BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Evergy Missouri West, Inc. d/b/a Evergy Missouri West for Permission and Approval of a Certificate of Public Convenience and Necessity Authorizing It to Purchase, Own, Operate, Maintain and Otherwise Control and Manage an Existing Wind Generation Facility in Oklahoma	)	No. EA-2022-0328

EVERGY MISSOURI WEST'S
INITIAL POST-HEARING BRIEF

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Table of Contents

EVERGY MISSOURI WEST'S INITIAL BRIEF

COMES NOW, Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West," "EMW," or the "Company") and for its *Initial Post-Hearing Brief* ("Brief"), states as follows:

INTRODUCTION

Evergy's straightforward and well supported Application seeks an Operating Certificate of Convenience and Necessity ("CCN") so that it may acquire and operate the 198.6 MW Persimmon Creek wind farm in Oklahoma which has delivered low-cost renewable energy reliably and efficiently into the Southwest Power Pool grid since 2018.

Before the Commission's revisions to the CCN Rule, 20 CSR 4240-20.045, Evergy would have acquired Persimmon Creek and its revenues would have begun to flow immediately to ratepayers through EMW's fuel adjustment clause ("FAC"). With the advent of an Operating CCN under the Rule's Sections (2), (3), and (5), the Commission now determines whether the operation of a generating plant by an electric utility is convenient or necessary for the public service, pursuant to Section 393.170.[1] The filing requirements are minimal.[2]

However, Commission Staff and the Office of the Public Counsel ("OPC") have attempted to transform this CCN proceeding into an attack on Evergy's Integrated Resource Planning ("IRP") process and its use of the well-respected levelized cost of energy ("LCOE") financial tool. Staff and OPC have misrepresented the role of the SPP energy markets in the Commission's ratemaking process, arguing that if the Company cannot show that Persimmon Creek's market revenues and tax credits will exceed its costs, it should not be acquired and included in rate base. They propose

[1] All citations are to the Missouri Revised Statues (2016), as amended, unless otherwise noted.
[2] Section (5) of the CCN Rule requires the Application to include: (A) a description of the asset, (B) the value of the asset, (C) the purchase price and plans for financing the operation, and (D) plans and specifications of the asset, including as-built drawings.

that the Commission impose this impossible standard, arguing that "hold harmless" guaranties must be issued by Evergy Missouri West that would insulate customers from future events over which neither the Company nor any other regulated electric utility has control.

The unprecedented position of Staff and OPC is that SPP revenues and tax credits must be expected to recover all the costs of an asset (i.e., the embedded revenue requirement) before an Operating CCN can be granted.[3] This view is contrary to the Commission's standards for granting a CCN and is completely inconsistent with the ratemaking principles of Chapter 393 that are followed when assets are placed in a public utility's rate base. When a power plant is placed in rate base in a rate case, off-system sales and/or wholesale revenues are used to off-set the cost of the plant, but customer rates have historically increased when a new power plant is included in rates under Missouri law.[4] Yet, a decrease in rates is what would be required (holding other things constant) if the Staff and OPC approach in this CCN case is accepted by the Commission.

The view of Staff and OPC would create unacceptable conditions regarding Evergy's proposal to acquire and operate Persimmon Creek, and would pose significant cost risks for customers by requiring undue reliance on volatile wholesale energy markets to meet long-term needs.

As Evergy Vice President for Strategy and Long-Term Planning Kayla Messamore explained:

> If Staff's [and OPC's] position is adopted for Persimmon Creek or as a guiding principle for other resource procurements, there will be no realistic options available to meet EMW's current and increasing future needs,

[3] See Ex. 104 at 19:16-18, 21:5-10 ("market revenues and … production tax credits will need to exceed" the "overall cost of acquiring and maintaining the asset") (Luebbert Rebuttal); Ex. 201 at 4-5 ("revenue from the SPP for Persimmon Creek energy must be greater than all the costs of the resource") (Mantle Surrebuttal).

[4] See Report & Order at 59-64 (LaCygne retrofit costs), 30-49 (FAC costs and off-system sales revenues), In re Kansas City Power & Light Co., No. ER-2014-0370 (Sept. 2, 2015); Report & Order at 20-77 (Iatan 1&2), 101-06 (Jeffrey flue-gas desulfurization upgrades), 205-20 (off-system sales), In re KCP&L Greater Mo. Operations Co., No. ER-2010-0356 (May 4, 2011); Report & Order at 18-77 (Iatan 2), 129-41 (off-system sales revenue), In re Kansas City Power & Light Co., No. ER-2010-0355 (Apr. 12, 2011).

> leaving customers exposed to rely only on the wholesale market to meet these needs for the long-term. Such an outcome would likely increase both the cost and volatility of customers' electricity bills which would not be in the public interest.[5]

The extreme positions taken by Staff and OPC must be rejected. This case is not about establishing a new, nearly impossible Operating CCN standard that requires resource additions to recover all of their revenue requirements through the SPP wholesale energy markets. It *is* about Persimmon Creek and the evidence that it: (1) Generates low-cost wind energy with an operational net capacity factor of approximately 50% with no known environmental issues; (2) Presents no risk of permitting disputes, supply chain delays, and rising construction costs; (3) Adds a geographically diverse physical asset to EMW's generation portfolio that presents opportunities related to battery storage and other options; (4) Is 100% production tax credit qualified, with six qualifying years remaining on its 20-year depreciable life; and (5) Will immediately provide benefits of capacity, energy, and an energy market cost hedge, with its revenues flowing to ratepayers under the FAC.[6] Furthermore, compared to available alternatives, Persimmon Creek offers the least curtailment risk and the least transmission risk to EMW, and the most market revenue in all scenarios that were studied.[7]

Because it is convenient and necessary, as well as in the public interest for Evergy Missouri West to own and operate Persimmon Creek, the Application must be granted.

[5] See Ex. 9 at 2 (Messamore Surrebuttal).
[6] See Ex. 2 (Humphrey Direct) at 4, 8, 15; Ex. 5 (Humphrey Supp. Direct) at 18; Ex. 8 (Humphrey Surrebuttal) at 13-14, 18, 21-22; Ex. 9 (Messamore Surrebuttal) at 19-21.
[7] See Ex. 5 (Humphrey Supp. Direct) at 19; Ex. 8 (Humphrey Surrebuttal) at 20-21.

A. Does the evidence establish that granting an Operating Certificate of Convenience and Necessity ("CCN") to Evergy Missouri West to own, operate, and maintain the wind generation facility located in Woodward, Ellis and Dewey Counties in Oklahoma ("Persimmon Creek" or the "Project") is necessary or convenient for the public service, pursuant to Section 393.170(2)-(3), RSMo and 20 CSR 4240-20.045(2)-K(3)?

Overview of Persimmon Creek Project

Yes. Persimmon Creek is a 198.6 MW wind farm that spans approximately 17,000 acres in Woodward, Ellis, and Dewey Counties in northwestern Oklahoma. The Project consists of 80 General Electric ("GE") wind turbine generators and began operating in August 2018.

Power from the turbines is collected at the Project-owned substation via an underground 34.5 kV medium voltage ("MV") collection system, stepped-up at the Project substation via the main power transformer to 345 kV high voltage ("HV"), and transmitted over a Project-owned three-mile 345 kV overhead transmission line to the 345 kV Guthrie Switchyard. At this switchyard Persimmon Creek's power is aggregated with the power output of another operating wind project and is transmitted over another approximately 11-mile 345 kV transmission line to the point of interconnection ("POI") at the 345 kV Woodward District substation owned by Oklahoma Gas and Electric Co. ("OG&E").

EMW signed a Membership Interest Purchase Agreement ("MIPA") with GSQ, LLC ("Project Company") on August 8, 2022 to purchase all the membership shares in the Project Company that owns Persimmon Creek and its shared facilities agreement for the generator interconnection agreement for a purchase price of $245,700,000 plus working capital adjustments and adjustments for production tax credit ("PTC") value, both to be finalized at closing. (Ex. 1, Dority Direct at 3-4; Ex. 2, Humphrey Direct at 4-5.) Persimmon Creek generates renewable energy today that will provide renewable energy certificates and is 100% eligible for federal production tax credits. (Ex. 2, Humphrey Direct at 9; Ex. 5, Humphrey Supp. Direct at 3.)

Since it began commercial operations, Persimmon Creek has shown itself to be a very robust and successful operating asset, and through 2022 has operated at about a 50.0% net capacity factor. (Ex. 8 & 8(C), Humphrey Surrebuttal at 21-22; Tr.at 124, 129.)

In the fall of 2021, EMW initiated a competitive Request For Proposal ("RFP") for wind assets. Through that competitive process and arm's length negotiation, EMW determined that Persimmon Creek offered the best balance of cost and timeline certainty. Persimmon Creek offered the lowest $/kilowatt installed cost, the lowest levelized cost of energy, eliminated supply chain risk during an uncertain COVID supply chain and inflationary environment, and had already overcome any transmission interconnection, permitting, and construction issues.

Persimmon Creek's cost and generating profile were both better than what was modeled in the IRP process and represent advantages over the IRP Preferred Plan that already showed adding wind provided benefits to EMW's customers by meeting EMW's existing energy and capacity needs. (Ex. 5, Humphrey Supp. at 4-5.)

Requirements for an Operating Certificate of Convenience and Necessity

Because Persimmon Creek has been generating renewable energy for over four years, it does not require a construction or line CCN under Section 393.170.1. Because EMW does not seek to expand its Missouri service territory, it does not require an area certificate under Section 393.170.2. However, under the 2018 revisions to the Commission's rules, the Company is required to obtain a CCN prior to operating the Project under Section 393.170.2 ("Operating CCN"). See 20 CSR 4240-20.045(2)(A)3 ("CCN Rule").

In addition to the general filing requirements, the CCN Rule's Section 5 specifies only four other requirements that an Operating CCN application must include: (A) a description of the asset;

(b) the value of the asset; (c) the purchase price and plans for financing the operation; and (d) plans and specifications of the asset. The Company's Application contains this information.

