Exhibit No.:	_______________
Issue(s):	Fuel Adjustment Clause (FAC)
Witness/Type of Exhibit:	Mantle/Direct
Sponsoring Party:	Public Counsel
Case No.:	ER-2022-0129 and ER-2022-0130

DIRECT TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

EVERGY METRO, INC. D/B/A
EVERGY MISSOURI METRO
AND
EVERGY MISSOURI WEST, INC. D/B/A
EVERGY MISSOURI WEST

CASE NOS. ER-2022-0129 AND ER-2022-0130

June 8, 2022

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Evergy Missouri Metro's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2022-0129
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-2022-0130

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena M. Mantle, of lawful age and being first duly sworn, deposes and states:

1. My name is Lena M. Mantle. I am a Senior Analyst for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my direct testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Lena M Mantle
Lena M. Mantle
Senior Analyst

Subscribed and sworn to me this 8th day of June 2022.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI
TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121

Tiffany Hildebrand
Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.

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OF

LENA M. MANTLE

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INTRODUCTION

Q. What are your name and business address?

A. My name is Lena M. Mantle and my business address is P.O. Box 2230, Jefferson City, Missouri 65102.

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

A. I am employed by the Missouri Office of the Public Counsel ("OPC") as a Senior Analyst.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the OPC.

Q. To what are you testifying?

A. In this testimony I recommend modifications to Evergy Metro's and Evergy West's fuel adjustment clauses ("FAC").

Q. What are your experience, education, and other qualifications, particularly on the topics to which you are testifying?

A. I began employment at the OPC in my current position as Senior Analyst in August 2014. In this position, I have provided expert testimony in electric and water cases before the Commission on behalf of the OPC. I am a Registered Professional Engineer in the State of Missouri.

Prior to being employed by the OPC, I worked for the Staff of the Missouri Public Service Commission ("Staff") from August 1983 until I retired as Manager of the Energy Unit in December 2012. During my employment at the Missouri Public Service Commission ("Commission"), I worked as an Economist, Engineer, Engineering Supervisor, and Manager of the Energy Unit. After the Missouri Legislature passed Section 366.266, RSMo in 2005, thereby enabling the electric utilities to request a FAC, I was instrumental in the development and application of the Commission's FAC rules and the FACs of the electric utilities in Missouri. I have provided testimony regarding FACs in numerous general rate cases, FAC rate change cases, and FAC prudence cases, both during my time on the Commission Staff and since my employment at the OPC.

Attached as Schedule LMM-D-1 is a brief summary of my experience with the OPC and Staff, and a list of the Commission cases in which I filed testimony, Commission rulemakings in which I participated, and Commission reports in rate cases to which I contributed as Staff. Attached as Schedule LMM-D-2 is the *Electric Utility Fuel Adjustment Clause in Missouri: History and Application Whitepaper* that I wrote to provide background and a description on various aspects of the FAC in Missouri.

Q. Would you explain how you are referring to the Evergy utilities in this testimony?

A. In this testimony, Evergy Metro refers to the Evergy utility that was previously known as Kansas City Power & Light Company. Evergy Missouri Metro specifically refers to the Missouri jurisdictional piece of Evergy Metro. Evergy West refers to the Evergy utility that was previously known as KCP&L – Greater Missouri Operations Company. Evergy refers to both Evergy Metro and Evergy West.

Q. What are you recommending in this testimony?

A. I recommend the Commission order updates to the following components of the current FACs of Evergy.

1. Base factors comprised of the normalized costs and revenues used in determining revenue requirement and defined by the Commission as FAC costs and revenues;
2. Updated voltage levels for Evergy Metro and Evergy West determined by loss studies conducted by Evergy on each system; and
3. Updated percentages of transmission costs that are allowed in each FAC calculated using the normalized purchased power mega-watt hours ("MWh") as modeled for revenue requirement and normalized net system input MWh.

