's Regulatory Affairs Department, as well as all aspects of regulatory activities including policy, cost of service, rate design, revenue requirements, regulatory reporting and tariff administration.

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

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

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

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

I. PURPOSE OF TESTIMONY AND EVERGY WITNESSES

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to present facts regarding the unprecedented cold weather and unusually frigid temperatures caused by the winter storm of February 2021,

commonly known as Winter Storm Uri.[1] I will review the operational and market disturbances that the storm caused which led to service interruptions for some of Evergy's customers. I will also explain how Winter Storm Uri caused Evergy Missouri West to incur $297.3 million in unexpected and extraordinary fuel and purchased costs, while Evergy Metro, Inc. experienced unanticipated and extraordinary off-system sales revenues of $200.8 million.

Given these extraordinary and unusual events, I will discuss why the deferral mechanism known as an accounting authority order ("AAO") should be granted by the Commission to help manage these issues. I will also review other deferral and cost recovery mechanisms, including fuel adjustment clauses ("FAC"), deferral for recovery outside the operation of the FAC, and recovery under the utility financing and securitization legislation passed on May 13, 2021, by the Missouri General Assembly as House Bill 734, all of which could be used to address the unprecedented events of February 2021.

Q: Who else is providing direct testimony on behalf of the Company?

A: Ronald A. Klote, Director – Regulatory Affairs, explains our AAO requests for Evergy Missouri Metro and Evergy Missouri West in greater detail and also provides comparisons of rate impacts of alternative cost recovery approaches for Evergy Missouri West.

[1] See Staff Recomm. to Approve Tariff Sheet at 2, In re Empire Dist. Elec. Co. for Auth. for Implement Fuel & Purchase Power Adjustmt., No. ER-2021-0332 (May 3, 2021); Public Notice DA 21-189 at 1, Fed. Comm. Comm'n (Feb. 17, 2021).

II. ACCOUNTING AUTHORITY ORDERS

Q: Are you familiar with the principles applicable to an accounting authority order ("AAO") and to deferral accounting in general?

A: Yes, I am. I have provided testimony in a number of cases in recent years that involved AAOs and deferral accounting. The most recent proceeding was Evergy's request for an AAO to establish a regulatory asset regarding all extraordinary costs and financial impacts incurred as a result of the COVID-19 pandemic which the Commission permitted Evergy to do consistent with its decision. See Report and Order, In re Application of Evergy Metro, Inc. and Evergy Mo. West, Inc. for an AAO related to COVID-19 Expenses, No. EU-2020-0350 (Jan. 13, 2021) ("Evergy COVID-19 AAO Order").

Other proceedings in which I offered testimony include Kansas City Power & Light Company's ("KCP&L") request for authority to defer transmission costs (net of transmission revenues) paid to Southwest Power Pool, Inc. ("SPP") (No. EU-2014-0077), and KCP&L's 2014 general rate case where KCP&L sought trackers for such SPP transmission costs and other cost items (No. ER-2014-0370). I also provided testimony opposing the AAO request related to the retirement of Evergy Missouri West's Sibley coal-fired generating station (No. EC-2019-0200). I have a thorough and current understanding of the principles used by the Commission to determine whether the use of deferral accounting under an AAO is warranted.

Q: What has the Commission stated with regard to whether the use of deferral accounting under an AAO is warranted as a result of severe weather events?

A: In its order approving a stipulation and agreement that authorized the use of an AAO by The Empire District Electric Company to account for costs related to the 2011 Joplin tornado, the Commission stated that "Missouri courts have recognized the Commission's

regulatory authority to grant a form of relief to a utility in the form of an AAO 'which allows the utility to defer and capitalize certain expenses until the time it files its next rate case.'"[2]

The PSC has stated that "[a]n AAO allows the 'deferral' in the booking of a current expense to a utility's balance sheet as an asset … based upon the possibility that a regulatory authority will agree to allow recovery of the cost in a future rate case. This allows costs to be recorded in a period other than that in which they were actually incurred. An AAO gives a utility the opportunity to obtain future recovery of extraordinary costs, even if those costs were not actually incurred within an ordered test year for a general rate proceeding."[3]

Q: What is the basis of the Commission's granting AAOs with regard to extraordinary costs?

A: As the Commission stated in its recent Evergy COVID-19 AAO Order, the Commission's authority is found under Section 393.140(4) to prescribe uniform methods of keeping accounts, records and books by electrical corporations, and under Section 393.140(8) to prescribe by order the accounts in which particular outlays and receipts shall be entered.[4] In this regard, the Commission's Rule 20 CSR 4240-20.030(1) requires electrical corporations to keep accounts in conformity with the Uniform System of Accounts ("USOA") for public utilities subject to the Federal Power Act by FERC.

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[2] Order Approving and Incorporating Unanimous Stipulation and Agreement at 3, In re Application of Empire Dist. Elec. Co. for the Issuance of an AAO, No. EU-2011-0387 (Nov. 30, 2011), citing State ex rel. Aquila, Inc. v. PSC, 326 S.W.3d 20, 27 (Mo. App. W.D. 2010). See Order Approving Stipulation & Agmt., In re Union Elec. Co., No. EU-2008-0141 (Apr. 30, 2008) (ice storm).

[3] Report & Order at 7, In re Application of KCP&L and KCP&L Greater Missouri Operations Co. for the Issuance of an AAO, No. EU-2014-0077 (July 30, 2014).

[4] Report & Order, ¶¶ F-G at 19, In re Application of Evergy Metro, Inc. and Evergy Mo. West, Inc. for an AAO related to COVID-19 Expenses, No. EU-2020-0350 (Jan. 13, 2021) (hereafter "Evergy COVID-19 AAO Order").

In reviewing requests for an AAO, the Commission has historically considered in its evaluation the criteria of USOA General Instruction 7 which states: "Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future."

The Commission recently stated: "Although the Commission has consulted General Instruction 7 in its decisions regarding AAOs, a determination that 'extraordinary' expenses are eligible for deferral accounting is a 'policy decision' and 'is not dictated by whether, in the abstract, the USOA provides a mechanism to defer costs.'"[5]

This Commission stated almost 40 years ago that while the 5 percent of income standard included in General Instruction 7 is relevant to materiality and whether an event is extraordinary, it "is not case-dispositive."[6] More recently, the Commission rejected as "meritless" arguments that deferrals under an AAO may only be granted for amounts greater than 5 percent of income.[7]

[5] Id., ¶ O at 21.
[6] Report & Order, In re Missouri Public Service, 1991 WL 501955 at 5, No. EO-91-358 (Mo. P.S.C. 1991) (AAO granted to defer depreciation expenses and carrying costs associated with life extension construction and coal conversion project at the Sibley Generating Station).
[7] Report & Order at 13 & n.35, In re Application of Southern Union Co. for an AAO, No. GU-2011-0392 (Jan. 25, 2012) (AAO granted for Joplin tornado expenses, capital costs, depreciation, and carrying charges).

Q: While the Commission has often considered the descriptions of extraordinary events as outlined in General Instruction 7 when evaluating costs and revenues for deferral, is there specific authority in the USOA that provides for the deferral of costs incurred by a utility in a given period?

A: Yes. Definition 31 in the USOA authorizes the establishment of regulatory assets and liabilities. It states:

> Regulatory Assets and Liabilities are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Uniform System of Accounts but for it being probable:
>
> A: that such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or
>
> B: in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

Therefore, as the Commission has articulated previously, the deferral of extraordinary items is a policy decision that is squarely within the Commission's power to determine. In fact, such action by the Commission is required in order for a utility to establish a regulatory asset or liability as outlined in Definition 31.

Q: What are the most common examples of "extraordinary" events where the Commission has granted an AAO?

A: The Commission recently stated that "[n]atural disasters, such as destructive storms and floods, are often referenced as examples of such extraordinary events," and cited AAOs granted as a result of winter ice storms and tornadoes.[8]

As Kimberly K. Bolin, Auditing Department Manager of Commission Staff, has testified, the "classic example of an extraordinary event is the occurrence of a natural disaster, such as a wind or ice storm, or major flood that affects a utility's service territory."[9]

III. WINTER STORM URI (FEBRUARY 2021)

Q: What is the factual basis for Evergy's request that the Commission grant Evergy Missouri Metro and Evergy Missouri West an AAO to track and defer in a regulatory asset or liability all incremental expenses and revenues related to the mid-February 2021 weather event known as Winter Storm Uri?

A: As a result of an outbreak of cold air that migrated in early February 2021 from the North Pole to southern Canada and the north central United States, often referred to as a "polar vortex," cold temperatures, wind chills and snow began to arrive in North Dakota, traveling through Missouri and other Midwestern states, ultimately hitting Texas and portions of the Gulf Coast.[10] According to the National Oceanic and Atmosphere

[8] Evergy COVID-19 AAO Order, ¶ 12 at 9-10 & n. 29. See also Order Granting AAO, In re Application of Kansas City Power & Light Co. for an AAO relating to Storm Damage, No. EU-2002-1048 (July 30, 2002) (January 2002 ice storm).