In United for Missouri v. PSC, 515 S.W.3d 754 (Mo. App. W.D. 2016), the Court discussed the legal requirements for obtaining a CCN in a case which affirmed the Commission's approval of the CCN application of EMW's predecessor to build its first solar plant. The request was opposed by the Office of the Public Counsel ("OPC") and United for Missouri. The plant was constructed at EMW's Greenwood Energy Center in Jackson County where four natural gas combustion turbines are also located.

The Court of Appeals found that no specific criteria have been set out by statute as to when a CCN should be granted. However, it stated that the Commission has the discretion to determine whether the evidence indicates the public interest would be served by the issuance of a CCN. The Court also cited long-standing Missouri law that "'necessity" does not mean "essential" or "absolutely indispensable," but that a CCN is appropriate if the "additional service would be an improvement justifying its cost." Id. at 759. See State ex rel. Pub. Water Supply Dist. No. 8 v. PSC, 600 S.W.2d 147, 154 (Mo. App. W.D. 1980); State ex rel. Beaufort Transfer Co. v. Clark, 504 S.W.2d 216, 219 (Mo. App. K.C.1973). "Any improvement which is highly important to the public convenience and desirable for the public welfare may be regarded as necessary. If it is of sufficient importance to warrant the expense of making it, it is a public necessity." State ex rel. Mo., Kan. & Okla. Coach Lines, Inc. v. PSC, 179 S.W.2d 132, 136 (Mo. App. K.C. 1944).

The concept of necessity is that the additional service would be "desirable for the public welfare." United for Missouri v. PSC, 515 S.W.3d 754, 759 (Mo. App. W.D. 2016); State ex rel. Intercon Gas, Inc. v. PSC, 848 S.W.2d 593, 597-98 (Mo. App. W.D. 1993). If "the public convenience will be enhanced" and "there is [a] reasonable necessity" for the service, then the

public "convenience and necessity" and "need" is served by granting the CCN. State ex rel. Beaufort Transfer Co. v. Clark, 504 S.W.2d at 219.

The Court of Appeals has also noted that "the future must be part of a comprehensive evaluation in matters of public convenience and necessity," and that the Commission may properly consider "Missouri's demonstrated public policy of conserving natural resources and pursuing renewable energy sources" when it grants a CCN. United for Missouri v. PSC, 515 S.W.3d 754, 760, 764 (Mo. App. W.D. 2016).

In determining whether an applicant meets these standards and "is necessary or convenient for the public service," the Commission has frequently considered the five following factors as guidelines, known as the Tartan factors. In re Tartan Energy Co., 1994 Mo. PSC LEXIS 26 at *9-10, *17-46, 1994 WL 762882 at *6-15, No. GA-94-127 (1994). See Missouri Landowners Alliance v. PSC, 593 S.W.3d 632, 638-39 (Mo. App. E.D. 2019); In re KCP&L Greater Mo. Operations Co., 2016 WL 946579, No. EA-2015-0245 (2016), aff'd United for Missouri v. PSC, 515 S.W.3d 754 (Mo. App. W.D. 2016).

1. Does the Evidence establish that there is a Need for EMW to operate Persimmon Creek?

Yes. EMW proposes to acquire Persimmon Creek to help meet its current need for an economic energy source, particularly given the high prices in today's wholesale energy markets, and to provide accredited capacity to help meet its needs by 2024. Adding Persimmon Creek to the Company's generation portfolio is consistent with both the 2021 IRP Preferred Plan and the 2022 IRP Update which show that the Project provides benefits to customers. Overall, Persimmon Creek will be a valuable addition to EMW resources because it will provide a long-term, low-cost

energy source in today's increasingly volatile energy markets, while providing additional accredited capacity by 2024.[8]

Without this project, EMW will remain in the same position of wholesale energy market exposure where it is today. Although Evergy agrees that Persimmon Creek does not resolve all of the Company's capacity needs and does not provide a consistent energy hedge during all peak hours, it resolves some capacity needs and provides an energy hedge that EMW does not currently have. There is no such thing as a resource which provides a perfect energy hedge and there is no guarantee that any future project would be any better than Persimmon Creek.[9] Persimmon Creek is a critical step in EMW's plans to meet its customers' long-term energy and capacity needs in an overall integrated resource plan that avoids multiple risks posed by the energy markets, transmission interconnection delays, and the cost of future renewable resources.[10]

a. EMW has a Need for both Capacity and Energy

As stated in EMW's Notice of Preferred Plan Change, filed in No. EO-2023-0115 (Sept. 27, 2022), the Company is forecasted to need 150 MW of market capacity, in addition to Persimmon Creek, to meet its SPP planning reserve margin capacity requirements by the summer of 2024. However, that forecast was based on a 12% planning reserve margin which is now understated, given SPP's decision in mid-2022 to increase the planning reserve margin to 15% in the summer of 2023. (Ex. 6, Messamore Supp. Direct at 8-10 & Sched. KM-1). The Preferred Plan assumed that Persimmon Creek would provide 20 MW of accredited capacity which means that EMW's capacity need is 170 MW in 2024. (Ex. 6, Messamore Supp. Direct at 10).

[8] Ex. 3 at 6 (Messamore Direct); Ex. 6 at 2-3, 5, 10 (Messamore Supp. Direct).
[9] Ex. 6 at 3:13-15 (Messamore Supp. Direct); Ex. 9 at 21-22 (Messamore Surrebuttal).
[10] Ex. 6 at 6 (Messamore Supp. Direct); Ex. 9 at 32-34 (Messamore Surrebuttal).

EMW also needs additional energy resources as it has been a net purchaser of energy from the SPP energy market since its creation in 2014. (Ex. 6, Messamore Supp. Direct at 11). The confidential negative values in million MWh from 2015 to 2022 demonstrate the extent of the Company's reliance on wholesale market purchases. See Ex. 6(C) at 11: 6-7. The last two years have demonstrated the impact that elevated gas prices have had on EMW, given its market dependence. When market prices were approximately $20/MWh in 2019-2020 and were expected to remain low because of plentiful shale gas production driving low natural gas prices, EMW was often able to purchase energy from the market more cost-effectively in the short-term, instead of building or acquiring new resources. Id. at 11-12.

However, electricity prices have climbed to an average of $55/MWh in November 2022 and have seen increased volatility. The expansion of liquified natural gas ("LNG") exports, combined with tighter domestic production, have created an expectation of high gas and energy prices for the long-term. Moreover, the prospect of additional environmental regulations (e.g., a carbon tax or future emissions restrictions) on fossil-fuel resources will create upward market price pressures as fixed-cost baseload resources, including coal-fired plants, are retired and market prices become even more dependent on natural gas units that are impacted by high gas prices. (Ex. 6, Messamore Supp. Direct at 12-13). As a result, EMW needs additional energy resources like Persimmon Creek to serve as a hedge against increasing market prices.

Both Staff and OPC concede that the Company has a need for additional resources.[11] Staff's Mr. Luebbert testified that while Persimmon Creek will "[n]ot directly" limit EMW's exposure to market energy prices, "it is possible for generating resources to act as a hedge against high market energy prices under the right circumstances …."[12] He sponsored a chart in his

[11] Ex. 100C at 3-4 (Eubanks Rebuttal); Ex. 201 at 3-4 (Mantle Surrebuttal).
[12] Ex. 104 (Luebbert Rebuttal) at 47.

surrebuttal that purported to show Persimmon Creek was not producing much energy when load was high during the summer months. However, his Figure 3 clearly shows that the wind farm was operating at about 35% capacity by generating approximately 60-70 MW per hour during periods of high load and at increased levels of energy during other hours.[13] As Ms. Messamore testified: "It's important to note this graph starts at 50 MWh. So, it's not quite as extreme as it looks. There is still a pretty good level of production even at that peak time ... looks like 30 to 35 percent capacity factor even at peak."[14] Mr. Luebbert avoided any discussion of wind generation during other months.

Yet, as Mr. Humphrey testified, the evidence is that Persimmon Creek has maintained an aggregate net capacity factor of approximately 50% for its four years of operation, generating energy under the 2022 PTC rate of $26.00/MWh that translates to a reduction in the purchase price for the facility.[15]

On the stand Mr. Luebbert had no comment on wind generation's performance or that of Persimmon Creek during Winter Storm Elliott in December 2022, preferring to focus on Winter Storm Uri in February 2021.[16] However, the Report presented by SPP's Director of Operations to the SPP Market & Operations Policy Committee on January 17, 2023 (Exhibit 12) showed that wind performed well during Winter Storm Elliott. According to the SPP report, wind outperformed both natural gas and coal units, producing 9 GW more energy during Winter Storm Elliott than during Winter Storm Uri. Although accredited at 3.7 GW, the output of wind units averaged over 3 times that level during Winter Storm Elliott.[17]

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[13] Ex. 104 (Luebbert Rebuttal) at 47-48 & Fig. 3.
[14] Tr. 162 (K. Messamore).
[15] See Ex. 8 & 8(C) at 21-22 (Humphrey Surrebuttal).
[16] See Tr. 491-92 (Luebbert) .
[17] See Tr. 204-07 (K. Messamore); Ex. 12 at 9, 19-21 (SPP Report, "December 2022 Winter Storm Elliott").