I recommend the Commission add the following to Evergy's FACs:

1. Transmission revenues from the Southwest Power Pool ("SPP") that are provided under the same transmission cost schedules included in the FACs;
2. Changes to SPP energy market charge types currently provided that have been filed with the Commission since Evergy's last general rate cases;
3. Language that explicitly prohibits recovery of retirement and/or decommissioning costs related to the retirement of a generation plant;
4. Language that would allow the mitigation of the impact of extraordinary net fuel and purchase power costs.
5. Language that explicitly prohibits recovery of fuel and purchased power costs for research and development; and
6. Language in Evergy West's FAC tariff sheets to incorporate the provision in Evergy West's Special High-Load Factor tariff ("Scheduled MKT") ordered by the Commission in Case No. EO-2022-0061[1] relating to the interaction of taking service under the MKT rate and Evergy's FAC.

[1] Although ordered by the Commission on March 2, 2022, Evergy West has yet to file this tariff at the time of the filing of this testimony.

Q. Is Evergy Metro's FAC the same as Evergy West's FAC?

A. No. While the two FACs are substantially the same, there are some differences. I am not advocating that the Commission make them identical for there are differences in the systems. However, the FAC components that need to be updated exist in both of Evergy's FACs and most of the additional language I am proposing applies to both Evergy Metro and Evergy West. I have one proposal for additional language that applies only to Evergy West's FAC.

Q. How do your recommendations compare to Evergy's recommended changes to its FACs?

A. Evergy recommends that the base factors, losses, and transmission percentage allowed in its FAC be updated. I agree. These are parts of a FAC that should be updated in every general rate case. Evergy has other changes that it wants made to its FAC, but other than providing a limited explanation of why hedging should be done it did little more than just identify the changes it wanted in its FACs. It did not provide explanations for why its requests (e.g. add unit train expenses, addition of certain accounts, and a general "listing of the SPP charge types was updated for new charge types added by SPP since the Company's last rate case as well as removed by SPP") should be added to the FAC.

Statute gives the Commission the authority to modify a FAC.[2] Commission rule 20 CSR 4240-20.090(2)(D)3 gives a list of what the Commission may consider when determining what costs and revenues should be included in its FAC.[3] None of this information was provided to the Commission in Evergy's direct case. Evergy did not provide any information on the magnitude and volatility of the costs it is requesting be added nor the ability of Evergy to manage the costs. It provides no explanation of

[2] § 386.266.5.

[3] The Commission may consider the magnitude of each cost or revenue type, the ability of the utility to manage each cost or revenue type, the volatility of each cost or revenue type, and the incentive provided to the utility as a result of the inclusion or exclusion of each cost or revenue type.

the impact on its return on equity if these costs are not included in its FAC. In fact, some of its requests were so general it is impossible to tell what exactly it is asking. For example, for Evergy West it is asking account 501420 be included without defining what costs or revenues are included in account 501420 let alone if the costs were of great magnitude and the volatility of these costs would prevent Evergy from earning a return. Evergy also asked for "new charge types added by SPP since the Company's last rate case as well [charge types] as removed by SPP" leaving the Commission to guess what those charge types are.

Because there is no justification provided for many of Evergy's recommendations, I can only recommend the Commission adopt the recommended updates and modifications justified in this testimony.

<u>Recommended Updates to Evergy's FACs</u>

Q. What is the FAC base factor?

A. The FAC base factor is the amount of net fuel and purchased power costs that is recovered in general rates divided by the normalized customer usage used as billing determinants in the rate case. It is reset in every general rate case.

Q. Why should the base factor be updated?

A. The energy rates for electricity of the investor-owned utilities in Missouri are based on annualized and normalized costs – fuel and purchased power and non-fuel and purchased power costs. The FAC rate is based on the difference between the actual incurred fuel and purchased power costs and the normalized and annualized costs included in the revenue requirement in the last general rate case. There are consequences when the base factor is not accurately updated to match the FAC costs that are included in the energy rates. These consequences of having a base factor set based on costs different than what are included in revenue requirement are explained on pages 15 and 16 of the whitepaper attached to this testimony as Schedule LMM-D-2.

Q. Should the base factor be the same for Evergy Metro and Evergy West?

A. No. The approved base factors must be set based on the agreed to or ordered FAC costs and revenues in this case. While the cost and revenue components are nearly the same for Evergy West and Evergy Metro, the amount of each cost and revenue are different. In Evergy's direct cases, it estimates an increase to Evergy Metro's base factor from $0.01675/kWh to $0.01726/kWh and Evergy West's base factor increased from $0.02240/kWh to $0.02659/kWh.