[9] Rebuttal Testimony of Kimberly K. Bolin at 4, In re Application of Evergy Metro, Inc. and Evergy Mo. West, Inc. for an AAO related to COVID-19 Expenses, No. EU-2020-0350 (Aug. 17, 2020).

[10] See "February 2021 Weather and its Impacts on Missouri" at 1, Missouri Climate Center, Univ. of Mo. (P. Guinan, State Climatologist) (Mar. 2021). http://climate.missouri.edu (hereafter "Missouri Climate Center February 2021 Report"), attached as **Schedule DRI-1**.

Administration ("NOAA"), this cold-air outbreak across the central United States from February 10 through 19 brought frigid temperatures, snow and ice to the northern Plains down to southern Texas. "It was the coldest event across the CONUS [contiguous United States] in more than 30 years and caused power outages for nearly 10 million people."[11] This Commission observed: "Much of the Midwest, including Missouri, experienced unreasonably cold temperatures in February 2021. Such temperatures resulted in rolling electrical blackouts and extreme natural gas price spikes in Missouri."[12]

Q: What steps did Evergy take to prepare for Winter Storm Uri?

A: As early as February 3, Evergy employees working at generation facilities began additional winter preparations. These efforts included reviewing cold weather procedures including fuel handling, staging temporary equipment heating drills, and communicating with Evergy dispatch personnel regarding cold weather generation risks and the possibility of curtailments. On February 6, 2021, Evergy began to place its coal units into a self-commit status within the SPP Integrated Marketplace, the day-ahead and real-time energy markets in which Evergy participates. Other steps taken by Evergy are summarized in Staff's April 30, 2021 Report filed in the Commission's proceeding regarding Winter Storm Uri.[13]

Q: What communications did Evergy receive from SPP regarding Winter Storm Uri?

A: To prepare for this event SPP declared a period of conservative operations for its 14-state balancing authority area beginning at midnight on February 9, 2021.[14] Evergy is a

[11] See NOAA Report, "Assessing the U.S. Climate in February 2021" at 1, attached as **Schedule DRI-2**. See also "Assessing the U.S. Climate in February 2021" at 1-3 ("NOAA February 2021 Report"), https://www.ncei.noaa.gov/news/national-climate-202102.

[12] Order Directing Staff to Investigate and Submit Report at 1, In re Cause of the Feb. 2021 Cold Weather Event, No. AO-2021-0264 (Feb. 24, 2021).

[13] See Staff Report at 66-70, In re Cause of the Feb. 2021 Cold Weather Event, No. AO-2021-0264 (Apr. 30, 2021) (hereafter "Staff Report").

member of SPP, a regional transmission organization ("RTO") mandated by FERC to ensure the reliable supply of power, as well as adequate transmission infrastructure and competitive wholesale electricity prices.

Because weather conditions worsened on February 14, SPP declared an Energy Emergency Alert ("EEA") Level 1 to become effective at 5:00 a.m. on Monday, February 15. An EEA 1 indicated that SPP foresaw or was experiencing conditions where all available resources were scheduled to meet firm load obligations and that it might not be able to sustain its required contingency reserves.[15]

As Winter Storm Uri's persistent and extreme cold weather continued, SPP declared an EEA Level 2 at 7:22 a.m. on February 15 which indicated that SPP was no longer able to provide its expected energy requirements (although it was able to maintain minimum contingency reserve requirements). Accordingly, SPP directed its members to issue public conservation appeals.[16] Evergy had previously asked its customers on February 14 (Sunday) to conserve electricity through February 17 (Wednesday), and continued its appeals for customer conservation throughout the event, in response to SPP's earlier requests to conserve electricity use.[17]

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[14] "Southwest Power Pool preparing for worsening system conditions due to extreme cold," SPP News Release (Feb. 14, 2021), attached as **Schedule DRI-3**.

[15] Id. Energy Emergency Alerts are defined by the North American Electric Reliability Corporation ("NERC") in Reliability Standard EOP-011-2 (eff. Apr. 1, 2017). See www.nerc.com/pa/rrm/ea/Pages/Energy-Emergency-Alerts.aspx.

[16] "SPP issues new energy emergency alert due to extreme cold," SPP News Release (Feb. 15, 2020), attached as **Schedule DRI-4**.

[17] "Evergy Asks Customers to Conserve Electricity – Record-setting cold temperatures across the Midwest have potential to impact power supply (Feb. 14, 2021), attached as **Schedule DRI-5**.

Q: After SPP's declaration of an EEA 2 condition on the morning of February 15, what further actions were taken by SPP and by Evergy?

A: Less than three hours after its EEA 2 announcement on February 15, SPP declared at 10:08 a.m. an EEA Level 3, signaling that its operating reserves fell below the required minimum.[18] A short time later the SPP system reached a peak electricity usage of 43,661 MW. After committing all of its reserves and exhausting other avenues, including importing power from other regions, available generation in SPP fell about 641 MW short of demand just after Noon. As a result, SPP directed its member utilities to implement controlled interruptions of service to curtail electricity use by 641 MW.[19]

Evergy received SPP's operating instruction to shed 110 MWs of load at 12:04 p.m. on February 15 and thereafter began to interrupt service to customers. Evergy restored service to customers shortly thereafter at 1:08 p.m.

At 2:00 p.m. on February 15, SPP cancelled the EEA Level 3 and re-entered an EEA Level 2. SPP was able to restore load to its balancing authority area because it had regained sufficient generation to meet demand throughout its footprint, as well as to meet its minimum reserve requirements.[20] It warned that its forecasts anticipated high load and persistent cold weather, advising that it was "likely its system will fluctuate between EEA Levels 2 and 3 over the next 48 hours" and that it "may have to direct further interruptions of service if available generation is inadequate to meet high demand."[21]

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[18] "SPP elevates Energy Emergency Alert to Level 3 as grid conditions tighten further," SPP News Release (Feb. 15, 2021), attached as **Schedule DRI-6**.
[19] "SPP restores load, anticipates that regional grid conditions will continue to evolve," SPP New Release (Feb. 15, 2021), attached as **Schedule DRI-7**.
[20] Id.
[21] Id.

Q: Did additional service interruptions occur on the morning of February 16?

A: Yes. The forecasts were accurate. Early on the morning of February 16, SPP declared an EEA Level 3 for the entire 14-state balancing authority area because system-wide generating capacity had dropped below its "current load of approximately 42 gigawatts (GW) due to extremely low temperatures and inadequate supplies of gas."[22] SPP stated that it would again work with its members "to implement controlled interruptions of electric service throughout" its region "as a last resort to preserve the reliability of the electric system as a whole." It anticipated a morning peak above 44.6 GW at 9:00 a.m.[23]

Evergy received two SPP operating instructions to shed load, the first at 6:44 a.m. and the second at 7:17 a.m., on February 16, and after each order interrupted service to customers, shedding a total of 505 MW of load. Pursuant to SPP's directives, Evergy restored service to customers between 9:30 and 10:30 a.m.

Later on the morning of February 16, SPP ended the EEA Level 3 and re-entered the previous EEA Level 2. As conditions improved, SPP declared a move from EEA Level 2 to EEA Level 1 at 10:59 p.m. on February 17. This action indicated that all of SPP's available resources had been committed to meet obligations, but it was not at risk of failing to meet its required operating reserves. As conditions slowly improved, SPP ended the EEA Level 1 at 9:30 a.m. on February 18, while maintaining conservative operations due to continuing high loads and other effects of Winter Storm Uri.[24]

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[22] "Grid Conditions Update (Feb. 16, 2012 6:46 a.m.): EEA declared effective immediately," SPP News Release (Feb. 16, 2021), attached as **Schedule DRI-8**.

[23] Id.

[24] "SPP ends Energy Emergency Alert, remains in conservative operations," SPP News Release (Feb. 18, 2021), attached as **Schedule DRI-9**.

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

A: Staff advised the Commission that the "extreme cold temperatures, extended period of those temperatures, and precipitation contributed to what some have described as an '85 year event.' "[25] Generator outages occurred across "all types of electrical generators, not just renewables" and "[g]as supplies appear to have been most impacted due to weather impacts and competition for heating fuels …."[26] As a result, there was an "extensive increase in daily February market prices," with the price of gas on the Southern Star Central interstate gas pipeline rising from a usual FOM ("First of Month") baseload purchase price of $2.520/MMBtu to $44.780 on February 12; $329.595 on February 13-16; $622.785 on February 17; declining to $44.530 on February 18.[27]

Staff stated that "it is rare for the daily market price to exceed $10.00/MMBtu" and that the "escalation in price … for February 12th through February 18th is, to Staff's knowledge, without precedent for interstate pipelines serving Missouri."[28]

This resulted in "25,000 MW of SPP controlled gas-fired resources being unavailable."[29] This affected Evergy Missouri West's Greenwood and Lake Road units which experienced "restricted natural gas supply on the Southern Star Central Gas Pipeline."[30] Staff reported that "for the first time in SPP history … it had to move to

[25] See Staff Report at 3.
[26] Id. at 59.
[27] Id. at 59-60.
[28] Id. at 61.
[29] Id. at 59.
[30] Id. at 68 (citing Evergy Response to Staff Data Request).