OPC's Ms. Mantle conducted no analysis of Persimmon Creek herself. She mostly agreed with Mr. Luebbert or referred to memoranda she prepared in the past. Notably, the memorandum she submitted in EMW's Notice of Change in its Preferred Resource Plan matter stated that "OPC realizes there [are] likely to be energy and capacity benefits from the acquisition of this resource …."[18] In this case Ms. Mantle preferred to focus on hot weather months, like Mr. Luebbert, and recommended that Evergy "spend its money on efficient natural gas generation resources."[19] Although Evergy is continuing to consider all types of generation resources, as Staff Exhibit 208(C) clearly shows,[20] the SPP grid's experience during both Winter Storms Uri and Elliott showed that gas units struggle with fuel supply and extreme cold weather outages just as coal units do.[21] As Ms. Messamore testified in response to Chairman Rupp's inquiry regarding the performance and need for gas and wind resources: "I think the right answer is both. … That doesn't change the fact that gas is not generally a great energy hedge. It's a great capacity resource. You have to kind of balance across the two. And then solar is somewhere in the middle."[22]

Like Mr. Luebbert, Ms. Mantle had no comment on the performance of wind generation or Persimmon Creek during Winter Storm Elliott, preferring to focus on hot summer months. However, as noted above, the evidence clearly showed that wind was the superior energy resource during Elliott. Although gas outperformed coal, it failed to reach its accredited capacity of 26.6

[18] See Sched. LMM-S-3 at 2 (Oct. 6, 2022 Mem., No. EO-2023-0115), Ex. 201 at 9 (Mantle Surrebuttal).
[19] Ex. 201 at 6.
[20] See Ex. 108(C) at 8; Tr. 182-83 ("And we do have thermal resources in our resource plan with recent changes in the capacity requirements at SPP."), Tr. 199 ("In our current resource plan it's a mix of wind and thermal and capacity contracts ….") (K. Messamore).
[21] See Ex. 12, SPP Report, "December 22 Winter Storm Elliott" at 5 ("Lack of fuel supply; Extreme cold weather-related outages), 7 (SPP receipt of natural gas notices on Dec. 20, 2022 that "flexibility and other non-firm usage of pipelines would be greatly limited through Dec. 28"), 20 (gas failed to be available at its accredited capacity) (Jan. 17, 2023).
[22] Tr. 182-83 (K. Messamore).

GW (performing at 21.7 GW),[23] while wind far exceeded its 3.7 GW accredited level, reaching 13.0 GW.[24]

Ms. Mantle cited SPP's recent proposal to change its accreditation of wind sources to an effective load carrying capability ("ELCC") methodology, asserting that SPP has "started to realize" that it's "accrediting these wind resources actually probably too high" because they "are not available often in the summer months …. [Tr. 256]." Advising that SPP planned to implement its ELCC capacity accreditation proposal in the summer of 2023 (Tr. 257), she quoted from an SPP report regarding this change in methodology.[25] However, just last week FERC set aside its prior order which conditionally accepted SPP's capacity accreditation methodology for wind and solar resources, and rejected the SPP proposal.[26]

b. Evergy's IRP Process Supports the Need for Persimmon Creek

The attack by Staff and OPC on Evergy's approach to Integrated Resource Planning (as well as the approaches of Missouri's other regulated electric utilities[27]) is a strange and misguided effort to deny the clear evidence that there is a need for the Company to add Persimmon Creek to its generation portfolio.

As Ms. Messamore testified, both the 2021 and 2022 IRPs identified wind resources as a key element of EMW's overall Preferred Plan. Wind added in the first five years of the Preferred Plan reduced costs to customers by $64 million by economically meeting the Company's need for energy and capacity. See Ex. 6 at 2 (Messamore Supp. Direct). The subsequent analysis of Persimmon Creek showed that the net present value of revenue requirement increased the savings

[23] Id. at 20.
[24] Id. at 21
[25] Tr. 318-19 (L. Mantle); Ex. 202, "Solar and Wind ELCC Accreditation," SPP Allocation of ELCC Methodology White Paper at 3, 14 (Aug. 2019).
[26] Order Addressing Arguments Raised on Rehearing and Setting Aside Prior Order, and Dismissing Compliance Filing as Moot, Southwest Power Pool, Inc., 182 FERC ¶ 61,100 at 1-2, 16-17, (March 2, 2023).
[27] Tr. 284 (L. Mantle).

to customers by an additional $66 million, for a total savings of $130 million. Id. at 2 & Sched. KM-1 (Notice of Change in Plan); Ex. 8 at 19-20, 22 (Humphrey Surrebuttal). Contrary to the Staff and OPC's misguided assertions[28], this IRP process was in no way a "manipulation" of inputs (Tr. at 82-83), but rather a fine-tuning of the NPVRR savings estimates based upon the real renewable resource opportunity posed by Persimmon Creek. Id.; Ex. 9 at 25 ("adjustments were documented and supported in the [2022] Annual Update … consistent with the IRP Rule's requirements for an electric utility to update its filings and data.") (Messamore Surrebuttal)

Staff's cavalier dismissal of integrated resource planning as a "modeling exercise" with "loose guidelines and objectives"[29] and its utter disregard for the IRP process is baffling. It is contrary to the Commission's historical use of the IRP to support utility decisions and the detailed framework of the IRP Rule that exceeds twenty pages. See 20 CSR 4240-22.010 to 22.080; Ex. 9 at 22-25 (Messamore Surrebuttal). Staff's complaint that Evergy's IRPs have frequently changed in recent years[30] is odd, given that the word "change" appears 24 times in the IRP Rule and the word "update" 38 times. In reality, in the dynamic environment faced by electric utilities today, it would be much more concerning if the Company's IRP and resource planning was static and not changing and updating reflecting the dynamics of the market and industry.

Adding Persimmon Creek to EMW's generation portfolio is consistent with positions taken by the Commission who have encouraged EMW and its predecessors to invest in its own generation, especially renewable resources, instead of relying on the wholesale electricity markets. See Report & Order at 14,[31] In re KCP&L Greater Mo. Operations Co. App. for a Solar Generation

[28] See Ex. 101 (Fortson Rebuttal) at 3, 6-13; See also Ex. 201 (Mantle Surrebuttal) p. 9; Tr. 83.
[29] Ex. 101 at 19 (Fortson Rebuttal).
[30] Id. at 4, 12-13, 15-17.
[31] "Furthermore, GMO [now Evergy Missouri West] will need to build more solar generating facilities, as well as other renewable generating resources, to comply with the federal Clean Power Plan or other regulations designed to reduce the injection of carbon dioxide and other pollutants into the atmosphere."

CCN, No. EA-2015-0256 (Mar. 2, 2016).. There is a clear need for Evergy Missouri West to add capacity and energy to its generation portfolio, and Persimmon Creek represents the least cost wind resource available at this time that will provide customers with the greatest benefits. As Mr. Humphrey responded to Commissioner Holsman at the hearing, among "the important aspects of us owning this plant rather than it being a PPA is all the infrastructure associated with that plant," including the option to add "a battery behind the interconnection … and take that notional 10 percent accredited capacity and make it 90, 95 percent from SPP rules today with that battery." See Tr. 119-20 (Humphrey); Ex. 9 at 32-33 (Messamore Surrebuttal).

Staff has previously interpreted "need" as a requirement for the applicant to demonstrate that the additional service provided by a project would be an improvement justifying its cost, consistent with Missouri law.[32] However, in this case the Staff's approach is based on the idea that the only prudent path available to a utility is to add resources when it has a physical need for electrons or is facing SPP regulatory mandates.[33] This is an unwise and risky approach for the Company and its customers, particularly when there is a clear need to transition EMW's generating fleet to lower-carbon or no-carbon sources responsibly over time. See Ex. 9 at 2, 8 (Messamore Surrebuttal). The Company's imminent capacity need of approximately 170 MW in 2024 , as well as its long-term capacity need is graphically depicted in Ms. Messamore's Surrebuttal Testimony. See Ex. 9 at 10 (K. Messamore Surrebuttal).

The Staff's shortsighted view of need ignores the performance-based accreditation for thermal resources that SPP is implementing, which is expected to reduce the capacity accreditation

[32] See Staff Brief at 10, In re Grain Belt Express Clean Line LLC, No. EA-2016-0358 (Jan. 9, 2019), *citing* State ex rel. Intercon Gas, Inc. v. PSC, 848 S.W.2d 593, 597 (Mo. App. W.D. 1993). See also United for Missouri v. PSC, 515 S.W.3d 754, 759 (Mo. App. 2016).
[33] See Ex. 9 at 6-7 (Messamore Surrebuttal), *citing* Ex. 104 at 8-9 (Luebbert Rebuttal) & Ex. 100 at 3-4, 7 (Eubanks Rebuttal).

of those resources. SPP has also indicated that it will likely further increase Planning Reserve Margins, beyond the recent increase from 12% to 15%, as the resource mix continues to change and the region experiences more extreme weather events. Both of these items are expected to further increase EMW's capacity need going forward. See Ex. 6 at 10, 22 (Messamore Supp. Direct); Ex. 9 at 11, 15 & Sched. KM-3 at 5 (Messamore Surrebuttal).

As Evergy's Ms. Messamore stressed, it is critical that Persimmon Creek become an asset in EMW's generation portfolio because, even with its addition, the Company is forecasted to remain a significant net purchaser from the SPP market. With its annual generation of about 875,000 MWh, Persimmon Creek will reduce EMW's typical net short position of nearly 3.9 million MWh by approximately 23%. Even under Staff's adjusted capacity factor which assumes the wind farm is curtailed at *all* negative prices (as a proxy for when it is no longer PTC-eligible), Persimmon Creek will still reduce this net short position by about 15%. See Ex. 9 at 13 (Messamore Surrebuttal).

Staff's arguments create a barrier to adding any renewable resources that are not specifically needed for Renewable Energy Standard ("RES") compliance under Section 393.1030. If Staff's "do nothing" position is adopted in this case or as a guiding principle for other proposed utility resource additions, there will be no realistic options available to meet EMW's current and increasing future needs, leaving customers exposed to rely on the wholesale energy market to meet their long-term needs. See Ex. 9 at 11-12, 32-34 (Messamore Surrebuttal).

Staff's narrow approach to the question of "need," which is echoed by OPC, must be rejected if Evergy is to move responsibly forward as part of the national transition from older fossil-fuel generating units to renewable energy and other more advanced solutions and technologies.

