

Exhibit No.:
Issue(s): Fuel Adjustment Clause
Witness: Brooke Mastrogiannis
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2024-0189
Date Testimony Prepared: September 10, 2024

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

SURREBUTTAL TESTIMONY

OF

BROOKE MASTROGIANNIS

EVERGY MISSOURI WEST, INC.,

d/b/a Evergy Missouri West

CASE NO. ER-2024-0189

Jefferson City, Missouri
September 10, 2024

1
2
3
4
5
6
7
8
9
10

**TABLE OF CONTENTS OF
SURREBUTTAL TESTIMONY OF
BROOKE MASTROGIANNIS
EVERGY MISSOURI WEST, INC.,
d/b/a Evergy Missouri West
CASE NO. ER-2024-0189**

EXECUTIVE SUMMARY1
FAC CROSSROADS2
FAC HEDGING ACTIVITIES2
FAC SHARING MECHANISM3

1 **FAC CROSSROADS**

2 Q. What did EMW originally propose in direct testimony regarding Crossroads
3 transmission costs in the FAC?

4 A. Included as Schedule LJM-4 to Ms. Nunn's direct testimony were FAC red lined
5 tariff sheets that removed the following language on Original Sheet No. 124.3: "excluding any
6 transmission costs associated with the Crossroads Power Plant." In addition, her direct
7 testimony on page 4 states that EMW is proposing to make the following changes to the FAC
8 tariff: "language excluding Crossroads transmission costs from the FAC has been removed."

9 Q. Does EMW seem to have changed its original position to remove the language
10 in the FAC tariff sheets that currently excludes Crossroads transmission costs from
11 FAC recovery?

12 A. I believe so. It appears that after reviewing Ms. Nunn's rebuttal testimony¹ and
13 the response to Data Request 0464, the transmission costs would not flow through the FAC
14 with or without the wording currently included in the tariff. Therefore, it is Staff's opinion
15 there should be no update to the current FAC tariff sheets, the language of "excluding any
16 transmission costs associated with the Crossroads Power Plant" should stay in the FAC tariff
17 sheets, and the costs should continue to be excluded from all FAC base factor calculations.

18 **FAC HEDGING ACTIVITIES**

19 Q. EMW witness Mr. James (JP) Meitner provides extensive testimony on gas and
20 purchased power hedging transactions included in the FAC. Do you agree with some of the
21 points he makes?

¹ Rebuttal testimony of Ms. Linda Nunn, page 3, lines 13 through 16.

1 A. Yes. As I explained in my rebuttal testimony, EMW is hedging to reduce the
2 volatility of fuel and purchased power costs for customers. Also, Mr. Meitner goes over the
3 timeline from when EMW first raised concerns with Staff and OPC in the winter prior to 2022.²
4 This is similar to the timeline I provided in my rebuttal testimony, providing support for why
5 EMW starting hedging again based on the gas prices that were known at that time, and the
6 results of the losses that have occurred based on the timeline.

7 **FAC SHARING MECHANISM**

8 Q. EMW witness Mr. Kevin D. Gunn provides extensive testimony on the FAC
9 sharing mechanism. Do you agree with some of the points he makes?

10 A. Yes. Mr. Gunn points out that the Commission has never been persuaded by
11 OPC, Staff, or any other party's proposal to adjust the level of sharing. As he states, it is a fact
12 that the Commission has maintained the 95/5 sharing mechanism for the duration of time that
13 the FAC has been in place in Missouri, for all four electric utilities. In addition, Mr. Gunn
14 points out there are only eight out of fifty-two US jurisdictions that actually utilize a FAC
15 sharing mechanism, none of which include a sharing provision as large as the one proposed by
16 Ms. Mantle.³ My rebuttal testimony also touched on this, although different data points and
17 sources were found, it is clear that if the Commission adopted Ms. Mantle's recommendation
18 in this case, Missouri would be an outlier of ratemaking policy and precedent.

19 Q. What additional support does OPC witness Ms. Lena Mantle provide in her
20 rebuttal testimony for the recommended change of the FAC sharing mechanism to 75%/25%?

² Rebuttal testimony of Mr. James (JP) Meitner, page 7.

³ Rebuttal testimony of Mr. Kevin D. Gunn, pages 9 and 10.

Surrebuttal Testimony of
Brooke Mastrogianis

1 A. One of her main points she discusses is the disparity between the FAC base
2 factors recommended by EMW and Staff. She provides charts for EMW estimates that its net
3 FAC costs will be lower than they currently are going forward, and Staff's estimates that its net
4 FAC costs will be over 16% higher.⁴

5 Q. What does Ms. Mantle tie these estimated differences to?

6 A. She states that the large net normalized costs recommended by both EMW and
7 Staff demonstrates that EMW is heavily reliant on energy from other utilities to meet its
8 customer requirements and this is something that both EMW and Staff expect to continue into
9 the future. She also points out in Table 2 and Table 3 that the large differences are between the
10 normalized purchased power costs and off-system sales revenues, and also the net of the two.⁵

11 Q. Do you agree with this rationalization?

12 A. I agree that the large differences between EMW and Staff, at direct, were due to
13 the normalized purchased power costs and off-systems sales revenues, and the net of the two.
14 However, Staff updated its production cost modeling as discussed by Brodrick Niemeier in his
15 true-up direct testimony. Additionally, Staff made adjustments to its market prices and fuel
16 price inputs as discussed by Justin Tevie and Jared Giacone, respectively, in their true-up direct
17 testimonies. Staff's true-up direct base factor is now much closer with EMW; this is reflected
18 in Staff witness Teresa L. Denney's true-up direct testimony and associated workpaper.

19 Q. What is Staff's position regarding Ms. Mantle's recommendation to change the
20 current FAC sharing mechanism to 75%/25%?

⁴ Rebuttal testimony of Ms. Lena M. Mantle, pages 11 through 13.

⁵ Rebuttal testimony of Ms. Lena M. Mantle, pages 12 through 15.

Surrebuttal Testimony of
Brooke Mastrogianis

1 A. It is Staff's position that changing the current sharing percentage in this rate case
2 is inconsistent with prior Commission rulings and the sharing percentages of other Missouri
3 regulated utilities with FACs. Staff has not found sufficient evidence to support a
4 recommendation to change the sharing mechanism at this time. Staff's position is to continue
5 to recommend the current sharing mechanism of 95%/5%.

6 Q. Does this conclude your surrebuttal testimony?

7 A. Yes it does.