EEA 2 or EEA 3 status," resulting in "service interruptions that were shared on a proportional basis among all SPP transmission owning utilities, including Evergy …."[31]

Q: Did Staff suggest that an AAO could be used to manage the costs resulting from these events?

A: Yes. Staff noted that "AAOs are one possible way to handle the accounting and ratemaking treatment of the extraordinary costs associated with the Cold Weather Event" of February 2021.[32]

Q: What did the SPP market monitor state in its latest report?

A: The SPP Market Monitoring Unit ("Market Monitor") issued its State of the Market Report for Winter 2021 in early April, concluding that energy imports during February played a significant role in meeting load, with a net of nearly $52 million in market-to-market payments being paid by SPP to the Midcontinent Independent System Operator ("MISO").[33] "This is the highest amount of monthly market-to-market payments since the start of the [SPP] market-to-market process, and can be mostly attributed to congestion because of high levels of imports due to the winter weather event."[34]

The Market Monitor found that Winter Storm Uri had a major impact on prices during February, as spot natural gas prices at some trading hubs exceeded $1,000/MMBtu. The average gas price at the eight hubs used most frequently by SPP generators ranged from $129.78/MMBtu (ONG at Tulsa) to $5.35/MMBtu (Henry Hub),

[31] Id. at 3, 59.
[32] Id. at 94.
[33] SPP Market Monitoring Unit, State of the Market: Winter 2021 at 1, 68 (Apr. 6, 2021), spp.org/documents/64410/spp_mmu_qsom_winter_2021.pdf.
[34] Id. at 1, 13.

with the Panhandle Eastern hub at $21.91/MMBtu.[35] These high gas costs were reflected in SPP's day-ahead electricity prices which reached a peak of $4,393/MWh early on February 18, while real-time prices reached a peak of $4,029/MWh early on February 16.[36] The day-ahead and real-time prices during Winter Storm Uri represented by far the highest prices ever seen over a multi-day period in SPP's history.

The SPP Market Monitor noted the significant increase in both day-ahead and real-time make-whole payments made to market participants when the costs of a committed resource exceed its revenues. The State of the Market Report advised that such payments are subject to changes as actual gas costs and other factors are reviewed which could adjust figures in the initial S7 settlement statement and present different figures on subsequent S53 and S120 statements.[37] The Market Monitor stated that day-ahead make-whole payments were "just under $1 billion" during the winter event, while real-time make-whole payments "totaled just over $190 million."[38]

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

A: NOAA reported that February 2021 ranked among the ten coldest months of February on record for Missouri, as well as Kansas, Iowa, Nebraska, Oklahoma, and Arkansas. Based on preliminary data, it stated that 62 all-time daily cold minimum temperature records were broken during February 11-16 and 69 all-time daily cold maximum temperature records on February 15-16.[39] In the Kansas City metropolitan area, the Johnson County Industrial Airport in Olathe, Kansas reported a record coldest minimum temperature of -

[35] Id. at 3, 31.
[36] Id. at 72.
[37] Id. at 74-76.
[38] Id. at 75-76.
[39] NOAA February 2021 Report at 2.

15°F. Record-breaking coldest maximum temperatures were reported in Missouri in Albany (-3°F), Nevada (0°F), and St. Joseph (-2°F),[40] which are located in counties served by Evergy Missouri West.

The Missouri Climate Center at the University of Missouri College of Agriculture reported that temperatures for the period February 6-19, 2021, "averaged more than 20 degrees below normal," with preliminary data indicating "it was the coldest 2-week period to impact Missouri in over 30 years."[41] Two locations in Atchison and Clay Counties – counties that Evergy Missouri West and Evergy Missouri Metro serve – reported morning low temperatures of -26°F on the morning of February 16.[42]

Q: Based upon your knowledge of the Commission's view of "extraordinary events" as related to AAOs and deferral accounting, is Winter Storm Uri such an event that supports the granting of an AAO in this proceeding?

A: Yes. Such a finding would be consistent with the views of Commission Staff in its Report filed in the investigation of Winter Storm Uri in No. EO-2021-0264, noted above. It is also consistent with Staff's recent recommendation submitted in response to the tariff filing of Empire District Electric Company which proposed a deferral of extraordinary costs related to the storm. Staff stated that it "agrees that the Storm Uri costs are 'extraordinary' in nature," based on "the broad definition of 'extraordinary costs' commonly used by the Commission in other accounting authority order deferral

[40] These temperatures are reported in NOAA's National Climate Report - February 2021 as "All-time Records Set in February." See https://www.ncdc.noaa.gov/sotc/national/202102/supplemental/page-6#MIN
[41] Missouri Climate Center February 2021 Report at 1.
[42] Id.

applications," as well as Commission Rule 20 CSR 4240-20.090(8)(A)2.A(XI) relating to Fuel and Purchased Power Rate Adjustment Mechanisms.[43]

To be clear, granting an AAO to defer the extraordinary impacts of Winter Storm Uri is necessary for both Evergy Missouri Metro and Evergy Missouri West, under the provision of the Commission's FAC Rule cited immediately above and under the Commission's historical practice of granting deferral authority in the form of an AAO when it determines that an extraordinary event warrants such treatment. Without deferral, the operation of the FAC for each utility would produce significant customer bill impacts, and in the case of Evergy Missouri Metro an extraordinary under-recovery of certain costs to serve customers during Winter Storm Uri, under traditional ratemaking practices. Granting deferral authority under these circumstances therefore provides the Commission with greater ratemaking flexibility than would otherwise be available through operation of each utility's FAC and grants reasonable ratemaking treatment that is fair to each utility and their customers.

IV. EFFECT OF WINTER STORM URI ON THE FUEL AND PURCHASED POWER COSTS OF EVERGY MISSOURI WEST AND EVERGY MISSOURI METRO

Q: What has been the effect of Winter Storm Uri on Evergy's fuel and purchased power costs?

A: Based upon preliminary figures calculated as of March 31, 2021, which are subject to the SPP resettlement process, as well as any other applicable and valid charges, Evergy Missouri West experienced extraordinary costs which resulted in a substantial under-recovery of costs collected in rates, whereas Evergy Missouri Metro saw a decrease in its

[43] See Staff Recommendation to Approve Tariff Sheet, ¶ 4 at 2, In re Empire Dist. Elec. Co. for Auth. to Implement Rate Adjustments, No. ER-2021-0332 (May 3, 2021).

costs as a result of extraordinary off-system sales revenues that it received which exceeded its extraordinary costs incurred for fuel and purchased power and caused an over-recovery of costs. The amounts cited below reflect the S53 settlement statements that Evergy Missouri Metro and Evergy Missouri West received from SPP. These figures will be updated after Evergy's books are closed in July for June activity based on the S120 statements that Evergy received from SPP as well as for any subsequent additional applicable and valid charges received.

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

A: Missouri West incurred approximately $11.8 million in fuel costs (an increase of $8.3 million from its average February fuel costs over 2018-2020), and $316.8 million in purchased power costs (an increase in $302.0 million from its average February purchased power costs). After adjustments for transmission costs, disallowances, and off-system sales revenue, Missouri West's total energy costs were $315.9 million (an increase of $297.3 million from its average February total energy costs. Please see the Direct Testimony of Ronald A. Klote for a more detailed break-down of these figures.

Q: What do the calculations show regarding Evergy Missouri Metro?

A: Evergy Metro, Inc. incurred approximately $55.0 million in fuel costs (an increase of $36.3 million from its average February fuel costs), and $109.9 million in purchased power costs (an increase of $98.2 million from its average February purchased power costs). However, in contrast to Missouri West that had off-system sales revenue of $13.7 million, Evergy Metro, Inc. had off-system sales revenue of $200.8 million. After adjustments for transmission costs, disallowances, and off-system sales revenue, Evergy Metro, Inc.'s total energy costs decreased by $34.7 million (a variance of $56.8 million

from its average February total energy costs). When allocated to Evergy Missouri Metro, Evergy Missouri Metro over-collected $32.4 million in February as a result of the effects of Winter Storm Uri. As I stated above, please see the Direct Testimony of Mr. Klote for a more detailed break-down of these figures.

Q: What is Evergy's request in this proceeding?

A: Given the extraordinary circumstances of Winter Storm Uri, Evergy Missouri West should be allowed to defer its unusual and abnormal expenses of $297.3 million as a regulatory asset, subject to adjustments based on resettlements and any valid charges. To be consistent, the Commission should also allow Evergy Missouri Metro to defer its unusual and unanticipated off-system sales revenues of $32.0 million as a regulatory liability, subject to adjustments based on resettlements and any other valid charges.

Although the Winter Storm Uri affected Missouri West and Missouri Metro differently, it was an event of an unusual nature and infrequent occurrence consistent with the language of USOA General Instruction 7, which the Commission has historically considered when evaluating deferral requests, causing financial impacts that are "abnormally and significantly different from the ordinary and typical activities" of each company that are "not reasonably … expected to recur in the foreseeable future." Such treatment is consistent with the Commission's view that whether an applicant seeks an AAO to authorize a regulatory liability or a regulatory asset, the same standards apply.[44]

[44] Office of Public Counsel v. KCP&L Greater Mo. Operations Co., Report & Order at 12, No. EC-2019-0200 (Oct. 17, 2019), aff'd Office of Public Counsel v. Evergy Mo. West, Inc., 609 S.W.3d 857, 868 (Mo. App. W.D. 2020).