2. Does EMW have the financial ability to operate Persimmon Creek?

No party disputes that EMW will be able to finance the purchase of Persimmon Creek. Staff's Dr. Won stated: "Considering the fact that the proposed cost for the purchase is less than 2.5% of the overall expected consolidated capital spending through 2025, it is reasonable to conclude that EMW has the financial ability to purchase, operate, manage, maintain, and control Persimmon Creek Wind Farm." (Ex. 105, Won Rebuttal at 2-3).

3. Is EMW qualified to operate Persimmon Creek?

No party disputes that EMW is qualified to operate Persimmon Creek. Staff witness Jordan Hull concluded: "Yes, based on Evergy Missouri West being able to utilize expertise and knowledge from its affiliated jurisdictions, Staff concludes that Evergy Missouri West is qualified to own, operate, maintain, and otherwise control and manage the project." (Ex.102, Hull Rebuttal at 4).

4. Is EMW's proposed operation of Persimmon Creek economically feasible?

Yes. Evergy Missouri West's decision to add Persimmon Creek to its resources is economically feasible. The Commission must reject Staff's and OPC's opposition, which is both unlawful and impolitic.

Indeed, and as Chairman Rupp illustratively discussed with Staff witnesses Eubanks and Luebbert, what would utilities have to show for Staff to agree a CCN is economically feasible? Even though "these are pretty good renewables compared to what's out there in the market," and even taking capacity needs out of consideration ("assuming this project meets whatever capacity needed whatever season the Company needs it, just focusing on the financial side"), Staff still would not recommend a CCN for Persimmon Creek or even identify what would result in a Staff

recommendation for any CCN associated with renewable resources. (Tr. 419:10-421:13; 490:14-492:23).

As this hearing testimony revealed, Staff's and OPC's purported concerns about Persimmon Creek constituting a portion instead of all of EMW's otherwise-undisputed capacity and energy needs,[34] or whether wind is a viable market hedge, are truly red herrings. In fact, OPC agrees that EMW needs more owned capacity and generation (*e.g.*, Tr. at 227:8-22 (J. Seaver); Tr. at 257:7-14) and Staff agrees that like Persimmon Creek, even "natural gas utilities are encouraged sometimes to hedge so that there's not so much volatility in their supply costs." (Tr. at 424:3-12 ("most of the time it's a cost of keeping that like you have house insurance, you make sure you have house insurance so that if the worst happens you're not terribly hurt")); *see also* Ex. 100/100C, Eubanks Rebuttal at 3 and Tr. 384:13-25 (B. Fortson) (both agreeing that on a stand-alone basis, EMW has a capacity need).[35]

At base, Staff and OPC contend, absent a RES compliance obligation, that the Commission should never grant a CCN (not even an Operating CCN which has the lowest threshold in the Commission's CCN Rules to meet) unless a company can prove revenues of a given project/asset will always exceed its own anticipated total costs—regardless of the unknowable future wholesale market. (Tr. at 270:18-272:20 (Mantle); *id.* at 476:1-478:25 (Luebbert)). Contrary to Staff's and

[34] *See* Ex. 9/9C, Messamore Surrebuttal at 3-4 ("Stating that something is not needed simply because it does not completely fulfill the full need is illogical. Persimmon Creek is simply a step in executing the long-term plan necessary to responsibly transition from the use of fossil fuels to low- or non-emitting resources over time. Staff's assertion that EMW should not make this step because Persimmon Creek does not fully satisfy the full need essentially guarantees that EMW's only option is to do nothing. Adding new generation capacity in increments has been a long-standing accepted approach in Missouri, as well as in the electric utility industry generally.").

[35] *See* Ex. 9/9C, Messamore Surrebuttal at 20-22 ("Because Persimmon Creek would provide both capacity and an energy market cost hedge, the benefits of this hedge or 'insurance policy' are also not directly reflected in the energy market revenues. Stating that a hedge is only valid when it generates net profits in a single scenario built on recent history completely misses the value of a hedge. There is no such thing as a free hedge or a hedge that is guaranteed to be profitable. Hedges are insurance policies which mitigate the impact of negative events, namely customer bill volatility. In the case of Persimmon Creek, adding this energy resource helps to mitigate the price volatility (that directly impacts customer bills) which Staff acknowledges is likely to increase over time.").

OPC's unprecedented arguments, the fourth Tartan factor was never intended to be, never has been, and never should be an impossible "crystal ball" standard that neither EMW nor any other utility could satisfy. As Ms. Mantle acknowledged, "[n]obody has that crystal ball" to know what energy market revenues are going to be in the future.[36]

Staff's and OPC's novel stance that SPP revenues and tax credits must be expected to recover all of a plant's costs before a CCN may be granted is inconsistent with the Commission's previous standards for granting a CCN, and is completely inconsistent with Missouri ratemaking under Chapter 393. In rate cases in which new power plants are placed in an electrical corporation's rate base, RTO revenues, off-system sales, and/or wholesale revenues have been used as an offset to the cost of the plant, but in such cases the rates to customers have always increased in spite of the offsetting revenues from these sources.[37] There is a cost to customers to have resources to support their capacity needs and to offset the cost of market energy. This is the heart of the regulatory compact where the obligation on the electric utility to serve the public with safe and adequate service under Section 393.130.1 allows the utility to charge just and reasonable rates approved by the Commission. As Missouri courts have recognized for almost 100 years, "the ratemaking function must provide sufficient income to cover the utility's operating expenses and debt service … to assure confidence in the continued financial services of the business …."[38] By contrast, the SPP Integrated Market is not and can never reasonably be expected to offset with its revenues the all-in cost of a regulated utility providing service to customers. See Ex. 9 at 19 (Messamore Surrebuttal). No utility regulated by the Commission is required to provide capacity support and energy to retail customers at a financial loss. Rather, the SPP Integrated Market is designed to

[36] Tr. 271 (Mantle).
[37] *See* n. 4, supra (past Commission decisions).
[38] See Aquila, Inc, v. PSC, 326 S.W.3d 20, 31 (Mo. App. W.D. 2010); State ex rel. Washington Univ. v. PSC, 272 S.W. 971, 973 (Mo. en banc 1925).

recover the marginal cost of providing energy to the market through revenues to cover the variable costs to produce energy. In fact, as Ms. Messamore testified, utilities are not allowed by SPP market rules to build fixed cost recovery into their market offers. See Ex. 9 at 19. In none of these rate cases have customers' rates gone down as a result of the inclusion of the new power plants in rates, as would be expected if the Staff's and OPC's approach in this case was required before the new plant could be constructed and/or operated. Staff's and OPC's overly narrow view would put customers at risk, exposing them to rely only on the wholesale market to meet long-term needs. Their approach must be rejected if the Commission desires to move forward with transitioning Evergy's generation portfolio from old fossil-fueled units to newer, clean renewable technologies such as wind and solar generation.

As Ms. Messamore explained: "If Staff's [and OPC's] position is adopted for Persimmon Creek or as a guiding principle for other resource procurements, there will be no realistic options available to meet EMW's current and increasing future needs, leaving EMW's customers exposed to rely only on the wholesale market to meet these needs for the long-term. Such an outcome would likely increase both the cost and volatility of customers' electricity bills which would not be in the public interest." (Ex. 9/9C, Messamore Surrebuttal at 2).

As this Commission is also well aware, Staff's and OPC's position violates the traditional regulatory construct in Missouri. Customers under Missouri law and customary practice pay for the cost of providing service to them. See Ex. 7 at 19 (Dority Surrebuttal at 19); *State ex rel. Harline v. PSC,* 343 S.W.2d 177, 181 (Mo. App. W.D. 1960) ("The company had the legal duty to serve the public in the certificated Jackson County area. . . . The Jackson County franchise implies an obligation to serve the public in return for the privileges granted by it. The certificate of convenience and necessity is a mandate to serve the area covered by it, because it is the utility's

duty, within reasonable limitations, to serve all persons in an area it has undertaken to serve."). Shareholders provide the capital for the service and are entitled to the opportunity to earn a reasonable return on their investments. (*Id.*) The Commission regulates the public utility in a manner that fairly weighs the interests of, and risks to, both customers and shareholders. (*Id.*) Neither the minimal requirements for Operating CCNs in Section (5) of the CCN Rule nor the Tartan Factors change this historical balance between utilities and their ratepayers.

As Missouri appellate courts and this Commission have repeatedly held, "economic feasibility" may be shown even where a "plant is not currently needed to supplement [a utility's] load capacity" (unlike Persimmon Creek), "is not the least-cost alternative" (unlike Persimmon Creek), and "is not needed to comply with current environmental regulatory requirements."[39] In this case, high-capacity factor wind generation from western Oklahoma is one of the cheapest forms of renewable energy in the United States. See Ex. 7 at 13 (Dority Surrebuttal). The Commission's CCN decisions based on the value of wind generation have been recognized by the courts. OBJ And, after the arms-length, competitive RFP process, Persimmon Creek was selected because it had the lowest levelized cost of energy of all projects which the Commission has described as "the best financial technique to compare different energy generation sources."[40]

What's more, in Confidential Schedule JH-11 to Mr. Humphrey's Surrebuttal testimony, an independent consultant that Staff agreed was credible (*see* Tr. 356:9-21) evaluated all three concerns that Mr. Luebbert identified outside the LCOE analysis (curtailment risk, transmission risk, and market revenues) for the short-listed projects in the RFP. (Ex. 8/8C, Humphrey

[39] *United for Missouri v. PSC*, 515 S.W.3d 754, 764 (Mo. App. W.D. 2016) (approving Greenwood solar CCN). *See* Report & Order at 18, In re Union Elec. Co. CCN Application for a Distributed Solar Pilot Program, No. EA-2016-0208 (Dec. 21, 2016) ("While the immediate benefits to Ameren Missouri and its ratepayers are not easily quantifiable, in light of the need for additional solar generation in the future, it is likely that those future cost savings will be substantial.").

[40] Report & Order on Remand at 26, *In re Grain Belt Express Clean Line LLC*, No. EA-2016-0358 (Mar. 20, 2019).