Q. Why are loss factors important to the FACs?

A. The Commission rule 20 CSR 4240-20.090(13) requires FAC rates to reflect differences in losses incurred in the delivery of electricity at different voltage levels for different rate classes. It takes less generation to supply a customer that is taking energy at transmission voltage than customers that take energy at secondary voltage. This results in the FAC rate paid by transmission customers being lower than the rate charged secondary customers.

Q. Why should loss factors be updated?

A. Evergy is continuously making changes and adding to its transmission and distribution system. Customers change how they use energy. Both of these effect how much electricity is lost in delivery of energy. For this reason the Commission requires recent loss studies be used to determine the FAC voltage loss adjustment factors.

Q. Do you know what the loss factors should be in this case?

A. No. I am not recommending a set of loss factors. What I am recommending in this case is that the Commission order updated loss factors be included in Evergy's FACs.

Q. Why should the percentage of transmission costs that is included in the FAC be updated in this case?

A. The Commission decided in Case No. ER-2014-0258[4] that the transmission costs that should be included in the FAC are 1) costs to transmit electric power it did not generate to its own-load (true purchased power) and 2) costs to transmit excess electric power it is selling to third parties to locations outside of SPP.[5] These transmission costs change across time with the addition of purchased power agreements ("PPA"), owned-generation additions and retirements, and changes in customer load. Therefore, the percentage of transmission costs included in a FAC should be updated in each general rate case.

Q. How is the percentage of transmission costs included in FACs calculated?

A. It is calculated using the results of the fuel and purchased power modeling that provides the estimates of normalized fuel and purchased power. The percentage is the sum of the MWh of energy purchased from firm purchased power contracts and the non-PPA purchases to meet load divided by the normalized net system input MWh load.

Q. Is this percentage different for Evergy Metro than Evergy West?

A. Yes. In its direct case, Evergy estimates the transmission cost percentage to be 59.31% for Evergy West and 7.60% for Evergy Metro.

Q. Why are these percentages so different?

A. Evergy Metro has generating facilities that provide more energy to the Southwest Power Pool ("SPP") energy market than its customers use. Its purchased power is almost entirely the energy from its wind purchased power agreements. Therefore, it

[4] *Report and Order*, page 115 – 116.
[5] While this orders specifically applied to Union Electric Company d/b/a Ameren Missouri, the Commission has applied this methodology to calculate the percentage of transmission costs allowed in the FACs of the other investor-owned electric utilities since that order.

has very little "true purchased power" as the Commission defined it resulting in only a small amount of transmission costs flowing through its FAC. Evergy West does not have as many generation resources and depends on the SPP market to meet the energy requirements of its customers. This, along with its wind PPAs, means that it has a greater percentage of "true purchased power." Another way to look at it is that Evergy Metro gets 7.60% of its customers' energy requirements from purchased power. Evergy West purchases 59.31% of its customers' energy requirements through firm purchased power agreements and energy purchased on the SPP energy market.

<u>Additions to Evergy's FACs</u>

Q. Why should SPP transmission revenues be included in Evergy's FAC?

A. The FAC tariff sheets define transmission costs that are included in the FAC by SPP schedule and charge types.[6] Revenues are provided to Evergy through these same schedules and change across time just as the costs do. Currently only changes in costs are included in Evergy's FAC. If revenues increase, Evergy keeps the revenues above what was set in revenue requirement in the last case. If they decrease, Evergy absorbs the difference. If changes in revenues are included in Evergy's FAC at the same percentage as the cost are included, then net costs would flow through Evergy's FAC.

Q. Are transmission revenues included in the FAC of any of the other Missouri investor-owned utilities?

A. Yes. Ameren Missouri's FAC includes transmission revenues from schedules in which costs are included in the FAC at the same percentage as costs are included.

[6] The tariff sheets also provide that the same charge types from the Midcontinent Independent Systems Operator ("MISO") or PJM may be included in the FAC.