Q: Have other regulatory utility commissions granted accounting authority orders or similar orders allowing deferral accounting to be used as a result of Winter Storm Uri?

A: Yes. The day after the Governor of Kansas issued a State of Disaster Emergency on February 14, 2021, the Kansas Corporation Commission issued an Emergency Order that authorized "every jurisdictional electric and natural gas distribution utility that incurs extraordinary costs associated with ensuring that their customers … continue to receive service during this unprecedented cold weather event to defer those costs to a regulatory asset account."[45] The order specified: "Such costs include but are not limited to … reasonable costs necessary to ensure stability and reliability of natural gas and electricity service. These costs may also include carrying costs at the utility's weighted average cost of capital."[46]

The Oklahoma Corporation Commission recently granted motions to establish regulatory assets for Public Service Company of Oklahoma and Oklahoma Gas and Electric Company as a result of the costs they incurred during the February 2021 winter storm.[47] The South Dakota Public Utilities Commission similarly allowed Black Hills Power, Inc. to use deferral accounting treatment.[48]

[45] Emergency Order, ¶ 4 at 2, In re Record Natural Gas Prices and Potential System Reliability Issues from Unprecedented and Sustained Cold Water, No. 21-GIMX-303-MIS (Kan. Corp. Comm'n, Feb. 15, 2021).
[46] Id.
[47] Order Granting Motion to Establish Regulatory Asset, In re Emergency Application of Public Serv. Co. of Okla. for Approval of Regulatory Treatment, Cause No. PUD 202100040, Order No. 717652 (Okla. Corp. Comm'n, Apr. 7, 2021); Order Granting Motion to Establish Regulatory Asset, In re Emergency Application of Okla. Gas & Elec. Co. for Special Regulatory Treatment of Extraordinary Costs, Case No. PUD 202100039, Order No. 717355 (Okla. Corp. Comm'n, Mar. 18, 2021).
[48] Order Granting Deferred Acct. Treatment of February Cold Weather Costs Associated with Winter Storm Uri and Creation of Regulatory Asset, In re Black Hills Power, Inc. Petition for Approval for Deferred Acct. Treatment for Feb. Cold Weather Costs, No. EL21-016 (S.D. Public Util. Comm'n, May 19, 2021).

V. THE COMMISSION SHOULD NOT RELY ON EVERGY'S FUEL ADJUSTMENT CLAUSES TO MANAGE THE FINANCIAL CONSEQUENCES OF WINTER STORM URI

Q: Should the Commission rely on the Companies' Fuel Adjustment Clauses ("FACs") and the provisions of the Rule on Fuel and Purchased Power Rate Adjustment Mechanisms ("FAC Rule"), 20 CSR 4240-2.090, to address the extraordinary costs and revenues caused by Winter Storm Uri?

A: No. The Commission should not rely on the standard rate adjustment tools found in the FAC Rule to deal with these extraordinary and unusual issues. To my knowledge, when severe weather events like Winter Storm Uri have occurred in the past, the Commission has consistently authorized deferral accounting in the form of AAOs. I do not see anything in Section 386.266,[49] the law authorizing rate adjustment mechanisms outside general rate cases, that indicates it was intended to preclude deferral under an AAO of extraordinary costs or revenues arising from isolated and volatile events like ice storms, tornadoes, or the extreme cold that the Midwest experienced in February 2021 due to Winter Storm Uri.

Q: Are there any provisions of Missouri law that limit the magnitude of FAC rate adjustments for Evergy Missouri West and Evergy Missouri Metro?

A: Yes. Section 393.1655.5 precludes Fuel Adjustment Rate ("FAR") increases for Evergy Missouri West and Evergy Missouri Metro that exceed the compound annual growth rate of three percent, as provided in Section 393.1655.3, while plant-in-service accounting ("PISA") provisions authorized under 393.1400 are in effect. PISA provisions are currently in effect for Evergy Missouri West and Evergy Missouri Metro, and are

[49] All statutory citations are to the Missouri Revised Statutes (2016), as amended.

expected to remain in effect through December 31, 2023. As shown in the Direct Testimony of Mr. Klote, approximately $78.5 million in extraordinary costs incurred by Evergy Missouri West due to Winter Storm Uri could be included in its next FAR filing to stay within the cap imposed by Section 393.1655.5. This would significantly increase Evergy Missouri West customer rates in the near-term while leaving a balance of nearly $210.5 million to be deferred and recovered over a 20 year period with a carrying cost at Evergy Missouri West's weighted average cost of capital plus applicable taxes authorized in its last rate case for recovery over the longer-term as provided under the PISA provisions enacted in 2018, specifically sections 393.1655.5 and 393.1400.2(3). We believe that taking reasonable steps to avoid such significant impacts to customers is advisable where feasible. The first step is to grant deferral under the AAO requested by Evergy Missouri West.

Q: Do the Commission's regulations indicate how extraordinary costs should be dealt with in the context of rate adjustment mechanisms like an FAC?

A: Yes, the Commission's FAC Rule provides guidance in Subsection (8)(A) of 20 CSR 4240-2.090.

Q: What does the FAC Rule state regarding "extraordinary" costs?

A: It indicates that they should be deferred. When an electric utility seeks to change its FAR after an accumulation period, it must provide historical cost information in ten categories that support the proposal. See 20 CSR 4240-2.090(8)(A)2.A(I) through (X). There is an 11th category where the utility is required to state: "Extraordinary costs not to be passed through, if any, due to such costs being an insured loss, or subject to reduction due to litigation, or for any other reason; …." See 20 CSR 4240-2.090(8)(A)2.A(XI).

Although the Evergy Missouri West under-recovery and the Evergy Missouri Metro over-recovery of costs caused by Winter Storm Uri do not relate to "an insurance loss, or subject to reduction due to litigation," there are "other reason[s]" why such costs should not be passed through the FAC. The most compelling reasons are the very significant first-year and higher overall customer impacts that a pass-through would have on Evergy Missouri West's customers if approximately $78.5 million in costs were to be collected in a 12-month recovery period under the Section 2.090(1)(y) of the FAC Rule with almost $210.5 million to be recorded to the PISA deferral for later recovery. Deferral accounting through an AAO without regard to a fuel adjustment clause would enable a smoother, phased impact on customers either through amortization of the deferral established at the time of the next general rate case or through, as Evergy witness Ron Klote describes, the ability to seek recovery of the extraordinary Winter Storm Uri impacts by utilizing the recently passed Missouri securitization legislation (House Bill 734), once it is signed into law by the Governor.

Q: Is the 95%/5% "sharing mechanism" in the FACs of Evergy Missouri West and Evergy Missouri Metro appropriate to deal with the effects of Winter Storm Uri?

A: No, it is not. This sharing mechanism was designed to provide an incentive to control costs, allowing the utility to recover 95% of its fuel and purchased power expenses incurred in excess of amounts reflected in base rates, not 100% as in most U.S. jurisdictions. Customers are, therefore, responsible for 95% of costs, with the utility absorbing the remaining 5%. Conversely, customers are permitted to keep 95% of any decreases in such costs, with the utility retaining 5%.

The Commission approved requests to include this tool in the FAC's of Missouri electric utilities to provide them with an "incentive to control costs" regarding fuel and purchased-power procurement.[50] However, neither Evergy Missouri Metro nor Evergy Missouri West conducted typical or normal procurement activities during Winter Storm Uri, and the presence of the 95%/5% sharing mechanism had no impact whatsoever on the procurement practices for those companies. Instead, they relied on the SPP energy markets, procured emergency fuel resources as needed, and took other steps to manage the crisis to provide critically needed service to their customers. The 95%/5% sharing mechanism was not relevant to these actions which illustrates why using the FAC to manage the extraordinary financial repercussions of Winter Storm Uri is not appropriate.

Deferral of the extraordinary costs incurred by Evergy Missouri West due to Winter Storm Uri, and the deferral of the extraordinary revenues realized by Evergy Missouri Metro due to Winter Storm Uri are necessary in order to remove the application of the 95%/5% sharing that would otherwise occur through operation of each utility's FAC.

[50] See, e.g., Report & Order at 29, In re Kansas City Power & Light Co., No. ER-2016-0285 (May 3, 2017); Report & Order at 31, In re Kansas City Power & Light Co., No. ER-2014-0370 (Sept. 2, 2015).

VI. BECAUSE OF SIGNIFICANT OFF-SYSTEM REVENUES DURING WINTER STORM URI AND THE EFFECT OF THE LONGSTANDING JURISDICTIONAL COST ALLOCATION MISMATCH BETWEEN MISSOURI AND KANSAS THAT EXISTS AT EVERGY METRO, INC., THE COMMISSION SHOULD ADDRESS THIS IMPACT IN THE AAO REQUESTED BY EVERGY MISSOURI METRO

Q: What causes the jurisdictional allocation issue that results in Evergy Metro, Inc. not to be able to recover 100% of its authorized rate of return in Missouri and Kansas?