Surrebuttal at 19-20.) The study showed that Persimmon Creek additionally offered *the least curtailment risk*, *the least transmission risk*, and the *most market revenue* for the Company in each of the three future years that were studied.[41] While Mr. Luebbert presented hypotheticals and conjecture about "other projects," Staff never disputed (and tellingly ignored) that this analysis from a respected independent consultant shows that Persimmon Creek offers EMW's customers the least risky investment even in light of Mr. Luebbert's concerns. This analysis, combined with the LCOE analysis, established that, notwithstanding Staff's and OPC's speculation about future market conditions or unspecified projects, Persimmon Creek is economically feasible and will benefit EMW's customers.

It was further undisputed at hearing that Persimmon Creek was attractive compared to other alternative projects from a permitting and supply chain perspective because it is already operating with the lowest congestion risk for delivery of energy to Missouri customers. (Exs. 8/8C, Humphrey Surrebuttal at 20-21). As Ms. Messamore explained, there are "several ongoing transmission projects that continue to improve that [congestion risk] position over time." (Tr. 176-77). These include the Sooner to Wekiwa transmission project in Oklahoma, the Wolf Creek to Blackberry project in Kansas and Missouri, and "the joint targeted interconnection queue [projects] that SPP is performing with MISO [which] will be a help as well." (Tr. 177).[42] In addition, Persimmon Creek is one of the most advanced and efficient wind generating facilities now in operation since 2018, with a proven operational aggregate net capacity factor of approximately 50% over the past four years. (*Id.* at 21-23; Ex. 2/2C, Humphrey Direct at 6-8).

[41] The years studied were 2025, 2026 and 2028. *See* Ex. 5 & 5(C) at 19 & Confid. Sched. 11 (Humphrey Supp. Direct).
[42] Ms. Messamore added: These projects weren't "factored into the assessment of Persimmon Creek and really doesn't impact it, but I do think that SPP is making good progress on starting to identify transmission solutions to this congestion and that's … why we use SPP's transmission models as the basis for our market prices so we know what they're planning to implement and how they're planning to expand transmission capacity and know what impact that has on locational prices in our model." (Tr. 177).

Ms. Messamore described how the IRP process for Evergy Missouri West identified a Preferred Plan with wind that results in reduced costs for EMW customers over time compared to alternative resource plans. In her Supplemental Direct Testimony, Ms. Messamore provided additional detail related to the 2021 IRP demonstrated savings, the 2022 Annual Update, and the subsequently updated Preferred Plan. (Ex. 3, Messamore Direct at 5; Exs. 6/6C, Messamore Supp. Direct at 5). When updated with Persimmon Creek, as opposed to a generic wind resource used in the 2022 IRP, the results showed a total of $130 million in savings to customers, compared to a plan with no new wind additions. (Exs. 6/6C, Messamore Supp. Direct at 17, 21).

Moreover, Persimmon Creek provides sources of value that are not reflected in the IRP. It is located in the western Oklahoma wind corridor, which provides geographic diversity from EMW's wind and other resources located in eastern and western Kansas and western Missouri. While the Project can provide both capacity and energy today to EMW without firm transmission service, the benefit of firm service would be potentially higher capacity accreditation for the resource and allocated congestion hedging rights (Ex. 6/6C, Messamore Supp. Direct at 29). Evergy will also own Persimmon Creek and control its future operations. See Ex. 8 at 3 (Humphrey Surrebuttal); Tr. 119-20 (Humphrey).

The Inflation Reduction Act ("IRA"), which became law on August 16, 2022 (the week after EMW signed the agreement to purchase the Project), does not change the economics of Persimmon Creek as it already receives 100% of the PTCs as would a new wind resource. Persimmon Creek is not affected by logistics or the effects of inflation on construction and procurement costs. See Ex. 5/5C at 12-17 (Humphrey Supp. Direct) & Confid. Sched. JH-8. Comparing Persimmon Creek with other projects that are likely eligible for IRA treatment shows that Persimmon Creek is currently and is likely to remain the lowest cost option to meet the needs of EMW's customers.

See Ex. 5/5C at 18-21 (Humphrey Supp. Dir.) Mr. Humphrey concluded that "Persimmon Creek is still the right decision for EMW at this time, given its cost of $1,250/KW compared with comparable wind and solar projects whose costs are about twice as much. Id. at 18, 21.

As noted above: "The public policy of the state to conserve natural resources and pursue renewable energy sources is reflected in Missouri's RES."[43] Adopted by Initiative Proposition C in 2008, the renewable energy standard is reflected in Section 393.1020-.1030. The economic feasibility of Persimmon Creek is buttressed by this demonstrated public policy of pursuing renewable energy sources, and the public's demonstrated interest in such resources.

Finally, it cannot be overstated that an Operating CCN does not present an onerous burden for a utility to meet, which EMW amply has for Persimmon Creek (a relatively small project compared to Evergy's operations as a whole). See Report & Order at 35, In re Application of KCP&L Greater Mo. Operations Co. for a CCN to Operate Facilities in Cass Cnty., No. EA-2009-0118, (Mar. 18, 2009) (approving CCN for South Harper plant, noting that "[t]he Facilities provide sufficient additional service to justify their cost, and the inconvenience of GMO not having them is sufficient to arise to the level of them being necessities."); Report & Order, *In re Empire Dist. Elec. Co.*, No. EA-99-172, 2000 WL 228658 at 5 (Feb. 17, 2000) (in noting that the economic feasibility standard was satisfied, "A utility's customers and the public could be harmed if the utility jumped into a project that would be a financial drain on the company. . . . In this case, Empire's possible expansion is a very small project for a rather large utility.").

This fourth Tartan factor is unquestionably satisfied.

[43] United for Missouri v. PSC, 515 S.W.3d 754, 763-64 (Mo. App. W.D. 2016) (noting the "enthusiasm" expressed by the customers of GMO, now EMW, for renewable resources).

5. Does EMW's proposed operation of Persimmon Creek promote the public interest?

Yes. As the Company has explained in its Application and in supporting testimony, it is in the public interest for the Commission to grant an operating CCN for Persimmon Creek for the following reasons.

In its decision that established the Tartan Factors as factors to be considered in CCN cases, the Commission made the following observation regarding the public interest factor:

> The requirement that an applicant's proposal promote the public interest is in essence a conclusory finding as there is no specific definition of what constitutes the public interest. Generally speaking, positive findings with respect to the other four standards will in most instances support a finding that an application for a certificate of convenience and necessity will promote the public interest [emphasis added].[44]

As discussed above, EMW's proposed Project meets the four Tartan factors of (1) Need, (2) Operational Qualifications, (3) Financial Capability, and (4) Economic Feasibility. As a result, these positive findings will support a finding that the application for a CCN will promote the public interest. However, the competent and substantial evidence also supports a more specific finding that the CCN will promote the public interest. (Tr. 18-20, 26-27, 87)

First, the addition of Persimmon Creek to the Company's generation fleet is projected to reduce customer costs through long-term, low-cost energy and capacity to meet the needs of EMW and its customers. As Mr. Humphrey testified, once the revenues from the wind farm begin to flow to customers through the FAC and sales of renewable energy credits ("RECs") are considered, they will offset and likely exceed the annual deferrals of the PISA 85% depreciation expense and the property tax tracker. (Tr.[C] 103-06). He observed that Staff's calculations did not include

[44] In re Tartan Energy Co., 1994 Mo. PSC LEXIS 26 at *40-46, 1994 WL 762882 at *13-14, No. GA-94-127 (1994).

the savings to customers of not paying the O&M costs of Persimmon Creek because it is not in rate base. (Tr. 103[C]).

Staff also did not calculate the revenues that would flow to customers in its assessment of what it called positive and negative regulatory lag. (Tr. 374 [Staff witness Young]). However, Staff did not dispute EMW's position that revenues generated by Persimmon Creek would flow to customers under the FAC. Staff's Mr. Fortson stated that there "has historically been a positive revenue that [has been] flowing through the FAC [that] would have gone to customers," noting that it would include any negative prices that would reduce the positive revenue. (Tr. 382 [Fortson]). He confirmed on cross-examination that Staff is not arguing that the SPP revenues flowing to customers from Persimmon Creek won't be positive. (Tr. 387-88 [Fortson]. Staff's Mr. Luebbert agreed that Mr. Fortson had stated revenue from Persimmon Creek would flow through the FAC even though the plant was not in rate base. (Tr. 445-46 [Luebbert]).

Apparently, only OPC is hesitant to recognize that EMW's tariff requires that off-system sales revenues and costs be calculated and included in the Actual Net Energy Cost of the FAC. See EMW Tariff Sheets 127.24-.34, Fuel Adjustment clause – Rider FAC (attached as Exhibit A). While Ms. Mantle asserted that this issue was not covered in the Company's testimony, Mr. Humphrey Surrebuttal Testimony clearly stated that off-system sales would flow back to customers (Ex. 8 at 13-14), reaffirming EMW's position that it stated both in this case and in the Notice of Change of Preferred Plan case that responded to OPC on October 6 and 18, 2022, respectively. See Ex. 13-14. Ms. Mantle did testify: "If Evergy West records them in the right account [FERC Account 447, as specified by the FAC Tariff[45]], it's very possible that they could flow through." (Tr. 333). This confirmed her earlier statement at the hearing that "[t]here would

[45] See FAC Tariff Sheet 127.28, Exhibit A (attached).

be revenues flowing back" from Persimmon Creek under the OSSR component of the FAC Tariff. (Tr. 266-67).

The Project will provide RECs and is eligible for 100% of the available federal PTCs. As a resource that the Company will own and operate, Persimmon Creek will allow EMW to mitigate reliance on the wholesale energy markets and their rising and volatile costs. While Staff viewed the PTCs as providing "positive lag" to the Company, it failed to consider that once Persimmon Creek is in rate base, the PTC will benefit customers by providing additional income to reduce the revenue requirement. See Ex. 6 & 6(C) at 24-25 (Messamore Supp. Direct) & Sched. KM-1 at 7 (Notice of Change in Preferred Plan). The value of the PTC, therefore, should not be included in Staff's one-sided analysis of "positive lag" for EMW, given that its benefits will be shared by the Company and its customers.

