

Exhibit No. 7

Exhibit No.:

Issue: Sibley Fuel Costs
Montrose Fuel Costs
Jeffrey Fuel Costs

Witness: Lisa A. Starkebaum

Type of Exhibit: Rebuttal Testimony

Sponsoring Party: Evergy Missouri Metro

Case No.: EO-2020-0262 (Lead - Consolidated)
EO-2020-0263 (Consolidated)

Date Testimony Prepared: December 4, 2020

MISSOURI PUBLIC SERVICE COMMISSION

**CASE NOS.: EO-2020-0262 (Lead - Consolidated)
EO-2020-0263 (Consolidated)**

REBUTTAL TESTIMONY

OF

LISA A. STARKEBAUM

ON BEHALF OF

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

**Kansas City, Missouri
December 2020**

REBUTTAL TESTIMONY

OF

LISA A. STARKEBAUM

**Case Nos. EO-2020-0262 (Lead - Consolidated)
EO-2020-0263 (Consolidated)**

1 **Q: Please state your name and business address.**

2 A: My name is Lisa A. Starkebaum. My business address is 1200 Main, Kansas
3 City, Missouri 64105.

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

5 A: I am employed by Evergy Metro, Inc. and serve as Manager, Regulatory Affairs
6 for Evergy Metro, Inc. d/b/a as Evergy Missouri Metro (“Evergy Missouri
7 Metro”), Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy
8 Missouri West”), Evergy Metro, Inc. d/b/a Evergy Kansas Metro (“Evergy
9 Kansas Metro”), and Evergy Kansas Central, Inc. and Evergy South, Inc.,
10 collectively d/b/a as Evergy Kansas Central (“Evergy Kansas Central”) the
11 operating utilities of Evergy, Inc. (collectively, the “Company”).

12 **Q: Who are you testifying for?**

13 A: I am testifying for Evergy Missouri Metro and Evergy Missouri West.

14 **Q: Are you the same Lisa A. Starkebaum who previously filed direct testimony
15 in these dockets?**

16 A: Yes. I filed direct testimony in this docket on October 29, 2020.

17 **Q: What is the purpose of your rebuttal testimony?**

18 A: The purpose of my rebuttal testimony is to respond to arguments put forth by
19 Office of Public Counsel (“OPC”) witnesses Lena M. Mantle and John S. Riley

1 regarding the recovery of Sibley retirement costs through the Company’s Fuel
2 Adjustment Clause (“FAC”) as well as the proposed disallowance of a physical
3 inventory adjustment made in December 2018, for the Montrose generating
4 station. In addition, I will provide comment on the proposed disallowance that
5 Staff witness Brooke Mastrogiannis is now recommending following Staff’s
6 Report and Recommendation filed on August 28, 2020. I will also briefly address
7 Sierra Club witness Tyler Comings’ direct testimony concerning the
8 recoverability of Operations and Maintenance (“O&M”) costs in the FAC.

9 **I. SIBLEY COSTS**

10 **Q: What were the Sibley retirement costs comprised of?**

11 A: The Company recorded four separate adjustments in November 2018 as well as a
12 small amount of fuel residual expenses that comprise the \$1,039,646 which were
13 included and approved for recovery in Evergy Missouri West’s AP23 Fuel
14 Adjustment Rate (“FAR”) filing, Case No. ER-2019-0198. These adjustments are
15 made up of the following:

- 16 ▪ Cost of coal inventory adjustment (write-down) of \$531,693
- 17 ▪ Coal physical inventory adjustment (basemat write-off) of \$29,992
- 18 ▪ Urea write-off of \$162,016
- 19 ▪ SO2 write-off of \$315,642
- 20 ▪ Fuel residuals of \$303

21 **Q: Please explain the Company’s rationale for inclusion of these costs in its**
22 **FAC.**

23 A: At the time these adjustments were recorded in November 2018, they were
24 appropriately recorded in expense accounts that are allowed for recovery through
25 the FAC. As the Company explained several times in data request responses,
26 although these costs are costs of retirement and decommissioning expenses, it

1 would not have been appropriate to record them against the depreciation reserve
2 account 108 at that time because they are not depreciable assets. These expenses
3 do not fall within the guidelines of depreciable electric utility plant per the Code
4 of Federal Regulations. In addition, there was no alternative mechanism or
5 account in place to move these amounts to at that time. Therefore, the Company
6 did not make an adjustment to remove these costs from AP23 in Case No. ER-
7 2019-0198.

8 **Q: Did Sibley have remaining coal on the ground available for use in the**
9 **generation of electricity at the time of the plant retirement?**

10 A: Yes.

11 **Q: What was the Company's plan to dispose of the remaining coal at Sibley**
12 **subsequent to the plant's retirement?**

13 A: The Company disposed of the coal in two ways: 1) transferred the coal to the
14 Iatan Generating Station for use and 2) sales to a third-party.