A: The jurisdictional allocation issue which can prevent Evergy Metro, Inc. from recovering all of the costs it incurs to serve customers arises from the fact that Evergy Metro, Inc. (f/k/a Kansas City Power & Light Co. ["KCP&L"]) provides retail service to customers in both Missouri and Kansas. It does business in Missouri as Evergy Missouri Metro; in Kansas it does business as Evergy Kansas Metro. Therefore, the retail rates of Evergy Metro, Inc. in Missouri are set by this Commission; in Kansas they are set by the Kansas Corporation Commission ("KCC").

When costs that Evergy Metro, Inc. incurs can be identified as serving retail customers only in Missouri or only in Kansas, those costs are directly assigned to that jurisdiction. However, where it is not possible to determine that costs are only serving retail customers in Missouri or Kansas, they are allocated among the jurisdictions. Because Missouri and Kansas authorized the use of different allocation methods, Evergy Metro, Inc., unlike a utility that provides retail service in a single state (or rate jurisdiction), is currently unable to recover all of the costs that have historically been found to be recoverable by this Commission and the KCC.

Q: At a high level, what are the differences in the allocation methods that have caused Evergy Metro, Inc. not to be able to recover costs that this Commission and the KCC have historically found to be recoverable?

A: There are two main differences between the allocation methods utilized by the Missouri and Kansas Commissions – (1) a difference in the allocation of the costs associated with the utility's generation and transmission plant which Missouri Commission Staff calls "demand-related" costs[51] and KCC Staff calls "capacity-related" costs[52], and (2) a difference in the allocation of the fuel, purchased power and off-system sales through the fuel clauses. Both differences have historically caused Evergy Metro, Inc. to under-recover its authorized costs.

Specifically with respect to the impact of Winter Storm Uri, however, the allocation of off-system sales revenue credited to customers is the allocation issue causing significant impacts to Evergy Metro, Inc.'s recovery of its storm-related costs, as I discuss in more detail below.

Q: Describe the difference in allocation methods between the two Commissions for allocation of capacity-related costs.

A: To measure capacity-related costs, both Missouri and Kansas analyze the demand of each jurisdiction (Missouri and Kansas retail operations) upon the utility's generation and transmission assets when the system must serve the customer load that coincides with peak demand. The term "coincident peak" or "CP" refers to the load in MWs in each jurisdiction that coincides with the overall system peak recorded for a particular period.

[51] See Commission Staff Report, § IX (Jurisdictional Allocations) at 164-66, In re Kansas City Power & Light Co., No. ER-2018-0145 (filed June 19, 2018).
[52] See Order on KCP&L's Application for Rate Change at 4-5, In re Kansas City Power & Light Co., No. 12-KCPE-764-RTS (Kan. Corp. Comm'n, Dec. 13, 2012).

This Commission and its Staff have traditionally analyzed this system peak demand using a Four Coincident Peak ("4-CP") methodology which measures demand factors for each of the four summer months (June-September). This method has been viewed as appropriate for utilities that experience the most demand on their systems during the summer months, compared with the other eight months of the year.

On the other hand, Kansas uses a 12-CP methodology that measures the peaks that a utility experiences during each of the twelve months of a year.

Q: Have both this Commission and the KCC recognized this issue?

A: Yes, they have. In its July 22, 2011 Order Directing Filing, the Commission stated that in KCP&L's most recent rate case it "learned of differences in the ways" that it and the KCC ordered KCP&L to allocate its non-firm off system sales. The Order noted that as a result, "KCP&L may actually lose money" on the sales which "could result in KCP&L being unable to meet its authorized rate of return in either or both jurisdictions and, more importantly, may act as a disincentive to KCP&L making off-system sales that benefit ratepayers."[53] The Order recognized that under Section 386.210.7 it can conduct a joint investigation with another public utility commission, hold joint hearings, and issue joint or concurrent orders.[54]

In a letter dated September 15, 2011 the Chairman of this Commission suggested that such a joint investigation might examine whether the two states' allocation methods "result in the over-allocation of off-system sales margins and an under-allocation of demand related costs," and whether "the Kansas or Missouri Commissions should change

[53] See Order Directing Filing at 1, In re Exploration of a Joint Proceeding with the Kan. Corp. Comm'n to Investigate Off-System Sales Methods of KCP&L, No. EO-2012-0020 (July 22, 2011).
[54] Id. at 1-2.

the method used to allocate capacity-related power supply costs and related production operations costs."[55]

The Chair of the KCC declined the invitation because of a pending KCP&L case. However, he recognized that the "regulation of a utility that serves customers in multiple states is challenging …."[56]

Q: Did the KCC address this jurisdictional allocations issue in a subsequent KCP&L rate case?

A: Yes, the KCC faced the issue squarely in KCP&L's 2012 rate case where Kansas' use of the 12-CP method and Missouri's use of the 4-CP method indicated that KCP&L recovered less than 100% of its costs. It found that these different methodologies in allocating capacity-related costs caused a "discrepancy [that] creates a $10 million gap between costs deemed just and reasonable by the two state Commissions and what is collected by KCP&L."[57] Although the KCC was "sympathetic to KCP&L's situation where prudently incurred costs may be unrecoverable as a result of the different allocation methodology used in Kansas and Missouri," it declined to take unilateral action that would have "Kansas ratepayers assume responsibility for the $10 million gap."

Similar to the PSC Chairman's reference to a joint investigation under Section 386.210.7, the KCC order advised KCP&L "to approach both the Kansas and Missouri Commissions and affirmatively request a joint proceeding as authorized by K.S.A 66-

[55] See Correspondence between Commission Chairman Kevin Gunn (dated and filed on Sept. 15, 2011) and KCC Chairman Mark Sievers (dated Oct. 17, 2011; filed Oct. 4, 2012) & Notice Closing Case (Oct. 5, 2012), In re Exploration of a Joint Proceeding with the Kan. Corp. Comm'n to Investigate Off-System Sales Methods of KCP&L, No. EO-2012-0020.
[56] Id.
[57] See Order on KCP&L's Application for Rate Change at 4, In re Kansas City Power & Light Co., No. 12-KCPE-764-RTS (Dec. 13, 2012).

106(b)."[58] Because of timing (the general rate cases had concluded) and the lack of a response at the time from the Commission, no further steps were taken to address the allocation issue. However, as discussed below, Evergy Metro does plan to propose a solution to this issue in its next general rate cases in each state.

Q: Please describe the allocation issue that is related to fuel, purchased power and off-system sales that impacts Evergy Kansas Metro's ability to fully recover its fuel and purchased power costs under the FAC.

A: As a result of different allocation methodologies that have been ordered by each of the Missouri and Kansas Commissions, the calculations that occur under Evergy Metro's fuel recovery mechanisms result in an under-recovery of purchased power expenses and an over-recovery of fuel expenses incurred to serve Missouri and Kansas customers, and provide customers in both states with a credit for off-system sales that is in excess of actual sales. If no adjustments are made to correct for this allocation issue, this would result in a total net under-recovery by Evergy Metro of these extraordinary costs of approximately $12.1 million in total.

Q: Please explain what causes this second allocation issue.

A: The Missouri and Kansas Commissions have required Evergy Metro, Inc. to utilize different fuel component allocation methodologies for cost recovery and for the allocation of off-system sales revenues returned to customers as part of the calculation of rates under both states' respective fuel clauses in place for Evergy Metro. The

[58] Id. at 6-7. Section 66.106(b) provides: "The state corporation commission may … (1) Confer with officers of other states … on any matter pertaining to the state corporation commission's official duties; …." Under subsection (2)(C) it "make joint investigations, hold joint hearings within or outside the state and issue joint or concurrent orders in conjunction or concurrence with such official, agency, instrumentality or commission; …." See Kan. Stat. Ann. § 66.106(b)(1) & (2)(C) (2014).

inconsistency between the Kansas and Missouri Commissions' allocation factors results in recovery from Evergy Metro customers for fuel and purchased power costs, net of off-system sales revenues, that deviates from actual Evergy Metro incurred costs and off-system sales revenues.

In other words, although Evergy Metro should be allowed to recover no more and no less than 100% of its prudently incurred fuel and purchased power costs, and be directed to provide customers a credit for 100% of its off-system sales revenues, the use of different allocation methods by the Missouri and Kansas Commissions does not provide regulatory treatment for 100% of those costs and revenues. Instead, the conflicting methodologies provide recovery for less than 100% of fuel and purchased power costs, and provide customers a "windfall" credit for off-system sales revenues in excess of 100% of actual off-system sales revenues. In essence, customers receive a benefit for off-system sales revenues that Evergy never received.

Q: What are the allocation methodologies that are used between the two states that impact the fuel, purchased power and off-system sales?

A: There are two allocation methodologies that mainly impact off-system sales revenues, and fuel and purchased power costs. These allocation methodologies are described as follows:

- Energy Allocator: The Energy Allocator, used in Missouri, is derived from the total kilowatt-hour usage by the Missouri and Kansas retail customers and the firm wholesale jurisdiction.
- Unused Energy ("UE1") Allocator: The Unused Energy Allocator, used in Kansas, is derived from the Demand and Energy allocators. It is

calculated by subtracting the actual energy usage from the "available energy". The available energy is defined as the average of the 12 coincident peak demands multiplied by the total hours in the test period.