Furthermore, adding Persimmon Creek to the Company's resources is economically feasible because electricity generated from a high capacity factor wind generation facility from western Oklahoma is one of the cheapest forms of renewable energy available today. After the competitive RFP process, Persimmon Creek was selected because it had the lowest LCOE of all projects. Furthermore, the Project is attractive compared to alternative available projects from a permitting and supply chain perspective because it is already operational with the lowest congestion risk for delivery to Missouri customers. Persimmon Creek is one of the most advanced and efficient wind generating facilities now in operation, with a proven operational aggregate Net Capacity Factor of approximately 50% over the past four years. (Ex. 5, Humphrey Supp. Direct at 17-19; Ex. 8, Humphrey Surrebuttal at 21-23; Tr. at 124, 129).

Persimmon Creek will broaden the renewable generation portfolio of EMW which currently owns no wind resources. The addition of Persimmon Creek's 198.6 MW will bring the

Company in line with Evergy's other public utilities which collectively own and operate over 575 MW of wind resources. (Ex. 5, Humphrey Direct at 14).

In addition, having EMW own and operate Persimmon Creek aligns with Missouri's renewable energy policies, including the Renewable Energy Standard Law,[46] provisions of the Plant-in-Service Accounting ("PISA") Law,[47] and the Securitization Law.[48] The addition of Persimmon Creek to EMW's resources will provide environmental benefits and provide a diversified energy resource to serve the community as Evergy moves to achieve its targeted 70% reduction from CO_2 emissions levels by 2030 and net-zero emissions by 2045. (Humphrey Surr. at 7).

Taken together, all these factors, including other factors discussed in the Company's supporting testimony, demonstrate that granting EMW an Operational CCN for Persimmon Creek is in the public interest. (Application at 7-10; Ex. 1, Dority Direct at 9-10; Ex. 4, Dority Supp. Direct at 7-9; Ex. 7, Dority Surrebuttal at 7-14; Tr. at 87).

B. If the Commission grants the CCN for the Project, what conditions, if any, should the Commission impose on the CCN?

1. Should a Production Tax Credit tracker be established?

EMW is opposed to this condition to the extent that Staff's and/or OPC's proposed condition to track PTCs would invoke deferral accounting principles and require the establishment of regulatory liability and asset accounts under the FERC Uniform System of Accounts.

Such a condition is inconsistent with the Commission's previous decisions on tracker requests and accounting authority orders ("AAOs"). The Commission has held that trackers and other deferrals should be infrequent and used only when circumstances are unusual. Trackers

[46] §§ 393.1020-.1030.
[47] § 393.1400.4(3) ["Deployment and integration of … renewable resources"]; § 393.1655.
[48] § 393.1700 et seq.

typically apply to extraordinary costs that are significant or volatile, and not routine. The PTC does not meet any of these requirements. It is not extraordinary, unusual, or infrequent. It has existed for many years and is intended to promote the construction and operation of wind and other renewable energy facilities. (*See* Ex. 7, Dority Surrebuttal at 21-24).

The Commission has previously decided, upon Staff's recommendation, and it has been affirmed by the Missouri Court of Appeals, that the "use of trackers should be limited because they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentives a utility has to operate efficiently and productively under the rate regulation approach employed in Missouri." Kansas City Power & Light Co. v. PSC, 509 S.W.3d 757, 769 (Mo. App. 2016), aff'g In re Kansas City Power & Light Co., *Report and Order* at 50-51, No. ER-2014-0370 (Sept. 2, 2015).

When the acquisition of Persimmon Creek by EMW is closed, customers will immediately receive the benefits of this resource and its zero-cost energy which will flow through the FAC. This will occur before the value of Persimmon Creek and its operating and maintenance costs are reflected in base rates. Under the PISA Law, 85% of the plant's depreciation expense with carrying costs will be deferred until the asset is reflected in rates.[49] (Exs. 8/8C, Humphrey Surrebuttal at 13-14).

Between the closing of the acquisition and the conclusion of EMW's next rate case, the PTCs that will flow to the Company will offset the regulatory lag that EMW will experience on the investment until such time as Persimmon Creek is reflected in rates approved by the Commission and charged to customers. This is an appropriate result that is fully supported by the

[49] § 393.1400.2(1).

Company's FAC tariff, the PISA Law, and Missouri ratemaking principles. (Exs. 8/8C, Humphrey Surrebuttal at 13-14; Ex. 7, Dority Surrebuttal at 25-26).

Given that customers will receive the benefits of Persimmon Creek's energy through the FAC prior to the wind farm's costs being reflected in rates, and that only a partial 85% of the Project's depreciation expenses with carrying costs will be deferred, this resulting balance is consistent with Section 386.610 which directs that the Public Service Commission Law "shall be liberally construed with a view to the public welfare, efficient facilities and substantial justice between patrons and public utilities." Indeed, the revenue Persimmon Creek generated in 2022(which includes the negative hours and nodal pricing noted by Staff witnesses Eubanks and Luebbert, and which would flow immediately to customers through the FAC after the acquisition) and the sale of RECs will offset and likely exceed the PISA deferral and the property tax tracker until the next rate case when Persimmon Creek will be put into base rates. (Tr. (in camera) at 105:3-106:16.).

In sum, as with this and the other proposed conditions of Staff and OPC, the Company has not requested anything outside of the CCN Rules or traditional ratemaking. In stark contrast, Staff and OPC have wrongly attempted to bypass the Commission's Rules and ratemaking practices. The Commission should reject this proposed condition regarding a PTC tracker.

2. Should the Commission order that EMW track revenues produced by Persimmon Creek for ratemaking purposes?

If Staff's and/or OPC's condition is that EMW record and accumulate on its books in separate accounts the revenues and expenses from the Project only to the extent that these revenues and expenses would be tracked in a similar manner regarding the Company's other generating

units, EMW does not object. This would be consistent with the Commission's 2019 decision that granted Empire's request for CCNs to construct three wind generating facilities.[50]

However, if this proposed condition would invoke deferral accounting principles and require the establishment of regulatory liability and asset accounts under the FERC Uniform System of Accounts, EMW objects and the Commission must reject it for the exact same reasons noted above with the proposed PTC tracker. Again, as the Company described throughout this proceeding and in this brief, Persimmon Creek revenues will flow to customers immediately upon acquisition through EMW's FAC, so there is no additional ratemaking treatment to address in regard to Persimmon Creek revenues.

Staff proposed other conditions in its Rebuttal Testimony if the Commission grants an Operating CCN for Persimmon Creek. EMW provides the following responses to them.

3. Condition regarding In-Service Criteria

The Company believes that the conditions in Schedule SEL-r-2 are reasonable if they are appropriately implemented for Persimmon Creek which has been operating in SPP since 2018. (Exs. 8/8C, Humphrey Surrebuttal at 12-13).

All items in Schedule SEL-r-2 have been previously satisfied except for Section 2.b which relates to EMW's supervisory control and data acquisition ("SCADA") capabilities. Once the SCADA functionality is transferred to the Company, its capabilities can be tested.

Otherwise, conducting tests and incurring the expense to recertify an asset that has been operating in SPP for the past four years is unnecessary. The site was commissioned in 2018 after an independent engineering firm that Staff agreed was credible (Tr. 356 [S. Lange]) conducted a

[50] In re Empire Dist. Elec. Co. App. for a CCN related to Wind Generation Facilities, Report & Order at 52, 60 (Ordered ¶ 7), No. EA-2019-0010 (June 19, 2019).

due diligence review and issued a formal report.[51] Reviews were also conducted by General Electric Company, the manufacturer of the wind turbines, as well as by the site owner. EMW has provided significant data to Staff during discovery on this topic which confirms the operational status of Persimmon Creek. (Exs. 8/8C, Humphrey Surrebuttal at 13).

4. Condition Regarding Future Loss of Existing Tax Benefits or Future Costs to Comply with Environmental Regulations

EMW is opposed to these recommendations and conditions, and would not be able to proceed with acquiring Persimmon Creek if they were imposed on the Operating CNN.

Staff's and OPC's recommendation is unprecedented and contrary to Missouri regulatory principles. As discussed above, under Missouri law, customers pay for the cost of a public utility's fulfilling its statutory obligation to serve them, pursuant to rates set by the Commission that are just and reasonable under Section 393.130. Shareholders provide the capital for the utility to serve the public and, in return, the Commission grants the utility the opportunity to earn a reasonable return on its investments and to recover its reasonable expenses. In evaluating the decisions that a utility makes that result in costs, including decisions to acquire generating assets, the Commission does not use hindsight. Such decisions are evaluated based upon information that was known or knowable at the time of the decision. (Ex. 7, Dority Surrebuttal at 17).

Missouri and federal courts, including the Supreme Court of the United States, have upheld these principles since the advent of public utility regulation. Staff's and OPC's proposed recommendations and conditions violate the statutory and regulatory compact between public utilities and their customers. It would unlawfully condition the acquisition and operation of an asset in an Operating CCN proceeding upon speculative legislative, regulatory, and market events that may occur in the future.

[51] See Humphrey Supp. Direct at 2-3, 23-24 & Confid. Sched. JH-9.

Today, Persimmon Creek fully complies with all environmental laws and regulations, with which Staff agrees. (Tr. at 356:9-11.) The developers of the Project specifically sited the facility to minimize wildlife impacts by voluntarily developing a Bat and Bird Conservation Plan. Persimmon Creek has operated within the parameters of the Plan since its construction. If changes in environmental or other laws or regulations occur, the costs to comply with new mandates will be evaluated under the Commission's prudence standard which forbids the use of hindsight. (Exs. 8/8C, Humphrey Surrebuttal at 9-12).

The Commission's acceptance of Staff's/OPC's condition and its recommendations would be unprecedented, and would have far reaching negative impacts on Missouri public utilities and as stated would not allow EMW to close the acquisition of Persimmon Creek. (Ex. 7, Dority Surrebuttal at 17-18). It must be rejected.