Q. What are the SPP charge type changes that you are recommending be added to Evergy's FACs?

A. In Case No. EO-2021-0125[7] Evergy notified the Commission that the SPP energy market had added two new charge types related to generating units that were jointly owned. The two charge types that should be added to Evergy's list of SPP charge types included in the FAC are the Day-Ahead Combined Interest Resource Adjustment Amount and the Real Time Combined Interest Resource Adjustment Amount.

Q. Why add these two charges to Evergy's FACs?

A. The statute that allows the electric utilities to have FACs has a restriction that FACs cannot be modified between general rate cases. However, SPP develops new charges on its own time table. The provision in the Commission rule 20 CSR 4240-20.090(8)(D) allows new charges that possess the characteristics of and are of the nature of a SPP costs that was already approved by the Commission to be included, upon notification of the Commission and the parties to the utility's last rate case. I am requesting these new schedules be added to Evergy's FACs.

Q. Did Evergy propose these two charges be added to the FAC?

A. In direct testimony, Evergy stated that it was proposing new charge types be added and some charge types be removed from the FACs. However neither the charges Evergy is proposing adding nor the reasons why Evergy was proposing adding the charges or why these charges should be included in the FAC was explained in its testimony. However, upon examination of Evergy's proposed FAC tariff sheets, I found these were two of the charges Evergy had added.

Q. Were there other charges added in Evergy's proposed FAC tariff sheets?

A. Yes.

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[7] Notifications were also provided in ER-2018-0145 and ER-2018-0146.

Q. Are these other charges schedules that the SPP created since the last rate case?

A. I do not know. I looked but I could not find any other charges that Evergy added under the provision provided in 20 CSR 4240-20.090(8)(D)1. Evergy provides no testimony why these other charges should be added to its FACs. It provides no explanation of these charges. It provides no demonstration of how these charges were volatile or of great magnitude or how not including these charges in the FAC would prevent either of the utilities from earning its return on equity.

Q. Do you agree that the charges Evergy deleted should be deleted?

A. Evergy did provide which charges it deleted and I did not find that any SPP charges had been deleted in Evergy's proposed FAC tariff sheets.

Q. Why are you recommending that Evergy's FAC be modified to accommodate extreme cost changes?

A. The extended freeze in mid-February 2021 resulted in increases in fuel, purchased power and market revenues that, if passed through Evergy West's FAC would have had a tremendous impact on its customers' ability to pay their electric bills.[8] The restriction by statute that FACs can only be changed in rate cases limited the remedies available in this situation in that modifying the length of the recovery period would be a change to the FAC.

Evergy's FACs should be modified to provide clarity to the companies, their customers, and the Commission for how this type of sudden, sharp change in costs could be handled in a manner that is affordable to customers while still allowing the utilities cost recovery with an opportunity for the Commission to review the prudency of those extraordinary costs.

[8] The revenues generated by Evergy Metro in excess of its costs were returned to Evergy Metro's customers through its FAC.

Q. Do you have specific language that you are recommending be added to Evergy's FAC tariff sheets?

A. I recommend the following language for recovery of extraordinary costs be included in Evergy's FACs.

> When extraordinary net costs have been incurred in an accumulation period, for good cause the Commission may allow (after opportunity for any party to be heard) the recovery period to extend beyond twelve months. The amount not recovered will be added to subsequent recovery periods with a true-up for the extraordinary cost at the end of the Commission approved recovery time period for the extraordinary cost.

While in all likelihood the party asking for an extended recovery period for extraordinary cost would be Evergy, this provision would allow for the Commission or any party to ask for an extension of the time over which extraordinary costs would be recovered. While any party can ask for an extended recovery period, the extension must be Commission approved.

Under this tariff sheet provision, the recovery period could be extended. Customers would be responsible for interest at the short-term interest rate prescribed for the FAC by statute and would only pay 95% of the costs above the amount included in the base rates. However, the language does not preclude Evergy from requesting in a case before the Commission, different treatment for deferring extraordinary costs in a liability account for potential future recovery.

This language is similar to the tariff language the Commission approved for The Empire District Gas Company and Liberty Utilities Midstates Natural Gas in their purchased gas adjustment tariff sheets.