Q: How does the issue with the allocation methodologies used for fuel, purchased power, and off-system sales impact Evergy Metro's recovery of costs related to Winter Storm Uri?

A: Winter Storm Uri resulted in significantly greater than normal off-system sales revenues attributable to the Evergy Metro operations, which must be allocated between the Kansas and Missouri rate jurisdictions. Because each state uses a different method – with Missouri using the Energy Allocator and Kansas using the Unused Energy (UE1) Allocator – to allocate off-system sales revenues, the credit provided to customers for Evergy Metro's Kansas and Missouri jurisdictions combined totaled approximately 107% of Evergy Metro's actual off-system sales revenues. The result of using these two different allocation methods in Kansas and Missouri is an inappropriate credit that would be provided to retail customers in both states, in the aggregate, that is $13.6 million greater than the off-system sales revenues that were actually realized. Evergy witness Ronald Klote provides more details on the allocation factor differences and impacts in his direct testimony.

It should be noted that this jurisdictional allocation issue has, over time, consistently resulted in a mismatch, in the aggregate for Evergy Metro, Inc., between costs actually incurred that should be eligible for recovery under the fuel clauses in both states and the revenues authorized for recovery under the fuel clauses in both states. Under typical operating conditions, this "mis-match" does not have significant financial

impacts – favorable or unfavorable – on Evergy or its customers. However, the extreme and atypical operating conditions resulting from Winter Storm Uri have increased the magnitude of this mis-match, and it would be unreasonable not to mitigate those material impacts. Granting the AAO requested by Evergy Missouri Metro is a necessary first step to mitigating that financial impact.

Q: When off-system sales are at less significant levels, does the difference in allocation methodologies have a material impact?

A: Although providing a credit in the fuel clause calculation for Kansas and the fuel clause calculation in Missouri for off-system sales revenues in excess of actual sales that occur is problematic, in recent years the off-system sales revenues have not been as significant of an issue. As a result of Winter Storm Uri when off-system sales revenues totaled approximately $200.8 million for Evergy Metro, Inc., the over-allocation of off-system sales revenues under Commission approved methods is, as I noted previously, very significant. This extraordinary and material impact is very problematic as significant credits would be provided to customers in excess of actual off-system sales solely due to the different allocation methodologies ordered by the Kansas and Missouri Commissions. In other words, customers would receive credits for $13.6 million of off-system sales revenues that were not received by Evergy Metro.

Q: What is your proposal in this case?

A: As Mr. Klote explains in his Direct Testimony, Evergy Missouri Metro has determined what portion of the under-recovery should be attributable to Missouri customers and proposes to offset the amount of the regulatory liability associated with Winter Storm Uri that will be returned to customers by that amount in order to ensure that Evergy Missouri

Metro fully recovers its costs and returns the appropriate off-system sales revenues to customers.

Q: Will Evergy Missouri Metro propose a more permanent solution to the two allocation issues in the future?

A: Yes, now that Winter Storm Uri has resulted in such an extraordinary outcome with the allocation differences between Kansas and Missouri, and both Commissions are being asked to address the extraordinary event of Winter Storm Uri, Evergy Metro will propose a solution to correct the problem on a prospective basis in its next general rate cases in Missouri and Kansas. Evergy Missouri Metro plans to provide in the next general rate case, to be filed in early 2022, an analysis of the allocation issues that currently exist between the two state jurisdictions and propose a workable solution that can provide Evergy Missouri Metro a more fair recovery of 100% of the costs incurred and provide customers the appropriate credit for off-system sales that actually occurred. Evergy Kansas Metro will also address the issue in its next general rate proceeding before the KCC to be filed in the second quarter of 2023. This is important to resolve as Evergy Metro should not experience recovery shortfalls for these costs solely due to the fact that it operates as one company in two different states that use different cost allocation methods. It should have the same treatment and recovery opportunity as any single jurisdictional utility that is subject to the jurisdiction of either the Kansas or Missouri commission.

VII. GIVEN THE GENERAL ASSEMBLY'S PASSAGE OF HOUSE BILL 734 RELATED TO UTILITY FINANCING AND SECURITIZATION, THE COMMISSION SHOULD AUTHORIZE AN ACCOUNTING AUTHORITY ORDER IN THIS CASE.

Q: If signed into law by Governor Parson, would House Bill 734 passed by the General Assembly on May 13, 2021, permit recovery of the extraordinary costs incurred by Evergy Missouri West as a result of Winter Storm Uri?

A: Yes. Subject to approval by the Commission, House Bill 734 authorizes the use of highly-rated and low-interest rate securitized utility tariff bonds to recover "qualified extraordinary costs" which are defined in Section 393.1700.1(13) of that legislation as "costs incurred before, on, or after the effective date of this section of an extraordinary nature which would cause extreme customer rate impacts if reflected in retail rates through customary ratemaking including, but not limited to, those related to purchases of fuel or power, inclusive of carrying charges, during anomalous weather events; …."

Q: Given that a decision will not occur in this case regarding cost recovery but only whether an AAO will be authorized, how will Evergy propose to address issues of cost recovery for Evergy Missouri West?

A: Evergy Missouri West intends to pursue the securitization bond approach once the legislation has been signed by the Governor and has become effective. As described by Evergy witness Klote and as demonstrated by the four scenarios identified in Schedule RAK-4 to his testimony, the use of securitized bonds will provide recovery of deferred costs at the lowest annual impact on customers. If the Commission grants an AAO approving the deferral of costs in this case, Evergy Missouri West plans to file a financing petition under Section 393.1700.2(2) that seeks authority to issue securitized bonds in order to recover the extraordinary costs that were caused by Winter Storm Uri.

Q: Please discuss the expected results upon Commission approval of this AAO request if Evergy Missouri West seeks authority to issue securitized bonds to recover the extraordinary costs deferred pursuant to the AAO as a result of Winter Storm Uri.

A: As shown in the Direct Testimony of Mr. Klote, issuing securitized bonds as an alternative to the customary operation of the FAC would have the smallest estimated annual revenue requirement impact of all the recovery methods to be discussed below. The issuance of securitization bonds would have an estimated annual revenue requirement impact of approximately $25.7 million, assuming a 15-year repayment schedule for the bonds (at a 1.65% bond rate) and would also serve to smooth the approximate $78.5 million impact that Evergy Missouri West customers would pay in the first year under customary ratemaking treatment provided in the FAC. This approach would result in an average monthly cost to a typical residential customer of Evergy Missouri West of approximately $2.83 over the duration of the recovery period.

This is a much more balanced and reasonable outcome from a customer rate impact perspective than the customary ratemaking treatment provided in the FAC or the two alternative AAO amortization approaches I will discuss below. Granting the deferral authority requested by Evergy Missouri West in this proceeding will provide transparency of the impact of Winter Storm Uri and support the use of this alternative for the benefit of customers.

Q: You have previously explained in this testimony why and how Winter Storm Uri constituted an anomalous weather event that caused Evergy Missouri West to incur extraordinary fuel and purchased power costs. Please explain why and how reflecting those extraordinary costs in retail rates using customary ratemaking practices would cause extreme customer rate impacts.

A: Customary ratemaking for fuel and purchased power costs would recover such costs through Evergy Missouri West's FAC. As shown in the Direct Testimony of Mr. Klote, recovering the extraordinary fuel and purchased power costs incurred by Evergy Missouri West through the FAC would have a revenue requirement impact in year one of approximately $78.5 million. This would leave approximately $210.5 million deferred in a regulatory asset and recovered over a 20-year period. The average annual revenue requirement impact over the 20-year period would be approximately $24.7 million. If deferral authority is not granted by the Commission, Evergy Missouri West customers will experience an "extreme customer rate" impact, using the language of Section 393.1700.1(13), as a result of the extraordinary fuel and purchased power costs resulting from Winter Storm Uri.

However, if the Commission chooses to grant deferral authority, Evergy has evaluated two additional alternative recovery methods for the Commission's evaluation in addition to the use of securitized bonds in lieu of the customary operation of Evergy Missouri West's FAC.

One alternative to the customary operation of the FAC would be to amortize the recovery of extraordinary costs incurred by Evergy Missouri West as a result of Winter Storm Uri over a similar period of time as called for under the FAC. As shown in the

Direct Testimony of Mr. Klote, using a 20-year amortization period results in an annual revenue requirement impact of approximately $36.5 million, although it would serve to smooth the approximate $78.5 million impact that Evergy Missouri West customers would pay in the first year under customary ratemaking treatment provided in the FAC.

Another alternative to the customary operation of the FAC would be to amortize recovery of the extraordinary costs incurred by Evergy Missouri West as a result of Winter Storm Uri for recovery over a different and shorter period of time. As shown in the Direct Testimony of Mr. Klote, using a 15-year amortization period results in an annual revenue requirement impact of approximately $43.2 million, although it too would serve to smooth the approximate $78.5 million impact that Evergy Missouri West customers would pay in the first year under customary ratemaking treatment provided in the FAC.