5. Hold Harmless Condition

Staff presents a sweeping proposal "that the Commission hold Evergy Missouri West's ratepayers harmless if the costs of Persimmon Creek exceed the market revenues and ratepayer realized tax benefits." See Ex. 104 at 5, 58 (Luebbert Rebuttal). This is based on Staff's argument that "market revenues and ratepayer realized benefits of the production tax credits will need to exceed the overall cost over the asset's life in order to ultimately be economic from a ratepayer perspective." Id. at 19.

Staff's Mr. Luebbert testified that this unconditional "hold harmless provision … would shift some of the risk of an uneconomic outcome back to shareholders …." See Ex. 104 at 11. However, it is unclear what, if any, risks would be "shared." Based on Staff's evidence, such a provision is nothing more than an insurance policy which would presumably continue for the life of Persimmon Creek and provide rate reductions to customers whenever forces beyond EMW's control cause revenues to be insufficient to cover costs.

Such an unprecedented condition to an Operating CCN is both unreasonable and unjust. EMW will not proceed to acquire Persimmon Creek if such a condition is imposed. It would break the longstanding regulatory compact where the balance between providing a utility the opportunity to earn a reasonable return is exchanged for its obligation under Section 393.130.1 to provide "safe and adequate" service. The courts have held that "affording a utility's investors a reasonable return on their investments is among the Public Service Commission Act's fundamental purposes."[52] It "was designed … 'to require the general public not only to pay rates which will keep public utility plants in proper repair for effective public service, but further to insure to the investors a reasonable return upon funds invested.'"[53]

Under Staff's condition EMW's return could be determined by the conditions of SPP's wholesale energy market which the Company cannot control. If wholesale energy revenues in combination with the Project's tax credits are below what is needed to recover EMW's costs (including capital costs), this condition would require the Company to absorb the difference. This would be both unreasonable, unlawful, and confiscatory. Under law "the ratemaking function must provide sufficient income to cover the utility's operating expenses and debt service," and "there must be enough revenue generated … to assure confidence in the continued financial services of the business …."[54]

The SPP energy market was not designed to recover all costs related to generating electricity. Rather, it was intended to dispatch available generation reliably and efficiently across its 14-state footprint on a real-time basis. Because the dispatch of energy in the SPP market is generally based on short-run marginal costs, offering a generation resource into the market to

[52] Aquila, Inc. v. PSC, 326 S.W.3d 20, 31 (Mo. App. W.D. 2010).
[53] Id., *citing* State ex rel. Washington Univ. v. PSC, 272 S.W. 971, 973 (Mo. en banc 1925).
[54] State ex rel. Associated Nat. Gas Co. v. PSC, 706 S.W.2d 870, 873 (Mo. App. W.D. 1985).

recover all its fixed costs, including a return on its capital investment, is not permitted under the wholesale energy market rules approved by FERC. See Ex. 9 (Messamore Surrebuttal at 18-20).

The wholesale markets overseen by FERC are not intended to cover the costs of a plant that are included in retail rates. As Ms. Messamore pointed out, none of EMW's existing plants typically receive SPP revenues that exceed their respective revenue requirements. See Ex. 9(C) at 19 (Messamore Confid. Surrebuttal). Yet, this does not mean that EMW's existing plants are not fulfilling their obligation to serve customers' need for electricity. Taken to its logical conclusion, Staff's condition would mean that many of the Company's existing and productive resources should not be a part of its fleet and that, apparently, Evergy should procure all its energy from the SPP market. As this would subject EMW's customers to the volatile prices of the wholesale energy market, this would be neither reasonable nor in the public interest. Id. at 19-20. Furthermore, if Staff's "hold harmless" condition were applied only to wind facilities, it would raise serious questions whether it is lawful, given the strict prohibitions against "subject[ing] any particular person, corporation or locality or any particular description of service to any undue or unreasonable prejudice or disadvantage in any respect whatsoever" under Section 393.130.3. Similar prohibitions exist regarding "rates or charges or the acts or regulations" of a utility that are "unjustly discriminatory or unduly preferential" under Section 393.140(5).

Moreover, not all generation resource benefits are reflected in energy market revenues and tax credits. Persimmon Creek is in service today, operating efficiently, and does not present construction, procurement, transmission interconnection, and other risks. Because the Project has already addressed the typical risks that would face a future project, Persimmon Creek will clearly provide benefits to EMW customers today. See Ex. 5 at 26 (Humphrey Supp. Direct). Staff fails to account for these benefits in this proposed condition.

Similarly, there are no capacity benefits included in Staff's analysis to reflect the fact that EMW would have to buy additional capacity if Persimmon Creek is not part of the Company's portfolio. While the accredited capacity value of the Project has been conservatively estimated to be 10%, it does provide a real benefit. See Ex. 9 at 20 (Messamore Surrebuttal). As Mr. Humphrey testified, Persimmon Creek's aggregate net capacity factor over the past four years is almost 50%. See Ex. 8 & 8(C) at 21-22 (Humphrey Surrebuttal).

Because Persimmon Creek would provide both capacity and an energy market cost hedge, the benefits of Staff's "insurance policy" are also not directly reflected in the energy market revenues. Stating that a hedge is only beneficial when it generates net profits in a particular scenario mis-states the value of a hedge. There is no such thing as a free hedge or a hedge that is guaranteed to be profitable. Hedges mitigate the impact of negative events that cause customer bill volatility. Adding Persimmon Creek to EMW's generation portfolio will help to mitigate the price volatility that Mr. Luebbert acknowledges is likely to increase over time, thus directly affecting customer bills. Id. at 20-22 (Messamore Surrebuttal).

In Empire District Electric Company's request for three CCNs to construct and operate wind facilities with a total nameplate capacity of 600 MW in southeastern Kansas and southwestern Missouri, the Commission rejected a "hold harmless" and a "customer protection plan" proposed by OPC. In its Report and Order, the Commission stated:

> Public Counsel's proposed "hold harmless" and "customer protection plan" conditions would require Empire to make the ratepayers whole through rates if the Wind Projects did not generate cash through the holding companies equal to or greater than the costs of the Wind Projects. These proposed conditions are not reasonable because they would require Empire through rates to forgo any return on or return of its authorized capital investments.[55]

[55] In re Empire Dist. Elec. Co. App. for a CCN related to Wind Generation Facilities, Report & Order at 30, ¶ 72, No. EA-2019-0010 (June 19, 2019).

In rejecting OPC's conditions, the Commission concluded that "all ratemaking determinations will be made in a rate case where all factors can be considered to determine 'just and reasonable' rates."[56] The Commission should follow the reasoning of its decision in Empire's CCN case and reject the "hold harmless" condition proposed by Staff in this case.

C. Should the Commission order EMW to provide resource-specific economic analysis utilizing reasonable assumptions beyond the IRP results, LCOE estimates, and installed capacity costs in support of future CCN applications?

The Commission should not order EMW to provide an undefined and general "economic analysis" in all future CCN applications, regardless of the factual and legal issues that may be presented in such proceedings.

First, the implication of such a condition in the context of this case is disturbing. Even though Evergy provided a comprehensive "resource-specific" analysis to the Commission and all parties, Staff and OPC are not satisfied. The LCOE analysis presented by Evergy examined price factors specific to Persimmon Creek and approximately 21 other projects or project constructs offered by ten other companies who responded to the RFP. See Ex. 2 at 6 (Humphrey Direct). These proposals were preliminarily analyzed and then re-examined as a short-list of projects was developed. See Ex. 2 & Sched. 1-2 (Humphrey Direct). A final short-list of Persimmon Creek and four projects was thoroughly examined. See Ex. 5 at 16-18 & Sched. 8 (Humphrey Supp. Direct).

The LCOE analyzed total construction cost, property taxes, tax incentives, capacity factor, depreciable life, expected O&M costs, and other variables to determine a levelized cost of each MW hour of generation over the project life. See Ex. 2 at 7 (Humphrey Direct). Non-price factors

[56] Id. at 51.

related to the development and operational team experience of the RFP candidates and other technical attributes were also considered. See Ex. 5 at 7 (Humphrey Supp. Direct).

Persimmon Creek's access to transmission between generation and load was evaluated by an independent power industry consulting firm engaged by Evergy in 2022. See Ex. 5 at 19 & Confid. Sched. JH-11 (Humphrey Supp. Direct). The wind farm was previously assessed by a well-regarded independent engineering firm when it was commissioned in 2018. Id. at 23-24 & Confid. Sched. 9-10. None of this seemed to matter to Staff and OPC.

EMW's notice of the change in its IRP Preferred Plan was filed on September 26, 2022, pursuant to 20 CSR 4240-22.080(12). The report attached to the notice advised the Commission, Staff and OPC that an additional $66 million of net present value of revenue requirement ("NPVRR") savings had been identified when Persimmon Creek was analyzed as the preferred resource.[57] These facts were discussed at length in this case.[58] Evergy also analyzed the relevant installed capacity costs which showed Persimmon Creek to have the lowest $/kW installed. See Ex. 2 at 10 (Humphrey Direct); Ex. 5 & 5(C) at 17-19, 21 (Humphrey Surrebuttal).

To the extent additional economic or analytical framework may be relevant to the application, discovery is available to any party to request information from the applicant relevant to further analysis. Parties are free to present their own economic evidence to support their positions. However, Staff has provided no details on what type of analysis it is seeking in its proposed requirement, ignoring the fact that the IRP and LCOE are well established mechanisms that have been utilized by the Commission. See Ex. 8 at 5-6, 16 (Humphrey Surrebuttal).

[57] Evergy Missouri West's Notice & Ex. A at 6-14, In re 2022 Integrated Resource Plan Annual Update for Evergy Mo. West, Inc., No. EO-2022-0202 (Sept. 26, 2022). See Order Closing File, In re Evergy Mo. West, Inc. Notice of change in its Preferred Resource Plan (Nov. 2, 2022); Ex. 6 at 17 (Messamore Supp. Direct).