Q. Why does language that explicitly prohibits recovery of retirement and/or decommissioning costs related to the retirement of a generation plant need to be added to the FAC?

A. For clarity. Both Evergy West and The Empire District Electric Company ("Empire") included for recovery through the FAC the very last inventory adjustment of a coal plant that had ceased operating. This amount was not for coal burned nor was there a corresponding provision of energy to customers. It was an accounting adjustment for coal inventory at plants that had been shut down. While both Evergy West and Empire withdrew their requests for recovery through the FAC, language in the FAC tariff sheets would make it clearer that these types of costs are not FAC costs and cannot be included as FAC costs.

Q. What language are you proposing?

A. I recommend the same language that Empire included in its FAC tariff sheets. The term FC should be changed from:

> FC = Fuel Costs Incurred to Support Sales:

To:

> FC = Fuel costs, excluding decommissioning and retirement costs, incurred to support sales and revenues associated with the Company's in-service generating plants consisting of the following:

Q. Why should language that explicitly prohibits recovery of fuel and purchased power costs for research and development be added to Evergy's FACs?

A. While I am not aware that Evergy has any research and development project that consumes energy, Ameren Missouri does have such a project that consumes a great amount of energy, and the issue regarding energy consumption and Ameren Missouri's FAC arose there. For Evergy this would be preventative language. It is better to have such language and not need it than to need it and not have clear language in the FAC tariff sheets.

Q. What language are you proposing be added to Evergy's FAC tariff sheets to prohibit the cost of energy for research and development projects from being included for cost recovery in the FAC?

A. I am proposing the following changes:

Under the definition of PP:

> 1. Costs and revenues for purchased power reflected in FERC Account 555, excluding all charges under Southwest Power Pool ("SPP") Schedules 1a and 12. Such costs include:

To:

> 1. Costs and revenues for purchased power reflected in FERC Account 555, excluding (1) all charges under Southwest Power Pool ("SPP") Schedules 1a and 12, and (2) amounts associated with energy purchased from the SPP market to serve research and development projects of the Company. Such costs include

Also the definitions of the kilo-watt hour ("kWh") sales used in the FAC need to be modified to exclude the energy used by the research and development projects as follow.

> S_{AP} = Net system input ("NSI") in kWh for the accumulation period

To:

> S_{AP} = Net system input ("NSI") in kWh, excluding the energy used by Company research and development projects, for the accumulation period

And

> S_{RP} = Forecasted recovery period Missouri retail NSI in kWh, at the generation level

To:

> S_{RP} = Forecasted recovery period Missouri retail NSI in kWh, at the generation level excluding energy projected to be used by Company research and development projects.

Q. The last addition you are proposing is language to Evergy West's FAC tariff sheets to incorporate the provision in Evergy West's Scheduled MKT relating to the interaction of taking service under the MKT rate and Evergy's FAC. Why should this language be added?

A. The Commission, in Case No. EO-2022-0061,[9] ordered exemplar wording for tariff sheets to implement a Special High-Load Factor Market Rate, Schedule MKT. This exemplar tariff sheets include the following provision related to the FAC.

> Service under this tariff shall be excluded from projected energy calculations used to establish charges under Rider FAC and Customer will not be subject to any such charges, unless otherwise ordered by the Commission when approving a contract for service under this tariff. The Company will remove all identifiable costs of service under this tariff from the FAC charge recovered from all customers, and the Company will track those costs and identify those costs separately from other costs specifically identified in the FAC monthly reports submitted to the Commission.

This exemplar tariff sheet contemplates the interaction of the high energy use of the customers that would take service under Schedule MKT and Evergy West's FAC. The changes described in this section of the exemplar tariff sheets needs to have corresponding changes in the FAC tariff sheets.

Q. Is this provision only for the protection of non-participants?

A. No. The only protection for non-participants is its requirement that all identifiable costs of service under this tariff be removed from the FAC charge recovered from all customers, and the Company will track those costs and identify those costs separately from other costs specifically identified in the FAC monthly reports submitted to the Commission. The other part of the provision, that service under this tariff shall be excluded from projected energy calculations used to establish charges under Rider FAC, protects Evergy West.