These two alternatives, while beneficial to customers as compared to customary operation of Evergy Missouri West's FAC, do not provide the level of customer benefit that issuance of securitized bonds can provide as demonstrated by Mr. Klote in his testimony and supporting schedules.

Q: Please summarize your request of the Commission in this proceeding.

A: Evergy requests that the Commission recognize the impacts of Winter Storm Uri as extraordinary and authorize:

1) Evergy Missouri West to defer the impacts as described in the testimony of Mr. Klote to a regulatory asset,

   a. This includes a deferral of the Company's 5% portion of the FAC sharing mechanism.

2) Evergy Missouri Metro to defer the impacts as described in the testimony of Mr. Klote to a regulatory liability,

a. This includes a deferral of the Company's 5% portion of the FAC sharing mechanism;

b. This deferral includes all amounts that would have been returned to customers or retained by the Company under the FAC and does not include a deferral of any amounts that are in excess of revenues received during Winter Storm Uri, as calculated and supported in the testimony of Mr. Klote.

3) Upon the Commission's finding that Winter Storm Uri is an extraordinary event and approval for Evergy Missouri West and Evergy Missouri Metro to establish deferrals as requested, Evergy requests that the Commission consider its recovery proposals as follows:

a. Evergy Missouri Metro requests to include amounts authorized for deferral in the first FAR filing, after an order by the Commission in this proceeding, to be returned to customers over the twelve-month recovery period of the FAR. Evergy acknowledges the Commission will determine recovery in the FAR proceeding when requested.

b. Evergy Missouri West requests to include amounts authorized for deferral in a financing petition under Section 393.1700.2(2) that seeks authority to issue securitized bonds in order to recover the extraordinary costs that were caused by Winter Storm Uri. Evergy acknowledges the Commission

will evaluate the financing petition and determine recovery in such proceeding when requested.

Q: Does this conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro and Evergy Missouri West, Inc. d/b/a Evergy Missouri West for an Accounting Authority Order Allowing the Companies to Record and Preserve Costs Related to the February 2021Cold Weather Event	)))))))	No. EU-2021-0283

AFFIDAVIT OF DARRIN R. IVES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. and serve as Vice President – Regulatory Affairs for Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy Kansas Metro ("Evergy Kansas Metro"); Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"); and Evergy Kansas Central, Inc. d/b/a/ Evergy Kansas Central ("Evergy Kansas Central")..

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of thirty-nine (39) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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

Darrin R. Ives

Subscribed and sworn before me this 30th day of June 2021.

Notary Public

My commission expires: 4/26/2025

ANTHONY R. WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2025
PLATTE COUNTY
COMMISSION #17279952

UNIVERSITY OF MISSOURI

MISSOURI CLIMATE CENTER

COLLEGE OF AGRICULTURE, FOOD AND NATURAL RESOURCES

February 2021 Weather and Its Impacts on Missouri

Pat Guinan
State Climatologist
University of Missouri Extension

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

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

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

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

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

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

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

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

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

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

Jump to:

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

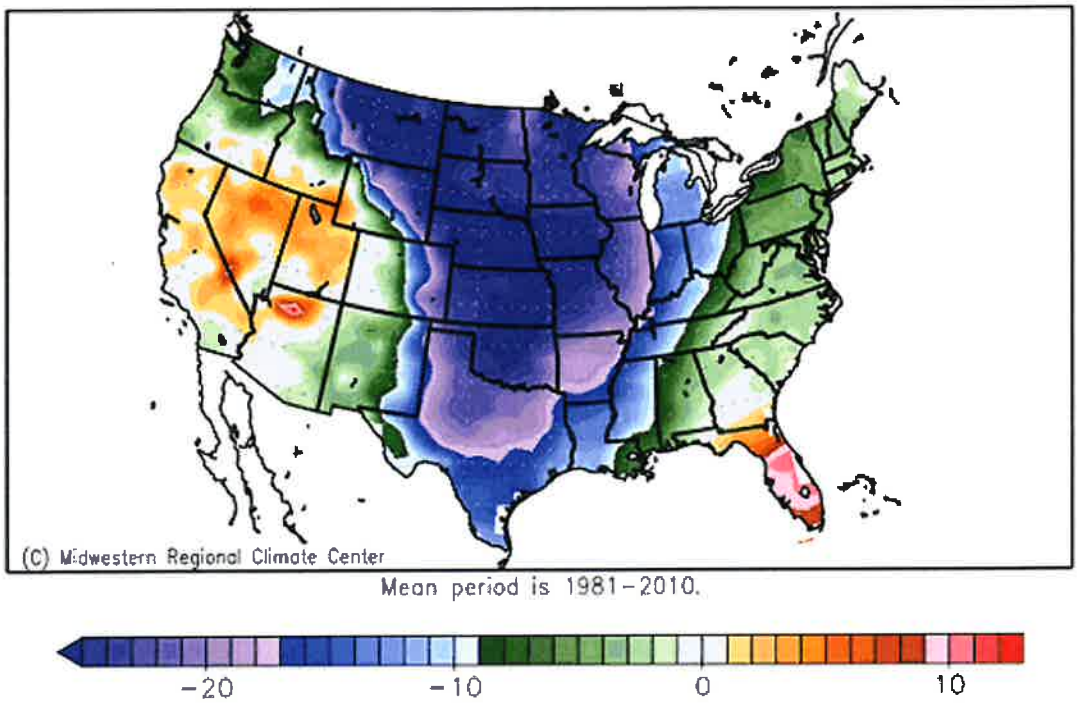


Figure 1.

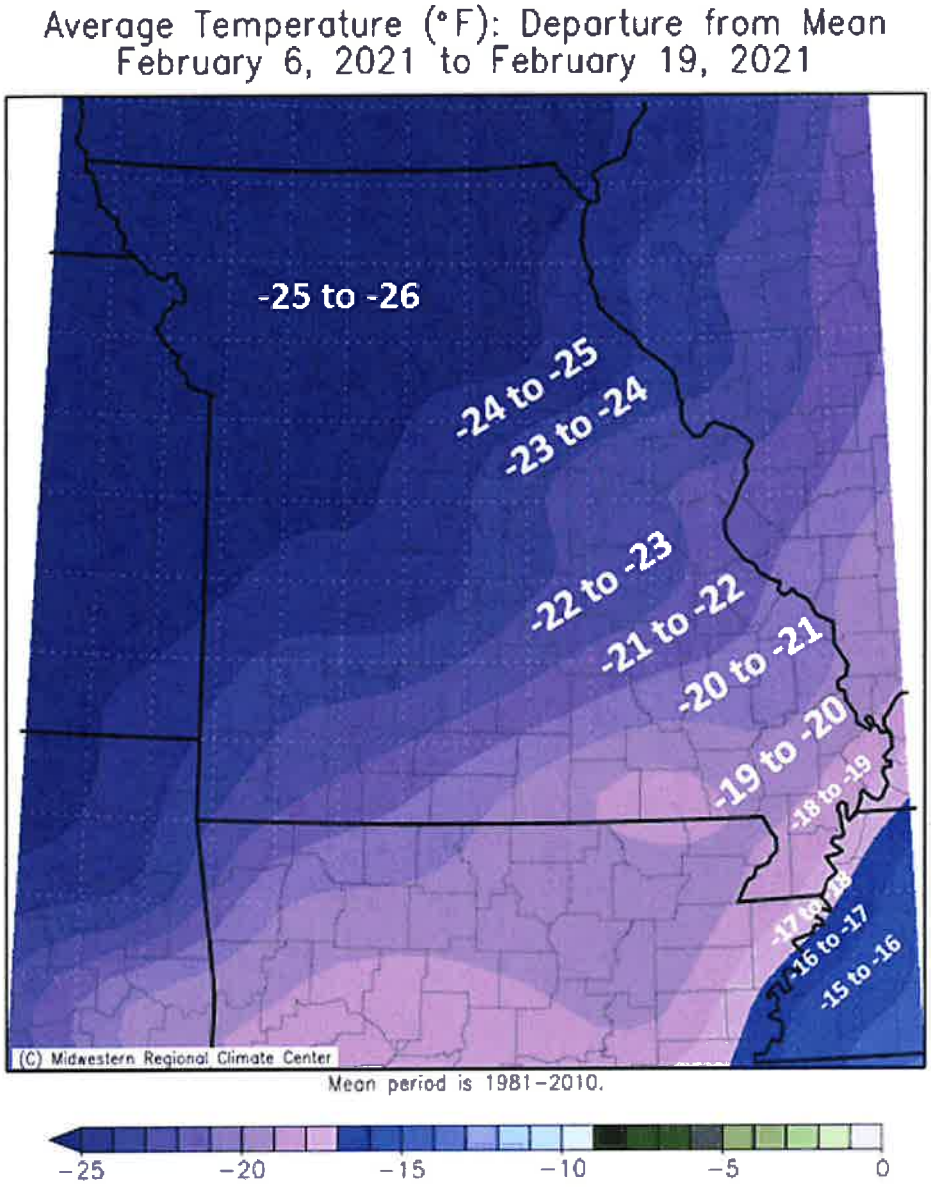

Average Temperature (°F): Departure from Mean
February 6, 2021 to February 19, 2021
-25 to -26
-24 to -25
-23 to -24
-22 to -23
-21 to -22
-20 to -21
-19 to -20
-18 to -19
-17 to -16
-16 to -17
-15 to -16
(C) Midwestern Regional Climate Center
Mean period is 1981-2010.
-25
-20
-15
-10
-5
0

Figure 2.

