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# Exhibit No. 305

OPC – Exhibit 305  
John S. Riley  
True-Up Rebuttal  
File No. ER-2024-0189

**Exhibit No.:**

**Issue(s):**

**Witness/Type of Exhibit:**

**Sponsoring Party:**

**Case No.:**

Hedging Disallowance

Riley/True-Up Rebuttal

Public Counsel

ER-2024-0189

**TRUE-UP**  
**REBUTTAL TESTIMONY**  
**OF**  
**JOHN S. RILEY**

Submitted on Behalf of the Office of the Public Counsel

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

CASE NOS. ER-2024-0189

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Denotes Confidential Information that has been redacted.

September 18, 2024

**PUBLIC**

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**JOHN S. RILEY**

**EVERGY MISSOURI WEST**

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

1 **Q. What is your name and business address?**

2 A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102.

3 **Q. Are you the same John S. Riley who prepared and filed direct and surrebuttal testimony**  
4 **in this case on behalf of the Office of the Public Counsel?**

5 A. Yes.

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

7 A. I will be responding to the true-up testimony of Company witness Jessica L. Tucker regarding  
8 the Evergy West's position on the treatment of hedging costs in its cost of service and its fuel  
9 adjustment clause ("FAC").

10 **Q. Has your position changed regarding hedging costs?**

11 A. No. My position remains that the Company should bear responsibility for all hedging  
12 transactions past and future. Alternatively, as a compromise, cross hedging should be completely  
13 excluded from rate consideration of any kind. The Commission should require EMW to absorb  
14 one half of the fuel hedging costs. Half of the fuel hedging costs would be included in rates over  
15 a four-year amortization with no rate base treatment. No hedging costs or gains would be included  
16 in EMW's FAC. The Commission should order that any future additional hedging transactions  
17 should be conducted below the line. Losses would be the responsibility of the Company. Gains  
18 would benefit the Company.

1 **Q. What cost recovery is EMW requesting in this case?**

2 A. In her direct testimony, Every West witness Linda J. Nunn sponsored an amortization of  
3 EMW’s hedging regulatory asset account for hedging costs of \$3.2 million for four years. In  
4 her direct testimony, Every West witness Jessica L. Tucker explained to the FAC section of  
5 her testimony provided testimony regarding her belief in why the hedging should be included  
6 in EMW’s FAC. It was not until her true-up testimony, that Ms. Tucker proposed the  
7 inclusion of an amount for hedging losses be included in EMW’s cost of service on an ongoing  
8 basis.

9 **Q. What is the total amount associated with hedging that EMW has included in its cost of**  
10 **service?**

11 A. EMW is including a total of \*\*\_\_\_\_\_\*\* for two different adjustments for hedging. Of  
12 that \*\*\_\_\_\_\_\*\* is a four-year amortization of the \*\*\_\_\_\_\_\*\* of  
13 hedging losses EMW has incurred since the last rate case. Ms. Tucker revealed in her true-  
14 up direct testimony that EMW has also included \*\*\_\_\_\_\_\*\* of hedging losses “on a go-  
15 forward basis.”<sup>1</sup>

16 **Q. Should there be any amount included in cost of service for hedging?**

17 A. No. As I have previously stated, EMW’s hedging policies have resulted in hedging costs that  
18 were 35% of its natural gas costs in 2023. The amount that EMW is requesting is almost 15%  
19 of its normalized natural gas costs in this case. So, this means that, in effect, EMW is asking

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<sup>1</sup> Tucker Surrebuttal/True-up Direct, page 4.

1 the Commission to allow 15% of its natural gas costs in rates to allow it to use hedging to  
2 reduce volatility of natural gas costs.

3 **Q. Would you summarize your position on the inclusion of hedging in cost of service?**

4 A. No amount for hedging losses should be included in EMW's cost of service. The Commission  
5 should not approve including a\*\*\_\_\_\_\_\*\* amortization of past hedging losses.  
6 Alternatively, the Commission should only allow cost recovery with a four-year amortization  
7 period of half of the natural gas hedging costs that the Company incurred since the last rate  
8 case with no cost recovery of the cross-hedging costs and the other half of the natural gas  
9 hedging costs.

10 In addition, the Commission should not increase EMW's cost of service by \*\*\_\_\_\_\_  
11 \_\_\_\_\_\*\* for ongoing hedging losses. While losses do occur, the Commission should hold a  
12 higher standard to hedging policies, not normalize losing.

13 **Q. Should hedging costs be included in the Company's FAC?**

14 A. No. Including hedging losses in the FAC removes all incentive for EMW to efficiently hedge.  
15 With an FAC the Company recovers the impact of fuel and purchased power volatility from  
16 customers. Hedging does nothing to reduce the volatility of the rates that customers see. Both  
17 Staff and the Company expect EMW's hedging policy to result in an increase to costs. Why  
18 include hedging if the Company is going to recover its costs and it only results in higher costs  
19 for the customers?

20 The Commission should order that any future additional hedging transactions should  
21 be conducted below the line. Losses would be the responsibility of the Company. Gains  
22 would solely benefit the Company.

23 **Q. Does this conclude your true-up rebuttal testimony?**

24 A. Yes.