[9] In the Matter of the Application of Evergy Missouri West, Inc. d/b/a Evergy Missouri West for Approval of a Special High Load Factor Market Rate for a Data Center Facility in Kansas City, Missouri

Q. Did Evergy West propose changes in its proposed FAC tariff sheet in this case to protect the non-participants of this rate?

A. No.

Q. Should the Commission wait until the Schedule MKT tariff sheets are filed to change the FAC also?

A. No. Evergy, in its Application in Case No. EO-2022-0061, states:

> 5. Evergy has been approached by multiple potential customers seeking to locate high load factor facilities in the Kansas City area. Most of these high load factor loads are data centers. These customer loads have the potential to be much larger and more consistent than loads currently served by EMW. There is a common need expressed by these customers for dynamic rate designs that allow them to competitively meet their corporate renewable goals.

From its application, Evergy believes Schedule MKT would satisfy the desire for dynamic rate designs and entice these customers to the Evergy West territory. Therefore, Evergy West should modify its FAC now in a rate case, with the expectation that there will be new customers that request service under this new Schedule MKT.

Q. What if Evergy West decides not to file Schedule MKT?

A. Then there will be no costs and no energy used by customers served under Schedule MKT and the FAC would continue as if the changes were not included in the FAC.

Q. How should Evergy West's FAC be changed to incorporate the provisions of Schedule MKT?

A. I propose the following changes:

The COSTS AND REVENUES section of the FAC tariff sheet needs a clarifier as to what costs are included. The following sentence needs to be changed from:

> Eligible costs do not include the purchased power demand costs associated with purchased power contracts in excess of one year.

To:

> Eligible costs do not include the purchased power demand costs associated with purchased power contracts in excess of one year or costs associated with service provided to customers taking energy through Schedule MKT.

The first sentence in the APPLICABILITY section should be changed from:

> The price per kWh of electricity sold to retail customers will be adjusted (up or down) periodically subject to application of the Rider FAC and approval by the Missouri Public Service Commission ("MPSC" or "Commission").

To:

> The price per kWh of electricity sold to retail customers not served under Schedule MKT will be adjusted (up or down) periodically subject to application of the Rider FAC and approval by the Missouri Public Service Commission ("MPSC" or "Commission").

The definition of PP should be changed from:

> 2. Costs and revenues for purchased power reflected in FERC Account 555, excluding all charges under Southwest Power Pool ("SPP") Schedules 1a and 12. Such costs include:

To:

> 2. Costs and revenues for purchased power reflected in FERC Account 555, excluding 1) all charges under Southwest Power Pool ("SPP") Schedules 1a and 12; 2) amounts associated with energy purchased from the SPP market to serve research and development projects of the Company; and 3) amounts associated with the purchase of power for customers served under the MKT Schedule. Such costs include:

Also the definitions of the kilo-watt hour ("kWh") sales used in the FAC needs to be modified to exclude the energy used by the customers served under the MKT Schedule as follows from:

> S_{AP} = Net system input ("NSI") in kWh for the accumulation period

To:

S_{AP} = Net system input ("NSI") in kWh for the accumulation period excluding the energy used by Company research and development projects and the energy used by customers served under the MKT Schedule.

And:

S_{RP} = Forecasted recovery period Missouri retail NSI in kWh, at the generation level

To:

S_{RP} = Forecasted recovery period Missouri retail NSI in kWh, at the generation level excluding energy projected to be used by Company research and development projects and energy projected to be used by customers served under the MKT Schedule.

Due to the complexities of both the FAC Rider and Schedule MKT, I may not have identified all necessary modifications so further modifications may need to be made.

Q. Again, for clarification, does this language need to be added to both Evergy West and Evergy Metro's FACs?

A. No. While there likely is interest by Google in the Evergy Metro area, at this time only Evergy West has requested this rate schedule so these changes should only be made to Evergy West's FAC.