15 **Q: How did the Company account for the sales of coal?**

16 A: The Company intended to try to maximize the remaining Sibley inventory of coal
17 by selling it and planned to include future costs as well as revenues received in
18 subsequent FAC Accumulation Periods. This activity continued throughout the
19 majority of 2019 after Sibley was retired in 2018. The Company believed this
20 was the prudent thing to do and a better alternative for utilizing the remaining coal
21 inventory rather than merely disposing of it in the landfill. The sales proceeds
22 received as well as the difference between those sales and the book value of the
23 coal sold was recorded to FERC account 501000 – Fuel. While there is no

1 specific tariff language that spells out this type of transaction, customers would
2 have received the benefit of the coal sales.

3 **Q: Did the Company have discussions with Staff and OPC about this activity?**

4 A: Yes, discussions were held in 2019 following the Company's semi-annual FAR
5 filing for AP24, Case No. ER-2019-0413, during Staff and OPC's review of
6 expenses that were included for recovery in the FAC. Following these
7 discussions, the Company agreed that no further expenses, or revenues, would
8 flow through the FAC related to Sibley other than those already booked to the
9 FAC in AP23. On September 12, 2019, the Company filed its *Response to Order*
10 *Directing Filing* in this case, advising the Commission that it would not seek
11 recovery of the amounts associated with the Sibley fuel transfers in AP24 or any
12 other accumulation period in its FAC. Additionally, in those subsequent AP24
13 and AP25 FAR filings that covered January through December 2019, the
14 Company only looked at costs included during those two 6-month accumulation
15 periods of historical costs. The Company did not reverse the November 2018
16 adjustment amounts included previously in AP23 for Sibley in those FAR filings,
17 as those amounts had been previously reviewed and were being recovered through
18 the Commission Order received in Case No. ER-2019-0198. The Company
19 believed the upcoming FAC prudence review was the appropriate avenue for
20 further review of this issue when the entire 18-month period of costs could be
21 reviewed.

1 **Q: What is the Company’s position on the recovery of these Sibley retirement**
2 **costs?**

3 A: The Company understands the concerns raised by OPC with regards to the
4 inclusion of these costs for recovery through the FAC. However, Evergy
5 Missouri West believes that the Sibley expenses amounting to \$1,039,646 should
6 be recovered, if not through its FAC, then deferred for consideration in the
7 Company’s next general rate case.

8 **Q: What have Staff and OPC recommended in order to remedy this issue?**

9 A: In Staff’s Report and Recommendation in this ninth prudence review of Evergy
10 Missouri West’s FAC, Staff recommends that the Commission Order the
11 Company to remove \$1,039,646 of costs related to the retirement and
12 decommissioning of the Sibley Generating Unit from the FAC through an
13 Ordered Adjustment (“OA”) with interest, and allow Evergy Missouri West to
14 seek recovery of these costs through another mechanism, such as the AAO that
15 was approved in Case No. EC-2019-0200, which will be considered for recovery
16 in the Company’s next general rate case. OPC recommends the Commission find
17 Evergy Missouri West imprudent for passing Sibley retirement costs through its
18 FAC and order an imprudence amount of \$1,039,646, or \$1,034,864 representing
19 95% to account for the sharing mechanism (Mantle Direct, pg. 12, lines 7-14).

20 **Q: Does the Company agree with Staff’s recommendation?**

21 A: The Company agrees with the OA referenced in Staff’s Report and
22 Recommendation. This adjustment should be removed from the FAC in a

1 subsequent FAR filing, with interest, subject to a Commission Order approving
2 such adjustment.

3 **Q: Does the Company agree with OPC's recommendation regarding**
4 **imprudence?**

5 A: No. The Company does not believe that its decision to leave certain costs in the
6 FAC related to decommissioning in AP23 until there was clarity that these costs
7 should be considered for recovery in a rate case was in any way imprudent. The
8 Company's decision was reasonable based on the knowledge it had at the time the
9 decision was made. The Commission can determine the appropriateness of
10 recovery in either a FAC case or in a rate case. There was no financial harm to
11 ratepayers from the Company's approach as recognized by OPC in its September
12 8, 2020 *Response to Staff's Ninth Prudence Review Report for Evergy Missouri*
13 *West and Third Prudence Review Report for Evergy Missouri Metro and Request*
14 *for an Evidentiary Hearing*. In paragraph 12 of the Response, OPC agreed that
15 the Staff's proposed Ordered Adjustment would serve as a cure for OPC's alleged
16 imprudence.

