

*Exhibit No.:*  
*Issue(s):* Natural Gas Fuel Prices  
*Witness:* Jared Giacone  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* True-Up Rebuttal Testimony  
*Case No.:* ER-2024-0189  
*Date Testimony Prepared:* September 18, 2024

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL & BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**JARED GIACONE**

**EVERGY MISSOURI WEST, INC.,**

**d/b/a Evergy Missouri West**

**CASE NO. ER-2024-0189**

*Jefferson City, Missouri*

*September 18, 2024*

1 **TRUE-UP REBUTTAL TESTIMONY**

2 **OF**

3 **JARED GIACONE**

4 **EVERGY MISSOURI WEST, INC.,**  
5 **d/b/a Evergy Missouri West**

6 **CASE NO. ER-2024-0189**

7 Q. Please state your name and business address.

8 A. My name is Jared Giacone and my business address is 615 East 13<sup>th</sup> Street,  
9 Kansas City, MO 64106.

10 Q. Are you the same Jared Giacone who filed direct testimony in this case on  
11 June 27<sup>th</sup>, 2024 and surrebuttal/true-up direct testimony on September 10<sup>th</sup>, 2024?

12 A. Yes.

13 Q. What is the purpose of your true-up rebuttal testimony?

14 A. The purpose of my true-up rebuttal testimony is to respond to the true-up direct  
15 testimony of Jessica L. Tucker on natural gas fuel prices.

16 Q. What is Evergy Missouri West's ("EMW") position on natural gas fuel prices at  
17 true-up?

18 A. As stated in the surrebuttal/true-up direct testimony of Jessica L. Tucker, page 2,  
19 beginning on line 4, "For natural gas commodity, the Company utilized a three-year average of  
20 2023-2025 Henry Hub and Southern Star prices, along with Texas Gas Transmission Zone 1  
21 pricing (for Crossroads). The three-year natural gas price average encompasses 18 months of  
22 actual prompt month NYMEX prices and 18 months of ICE forward prices as of June 30, 2024."

True-up Rebuttal Testimony of  
Jared Giacone

1 Q. What is meant by “18 months of ICE forward prices as of June 30, 2024”?

2 A. That refers to a natural gas futures market where contracts are traded on  
3 an exchange.

4 Q. What is NYMEX and ICE?

5 A. NYMEX stands for the New York Mercantile Exchange which is a futures  
6 exchange market where commodities such as natural gas forward looking price contracts are  
7 bought and sold.

8 ICE stands for the Intercontinental Exchange which is another futures exchange market  
9 where commodities such as natural gas forward looking price contracts are bought and sold.

10 Q. Did EMW use a different approach for natural gas pricing at true-up than it  
11 anticipated using at the time of direct testimony?

12 A. Yes, Ms. Tucker addresses this question on page 2 of her surrebuttal/true-up  
13 direct testimony:

14 At the time that Direct testimony was written, the Company expected to  
15 utilize actual natural gas pricing in True-Up. However, as shown in the  
16 chart below, natural gas prices during the True-Up period were  
17 abnormally low, especially during early 2024. Utilizing the actual  
18 pricing from the True-Up period would capture depressed market pricing  
19 that may not be reflective of pricing over the next few years.

20 Q. What is Staff’s position on natural gas fuel prices?

21 A. As stated in my surrebuttal/true-up direct testimony, Staff used the average of  
22 2021 and 2023 actual natural gas price experienced by plant by month as an input to Staff’s fuel  
23 model. Natural gas prices were abnormally high in 2022 so Staff normalized the price by  
24 removing 2022 from the average.

25 Q. Does Staff agree that natural gas prices during the true-up period were  
26 abnormally low, especially during early 2024?

1           A.     Yes. Staff noticed the same depressed level of natural gas prices during the start  
2 to 2024 which was abnormally lower than what Staff would consider to be normal. That is why  
3 Staff chose the average of natural gas price experienced in 2021 and 2023 and excluded the  
4 abnormally high prices from 2022 from the average.

5           I have attached a portion of EMW's true-up workpaper for fuel prices which also  
6 describes in Note (5) that forecasted 2025 natural gas prices were used in EMW's gas price  
7 calculation. (Confidential Schedule JG-tr1).

8           Q.     Has EMW, or its predecessor companies or affiliates used actual natural gas  
9 prices in prior rate cases?

10          A.     Yes. In Case No. ER-2010-0356, the true-up direct testimony of EMW<sup>1</sup> witness  
11 Burton L. Crawford stated the following, in in response to a question regarding inputs used for  
12 EMW's fuel model:

13                   Fuel prices were updated to known and measurable values. Coal and coal  
14 transportation which are purchased under contracts with specific prices  
15 or pricing mechanisms have been reflected at January 1, 2011 prices.  
16 Fuel costs for natural gas were updated to reflect the actual monthly  
17 purchase prices for January through December 2010. Oils prices were  
18 also updated to December 2010 values. Market prices were also updated  
19 to reflect these natural gas prices.