<u>Impact of Additional Rate Schedules and Customer Programs</u>

Q. Has Evergy proposed any new rate schedules that may affect its FACs?

A. Yes. Every new rate schedule and customer program has the potential to affect or to be affected by Evergy's FAC. The interaction between certain other rate schedules and the FAC such as the proposed time-of-use ("TOU") rates may be straight forward. Based on my limited understanding of Evergy's proposed TOU rates, the FAC rate can be easily applied to customers on these rates because they track energy usage. I do not believe that changes to the FAC will be necessary if the Commission approves these new rate schedules. However, this is not always the case. I have already discussed the impact of Evergy West's Schedule MKT on its FAC.

With other proposed rate schedules, such as Evergy's proposed subscription pricing pilot programs, there needs to be some consideration as to whether changes need to be made to Evergy's FAC tariff sheets or in Evergy's accounting processes to assure that the usage of these customers are properly accounted for and do not result in increased cost to non-participants. Based on what I understand about this program from the direct testimony filed in this case, I believe that it is the latter – accounting processes need to be developed to make sure that there is proper accounting and inclusion of the energy consumed by all participants.

Q. Did Evergy provide any proposed changes to its processes to assure that non-participants costs do not increase through the FAC?

A. No.

Q. Has Evergy proposed any impact on the FAC due to a new customer program?

A. Yes. There is a brief mention that Evergy is proposing that the revenues from the green pricing program be included as a FAC revenue.

Q. Did you find any Evergy testimony that explains how that will work?

A. No.

Q. Can you tell from Evergy's proposed tariff sheets that this revenue would be included in Evergy's FACs?

A. No.

Q. Should it be included?

A. Maybe. If the revenues are for renewable energy certificates ("RECs") from energy produced by Evergy's wind PPAs it should definitely be included since these wind PPAs that Evergy projected to be "economic" for customers have cost customers over $466 million since the SPP energy market opened. If it is for RECs from Spearville 1 and 2 that Evergy Metro owns, then perhaps the revenue from this program should be used to offset the capital investment in the plant instead of flowing back to the customers through the FAC.

So the determination of how this revenue would best reduced customers' bills should be part of the discussion regarding the program itself. I do not know if it has been determined for sure where the RECs for this pilot program would come from.

Q. Is that true for all costs and revenues for special programs and rates?

A. Yes. The FAC should not be used as a quick way to get revenue back to the customers or recover expenses from the customers. Costs and revenues should be reviewed to ascertain if they meet the parameters and requirements of the FAC.

<u>Hedging Costs</u>

Q. Did Evergy ask that hedging costs, gains, and losses be included in its FACs and provide a justification for why the Commission should allow Evergy to flow hedging costs, gains and losses through its FACs?

A. No. It **<u>told</u>** the Commission that it was going to include hedging costs, gains, and losses in its FACs.

Q. Should Evergy's FACs include hedging costs, gains, and losses?

A. No.

Q. Why not?

A. Hedging is a risky proposition and Evergy's past track record of hedging is not good. Evergy is asking to include physical and financial natural gas hedging, cross hedging for off system sales, cross hedging for energy market prices, and hedging of emission allowance costs.

Q. Are you saying that Evergy should not hedge?

A. No. It is my testimony that hedging costs, losses, and gains should not be included in the FAC.

Q. Why?

A. A poor hedging policy means high hedging costs and losses. If the Commission allows hedging costs, losses, and gains through the FAC there is little penalty to Evergy for poor hedging. Passing all costs, losses, and gains through a FAC makes it more likely that Evergy will, if a hedging policy is bad, continue hedging long past when it would stop if it were absorbing the losses.

Therefore, I am recommending the Commission not include hedging costs, losses and gains in Evergy's FACs. OPC witness John Riley discusses his concerns with Evergy's hedging and how costs, losses, and gains can be accounted for if Evergy decides to hedge if it cannot pass costs, losses, and gains through the FAC.

Q. What would be necessary before the Commission allows hedging costs, gains, and losses be included in Evergy's FACs?

A. Before hedging costs, losses, and gains, are included in its FACs, Evergy needs to show that the risk it is placing on customers through its hedging activities actually reduces the volatility without a big increase in costs, *i.e.* Evergy must show that this is a risk that it is worth it for its customers.

Q. Does this conclude your direct testimony?

A. Yes.