17 While the Company does not believe that there was any imprudence,
18 Evergy Missouri West does not agree with the imprudence amount calculated by
19 OPC of \$1,034,864. The amount that was included in the AP23 FAR filing for
20 Sibley was \$984,898, before interest. This amount was calculated by multiplying
21 the November 2018 Sibley costs of \$1,039,646 by the jurisdictional factor from
22 November 2018 of 99.72%, then multiplied by the 95% sharing mechanism.

1 **II. MONTROSE COSTS**

2 **Q: Please provide a brief summary of the Company's position of the Montrose**
3 **coal inventory adjustment.**

4 **A:** Evergy Missouri Metro included a coal inventory adjustment related to the
5 Montrose generating station in its FAC in Accumulation Period 7, covering the
6 months of July through December 2018. As previously stated in my direct
7 testimony filed on October 29, 2020 in this case, the Montrose generating station
8 was in service through December 2018 and unit 3 produced electricity to serve
9 retail load until experiencing a forced outage on December 10, 2018. Later that
10 same month, the plant was retired and taken out of service on December 31, 2018.
11 All available physical coal inventory had been burned prior to the plant's
12 retirement. However, the amount of coal inventory recorded in the general ledger
13 showed 6,611 tons of coal remaining at Montrose; therefore, a physical inventory
14 adjustment of 6,611 tons was necessary to reflect the correct inventory levels as
15 required by Generally Accepted Accounting Principles ("GAAP"). The Company
16 recorded a physical inventory adjustment in December 2018 totaling \$332,603 for
17 total Evergy Metro, or \$193,276, the Missouri jurisdictional portion or 58.11%.
18 After the 95% sharing is applied, the total adjustment amount subject to recovery
19 through the FAC amounted to \$183,612. This adjustment amount represented a
20 reconciliation of the difference in the value of the inventory recorded in the
21 general ledger and the actual physical inventory that was still on the ground at
22 Montrose at retirement which was zero. This adjustment was recorded to fuel
23 expense account 501 and flowed through the FAC for recovery.

1 **Q: Please describe your understanding of OPC's position related to the**
2 **Montrose basemat coal adjustment.**

3 A: OPC argues that the \$183,612 adjustment is related to unburnable basemat, not
4 coal that was burned from FERC account 151 used in the production of steam for
5 the generation of electricity. The removal of basemat from account 151 is a
6 necessary part of the retirement of a coal plant (Riley Direct, pg. 4). As such,
7 OPC believes this adjustment should be removed from the FAC and considered in
8 the Company's next general rate case (Riley Direct, p. 5, Mantle Direct, p. 10).

9 **Q: Is the Company opposed to this recommendation?**

10 A: No. While the FAC can be the vehicle for coal inventory adjustments and at the
11 time the entry was made the Company believed the Montrose coal inventory
12 adjustment was appropriately included in FERC account 501 for recovery through
13 the FAC, the Company understands OPC's concerns and rationale explained in
14 testimony. Evergy Missouri West would agree that the basemat coal adjustment
15 is appropriate for consideration in the Company's next general rate case, as
16 recommended by OPC (Riley Direct, p. 5, line 16).

17 **Q: What is the Company's recommendation to remedy this issue?**

18 A: Evergy Missouri Metro agrees to remove the basemat adjustment from it FAC
19 calculation from FERC account 501 and will record the \$183,612 to Cost of
20 Removal FERC account 108 for rate-making consideration in its next general rate
21 case. The Company recommends removing this amount from the FAC in a
22 subsequent FAR filing, with interest, subject to a Commission Order approving
23 such adjustment.

1 **Q: Does the Company agree with OPC’s position that Evergy was imprudent by**
2 **including the Montrose basemat adjustment for recovery in its FAC (Mantle**
3 **Direct, p. 22, lines 7-8, Riley Direct, p. 2, line 13)?**

4 A: No. Evergy Missouri West considered this adjustment to be a coal inventory
5 adjustment as described in its FAC tariff, similar to previous inventory
6 adjustments that had been included for recovery in the past. The Company’s
7 actions were reasonable based on the information it possessed at the time.

8 **III. EVERGY METRO’S RESPONSE TO STAFF’S RECOMMENDED**
9 **DISALLOWANCE**

10 **Q: Did Staff propose any disallowances for this FAC prudence review for**
11 **Evergy Metro in their Report and Recommendation filed on August 28, 2020**
12 **in Case No. EO-2020-0263?**

13 A: No, Staff did not recommend any disallowances during the review period in its
14 Report and Recommendation.

15 **Q: Is Staff now proposing a recommended disallowance?**

16 A: Yes, Staff is proposing a Missouri jurisdictional disallowance amounting to
17 \$15,492 related to fuel residual costs identified in Accumulation Period 8 (“AP8”)
18 that were incurred after the retirement of Montrose and flowed through the
19 Company’s FAC for recovery.