20          In Case No. ER-2010-0355, which was prior to EMM<sup>2</sup> having a Fuel Adjustment Clause  
21 ("FAC"), the true-up direct testimony of Burton L. Crawford stated the following, in response  
22 to a question regarding inputs used for the Company's fuel model:

23                   Fuel prices were updated to known and measurable values. Coal and coal  
24 transportation which are purchased under contracts with specific prices  
25 or pricing mechanisms have been reflected at January 1, 2011 prices.  
26 Fuel costs for natural gas were updated to reflect the actual monthly

---

<sup>1</sup> At the time, EMW was known as Kansas City Power & Light Company ("KCPL") Greater Missouri Operations Company ("GMO").

<sup>2</sup> At the time, EMM was known as KCPL.

1 purchase prices for January through December 2010. Oil prices were  
2 updated to December 2010 purchase prices. Market prices were also  
3 updated to reflect these natural gas prices.

4 Q. Why is it notable that Case No. ER-2010-0355 was prior to EMM having  
5 an FAC?

6 A. It is an example where a company used the actual historical price incurred as  
7 the best indicator of price going forward. Any future changes in price from what were set in  
8 that case would not have had the FAC mechanism by which to recover increases in actual  
9 price incurred or return any decreases in price incurred to ratepayers. It is also notable that in  
10 both the 2010 EMM and EMW rate cases, the utility matched the market prices with the natural  
11 gas prices.

12 Q. Does EMW's FAC protect against volatility in fuel prices?

13 A. Yes. That is why the Commission should order natural gas pricing to be based  
14 on historical experience, exactly like is done for every other expense and investment, and not  
15 based on predictions, estimates or futures. The FAC is a mechanism that protects against  
16 changes in the natural gas price that will be set in this case to account for the actual experienced  
17 natural gas price incurred in the future, regardless if the actual experienced price ends up being  
18 higher or lower in the future than what is set in this case. Again, natural gas pricing in this case  
19 should be based on actual historical price incurred. There is no need to use projections,  
20 especially when there is an FAC mechanism that exists to account for the difference of what is  
21 set in this case versus what will be incurred going forward.

22 Q. Are you familiar with any testimony discouraging the use of ICE or NYMEX  
23 trading futures to set natural gas prices in a rate case?

1           A.     Yes. In Case No. ER-2004-0034, John C. Browning, Vice President, Resource  
2 Operations, on behalf of Aquila, Inc. which was a predecessor company to EMW, stated the  
3 following on page 7 of his direct testimony:

4                     I do agree that NYMEX futures are not good indicators of actual future  
5 prices. The NYMEX responds irrationally to short-term events such as  
6 storage reports, hurricanes and short-term weather patterns. The near  
7 months are actually the most volatile with the out months being more  
8 stable but less meaningful because of a lack of trading volume.

9           The testimony went on to criticize historical pricing as well but ultimately recommended  
10 a natural gas price based on a mix of historical and future pricing—based on industry analyst  
11 projections, not trading futures.

12           Q.     Do you think there is a difference in ICE futures from the NYMEX futures that  
13 Mr. Browning criticized?

14           A.     No. Both are future trading exchanges. The criticism of futures not being good  
15 indicators of actual future prices would be relevant for ICE futures as well.

16           The most important thing for the Commission to remember is that EMW has an FAC  
17 that will protect both EMW and their ratepayers from changes in the natural gas price set in this  
18 rate case and the actual future natural gas prices experienced, so there is no need to be distracted  
19 by a recommendation to set the natural gas price in this case based on trading future predictions.

20           Q.     Are there any other expense or investment items where budgets, estimates or  
21 trading future pricing is used in Staff's recommended revenue requirement?

22           A.     No. Ratemaking in Missouri is based on a historical (in the past) test year which  
23 is updated for known and measurable changes. Trading future pricing is not based on known  
24 and measurable data. It is a gamble or bet on the future that may be right, may be too high and  
25 may be too low and the actual outcome of the bet is not known or measurable until the future

True-up Rebuttal Testimony of  
Jared Giacone

1 actually occurs. There are decades of historical natural gas prices that are known and  
2 measurable that are far superior to analyze to select an appropriate natural gas price input to  
3 Staff's fuel model rather than relying on the unknown outcome of forward-looking bets. That  
4 is why using historical known and measurable experienced natural gas price is the appropriate  
5 input to Staff's fuel model.

6 Q. Does this conclude your True-up Rebuttal testimony?

7 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Evergy Missouri West, Inc.     )  
d/b/a Evergy Missouri West's Request for     )  
Authority to Implement A General Rate         )  
Increase for Electric Service                    )

Case No. ER-2024-0189

**AFFIDAVIT OF JARED GIACONE**

STATE OF MISSOURI                             )  
  )  
COUNTY OF Jackson                         )     ss.

**COMES NOW JARED GIACONE** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *True-Up Rebuttal Testimony of Jared Giacone*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
**JARED GIACONE**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 16th day of September 2024.



  
\_\_\_\_\_  
Notary Public



**Case No. ER-2024-0189**

**SCHEDULE JG-tr1**

**HAS BEEN DEEMED**

**CONFIDENTIAL**

**IN ITS ENTIRETY**