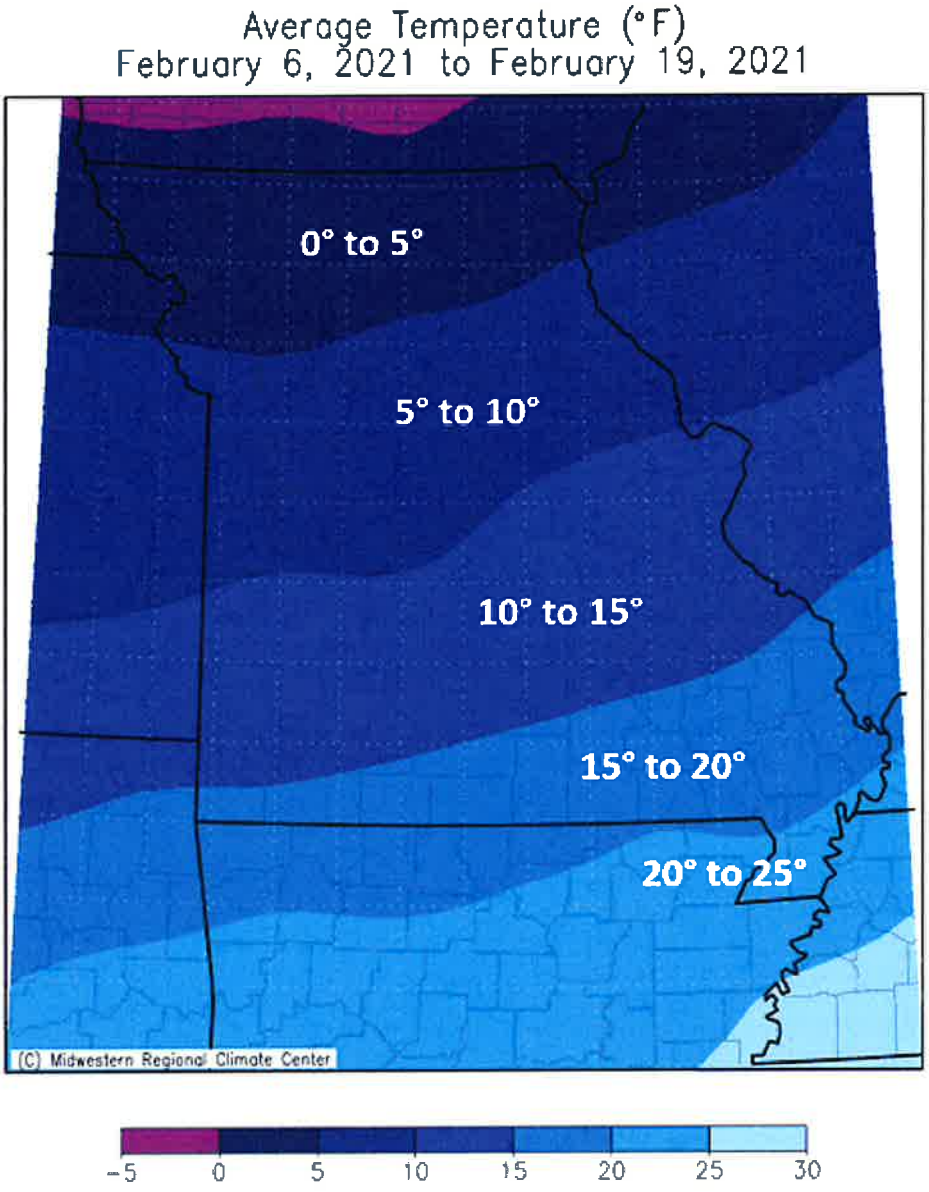
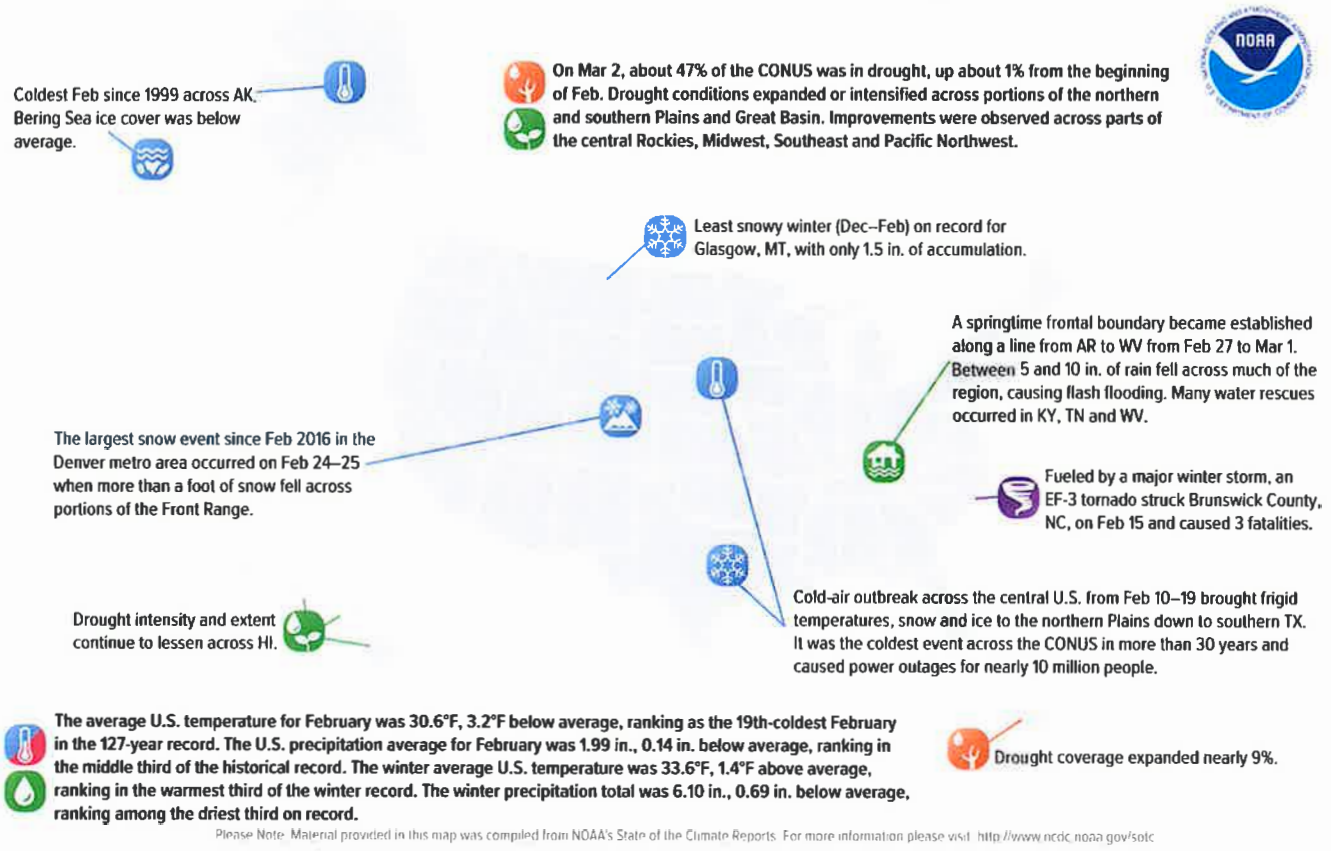

Average Temperature (°F)
February 6, 2021 to February 19, 2021
0° to 5°
5° to 10°
10° to 15°
15° to 20°
20° to 25°
(C) Midwestern Regional Climate Center
-5
0
5
10
15
20
25
30

Figure 3.

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



February 14, 2021

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

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

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

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

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

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

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

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

Derek Wingfield, 501-614-3394, dwingfield@spp.org

Stakeholder Groups

February 15, 2021

SPP issues new energy emergency alert due to extreme cold

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

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

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

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

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

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

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

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

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

Follow us on Twitter or visit **SPP.org** for updates.

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

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Evergy Asks Customers to Conserve Electricity

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

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

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

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

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

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

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

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

About Evergy, Inc.

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

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February 15, 2021

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

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

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

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

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

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

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

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

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

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Derek Wingfield, 501-614-3394, dwingfield@spp.org

February 15, 2021

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

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

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

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

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

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

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

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Stakeholder Groups

Meeting materials, member info, and more.

Documents

Filings, governing documents, and other resources.

SPP

CREATE ACCOUNT LOGIN

February 16, 2021

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

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

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

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

Derek Wingfield, 501-614-3394, dwingfield@spp.org

February 18, 2021

SPP ends Energy Emergency Alert, remains in conservative operations

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

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

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

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

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

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

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

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

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

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