20 **Q: Please explain.**

21 A: Following Staff’s Report and Recommendation, witness Mastrogiannis submitted
22 Staff Data Request 64.8 inquiring about the fuel residual costs included in AP8
23 totaling \$44,834, total Evergy Metro. Following further review by the Company
24 of invoices that made up this amount, it was determined that a portion of these

1 expenses were for services performed during 2018 as part of normal operations
2 prior to the Montrose retirement amounting to \$16,565, and a portion of the
3 expenses were incurred during 2019 subsequent to the plant retirement totaling
4 \$28,269. The actual fuel residual costs for 2019 amounting to \$28,269 multiplied
5 by the Missouri jurisdictional factor during AP8 and then multiplied by the 95%
6 customer responsibility portion, results in the Missouri jurisdictional disallowance
7 of \$15,492 proposed by Staff.

8 **Q: What did the 2018 costs consist of?**

9 A: The 2018 expenses amounting to \$16,565 included in Metro’s ANEC were related
10 to groundwater monitoring activity and Coal Combustion Residuals (“CCR”)
11 reporting that are driven by EPA reporting requirements. Both activities are
12 performed routinely and were not incurred as a result of the Montrose retirement.
13 These fuel residual costs identified in AP8 (January-June 2019) and paid for in
14 2019 were for services provided in 2018 while Montrose was in service and
15 producing electricity. Therefore, the Company believes these costs were
16 appropriately flowed through the FAC for recovery.

17 **Q: Does the Company agree with Staff’s recommended adjustment?**

18 A: Yes. The Company agrees that the portion of costs that were incurred for services
19 provided in 2019 totaling \$15,492 Missouri jurisdictional following the plants
20 retirement should be removed from the FAC in a subsequent FAR filing, with
21 interest, subject to a Commission Order approving such adjustment.

1 **IV. RESPONSE TO SIERRA CLUB**

2 **Q. Do you agree with the Sierra Club’s position that variable operations and**
3 **maintenance costs (“VOM”) are recovered through the Company’s Fuel**
4 **Adjustment Clause (Comings Direct, p. 24, lines 12-15)?**

5 A: No. VOM costs are recovered via the Company’s base rates determined in a
6 general rate case, not in the FAC. The costs and revenues eligible for recovery
7 through the FAC are described in Evergy Missouri Metro tariff Sheet No. 50.21
8 and Evergy Missouri West tariff Sheet No. 127.13 and are detailed below:

9 **COSTS AND REVENUES:**

10 Costs eligible for the Fuel and Purchased Power Adjustment
11 (“FPA”) will be the Company’s allocated Jurisdictional costs for
12 the fuel component of the Company’s generating units, purchased
13 power energy charges including applicable Southwest Power Pool
14 (“SPP”) charges, emission allowance costs and amortizations, cost
15 of transmission of electricity by others associated with purchased
16 power and off-system sales, all as incurred during the
17 accumulation period. These costs will be offset by jurisdictional
18 off-system sales revenues, applicable SPP revenues, and revenue
19 from the sale of Renewable Energy Certificates or Credits
20 (“REC”). Eligible costs do not include the purchased power
21 demand costs associated with purchased power contracts in excess
22 of one year. Likewise, revenues do not include demand or
23 capacity receipts associated with power contracts in excess of one
24 year.

25 The Sierra Club appears to recognize this fact as later in testimony it offers an
26 alternative prudence adjustment amount that includes fuel costs only (Comings
27 Direct, p. 24, lines 17-21).

28 **Q: Does this conclude your rebuttal testimony?**

29 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Third Prudence Review of Costs)
Subject to the Commission-Approved Fuel Adjustment) File No. EO-2020-0262
Clause of Evergy Missouri West Inc., d/b/a Evergy)
Missouri West)


In the Matter of the Third Prudence Review of Costs)
Subject to the Commission-Approved Fuel Adjustment) File No. EO-2020-0263
Clause of Evergy Metro, Inc., d/b/a Evergy Missouri)
Metro)

AFFIDAVIT OF LISA A. STARKEBAUM

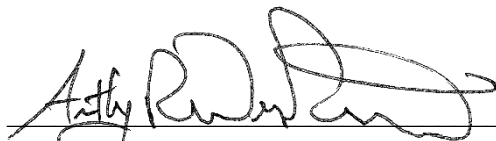
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Lisa A. Starkebaum, being first duly sworn on his oath, states:

1. My name is Lisa A. Starkebaum. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. and serve as Manager – Regulatory Affairs for Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy Missouri Metro) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West”).
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of twelve (12) 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.


Lisa A. Starkebaum

Subscribed and sworn before me this 4th day of December 2020.


Notary Public

My commission expires: 4/26/2021