[58] See Ex. 6 at 17 (Messamore Supp. Direct); Ex. 101 at 2-4, 16-21 (Fortson Rebuttal); Ex. 9 and 9(C) at 22-31 (Messamore Surrebuttal); Ex. 7 at 3 (Dority Surrebuttal).

In reviewing other CCN applications, the Commission has found that the LCOE analysis "is the best financial technique to compare different energy generation resources."[59] Furthermore, the reports produced by Missouri electric utilities under the IRP Rule have been relied upon by the Commission in evaluating challenges to the resource decisions which utilities have made.[60]

Finally, the Commission should not establish in this case a general rule applicable to all future CNN applications that EMW files, but which is not applicable to other Missouri public utilities who may seek CCNs. Any changes to CCN requirements are more appropriate for consideration in a rulemaking proceeding pursuant to Chapter 536 of the Missouri Revised Statutes that would be open to all public utilities, other stakeholders, and the public at large. Any proposal to supplement the filing requirements of the existing CCN Rule, 20 CSR 4240-20.045, should be part of a formal rulemaking proceeding so that any changes occur in a proper amendment to the rule.

Missouri courts have long held that an "agency statement of general applicability that implements, interprets or prescribes law or policy" is a "Rule" under Section 536.010(6). Missouri Assoc. of Nurse Anesthetists, Inc. v. State Board of Regis. for the Healing Arts, 343 S.W.3d 348, 356 (Mo. en banc 2011). Staff's proposal to establish a set of conditions for EMW to follow, and perhaps extend it to other electric utilities as well, violates the spirit, if not the letter, of Section 536.021.1 which outlines the rulemaking procedures necessary to promulgate a rule.

[59] See Report & Order on Remand at 26, ¶ 80, 2019 WL 1354055, In re Grain Belt Express Clean Line LLC, No. EA-2016-0358 (Mar. 20, 2019). Accord Report & Order at ¶ 25, 2018 WL 3618544, In re Empire Dist. Elec. Co. for Approval of Customer Savings Plan, No. EO-2018-0092 (July 11, 2018); Report & Order at ¶ 49, In re Ameren Trans. Co. of Illinois CCN App., No. EA-2015-0146 *Aug. 27, 2016).

[60] See Amended Report & Order at 12-18, 28-35 (based on the 2017 IRP's NPVRR analysis and other facts, decision to retire Sibley was not imprudent), 76-85 (Sierra Club failed to raise a serious doubt about the Company's IRP process and resource planning), In re Evergy Mo. West, Inc. General Rate Case, No. ER-2022-0130 (Dec. 8, 2022); Amended Report & Order at 29-34 (rejecting OPC's argument that EMW's resource planning was imprudent, PSC did not reduce the qualified extraordinary costs to be securitized), In re Evergy Mo. West, Inc. App. for a Financing Order, No. EF-2022-0155 (Nov. 17, 2022).

Id. at 356-57. "Any agency announcement of policy or interpretation of law that has future effect and acts on unnamed and unspecified facts is a 'rule.'"[61]

There is no need to establish a requirement for EMW that would be applied in all future CNN applications as it would violate Chapter 536 as an improper rule and would exceed the Commission's jurisdiction.[62] It would also be arbitrary, unreasonable, an abuse of discretion, as well as a violation of due process.[63]

D. What, if any, additional project-specific analysis requirements should the Commission order from EMW for future CCN requests?

For the reasons noted above in Section C, EMW is opposed to the imposition of any other unspecified requirements in all future CCN applications regardless of the type of CCN that is sought or the facts and circumstances of the requests.

Public Counsel has recommended vaguely that future applications' "regulatory treatment" or "timing" be "accurately modeled," and that "an estimate of the costs and benefits of the specific resource to the customers' rates" be required, presumably beyond the multitude of details and data that EMW has presented in this case. (Ex. 201 Mantle Surrebuttal at 8, 10). If the Commission conducted such a purported rulemaking in this Operating CCN case and set requirements for *all* future CCN proceedings of any kind for EMW, it would also violate the provisions of Chapter 536, exceed the Commission's jurisdiction, and be arbitrary, unreasonable, and an abuse of discretion. While the Commission has the regulatory power to correct the abuse of any property right by a public utility, it does not have the power to direct the use of its property or exercise the

[61] Department of Social Services v. Little Hills Healthcare, L.L.C., 236 S.W.3d 637, 642 (Mo. en banc 2007). An agency's "failure to promulgate a rule as required voids the decision that should have been properly promulgated as a rule." Id. See § 536.021(7) ("… any rule … shall be null, void and unenforceable unless made in accordance with the provision of this section.").

[62] See Young v. Children's Div., 850 S.W.2d 71, 74 (Mo. 1993); State ex rel. PSC v. Bonacker, 906 S.W.2d 896, 900-01 (Mo. App. S.D. 1995).

[63] State ex rel. Chicago, Rock Island & Pac. R.R. v. PSC, 312 S.W. 2d 791, 805 (Mo. 1958); State ex rel. Fischer v. PSC, 645 S.W.2d 39, 43-44 (Mo. App. W.D. 1982).

general power of management incident to ownership. "The utility retains the lawful right to manage its own affairs and conduct its business as it may choose, as long as it performs its legal duty, complies with lawful regulation and does no harm to public welfare."[64]

E. Does the evidence establish that it is not detrimental to the public interest for the Commission to authorize EMW under Section 393.190.1 to complete the asset transfer and merger described in the Application so that it may own and operate Persimmon Creek?

The standard that the Commission applies in determining whether a transfer, merger or other transaction under Section 393.190.1 should be approved is whether the proposal is not detrimental to the public interest. See 20 CSR 4240-10.105(1)(D) [sale, assignment, or transfer]; 20 CSR 4240-10.115(1)(D) [merger or consolidation].

Although Section 393.190.1 does not specify a standard, the Commission Rule's "not detrimental to the public interest" language follows the holdings of the Missouri judicial decisions that established this criterion. State ex rel. City of St. Louis v. PSC, 73 S.W.2d 393, 400 (Mo. en banc 1934); State ex rel. Fee Trunk Sewer, Inc. v. Litz, 596 S.W.2d 466, 468 (Mo. App. E.D. 1980).

Among the factors that the Commission has considered in past cases is the applicant's experience in the utility industry, its history of service difficulties, the applicant's general financial health and ability to absorb the proposed transaction, and its ability to operate the asset safely and efficiently. In re Great Plains Energy Inc., 2008 Mo. PSC LEXIS 693, *454-55, 2008 WL 2648913 at 91, No. EM-207-0374, Report & Order at 229 (2008), *quoting* In re Union Elec. Co., 2005 WL 433375, No. EO-2004-0108, Report & Order at 45-46 (2005). No party opposes EMW's request to acquire Persimmon Creek for any of those reasons.

[64] City of O'Fallon v. Union Elec. Co., 462 S.W.3d 438, 444 (Mo. App. W.D. 2015), *quoting* State ex rel. Harline v. PSC, 343 S.W.2d 177, 181 (Mo. App. K.C. 1960).

The issue in this case is whether the Company's acquisition of Persimmon Creek "tends to make the power supply" to EMW's customers "less safe or less adequate" or "tends to make rates less just or less reasonable." Id., Report & Order at 231-32, *quoting* In re Union Elec. Co., Report & Order at 49. The Commission stated:

> The presence of detriments, thus defined, is not conclusive to the Commission's ultimate decision because detriments can be offset by attendant benefits. The mere fact that a proposed transaction is not the least cost alternative or will cause rates to increase is not detrimental to the public interest where the transaction will confer a benefit of equal or greater value or remedy a deficiency that threatens the safety or adequacy of the service. [Id., Report & Order at 232, *quoting* In re Union Elec. Co., Report & Order at 49.]

The evidence that EMW offers in this case shows why approval under Section 393.190.1 should be granted:

(1) The Company engaged in a comprehensive and analytical resource planning process, pursuant to the Commission's IRP Rule, and identified in 2021 and 2022 a clear need for an additional 170 MW in wind resources by 2024. (Ex. 3, Messamore Direct 3-4). As updated, the net present value of revenue requirement (NPVRR) benefits of Persimmon Creek is an estimated $130 million over all alternative resource plans. (Ex. 8, Humphrey Surrebuttal at 20; Ex. 6, Messamore Supp. Direct at 17).

(2) The competitive RFP conducted by EMW in 2022 considered 16 proposals that were evaluated under the levelized cost of energy (LCOE) methodology which examined total construction cost, property taxes, tax incentives, internal labor, net capacity factor, anticipated O&M, and other variables to determine a levelized cost of each MW hour of generation over the project's life. (Ex. 8, Humphrey Supp. Dir. at 7). Based on this analysis, Persimmon Creek presented the lowest LCOE of all the proposals. (Ex. 2, Humphrey Direct at 8). Even with the

passage of the Inflation Reduction Act, the Project remains a clear winner on an LCOE basis. (Ex. 5, Humphrey Supp. Direct at 19).

(3) EMW also considered non-LCOE and non-IRP factors that demonstrated the benefits of Persimmon Creek which included (a) the lack of permitting, supply chain, and construction issues because it had been operating since 2018 (Ex. 2, Humphrey Direct at 4); (b) the Project is a well-performing asset with an operational net capacity factor of approximately 50% (Ex. 2, Humphrey Direct at 8); (c) the Project adds geographical diversity to EMW's generation portfolio, given its location in the wind corridor of western Oklahoma (Id. at 15); (d) the Project will immediately provide both capacity and energy to EMW as it is connected to the grid and operating (Ex. 5, Humphrey Surrebuttal at 13-14, 18); and (e) Persimmon Creek is 100% PTC qualified, with six qualifying years remaining on its 20-year depreciable life (Ex. 5, Humphrey Supp. Direct at 18).

(4) The risks of *not* granting EMW an Operating CCN for Persimmon Creek and *not* approving the commercial transactions necessary for the Company to acquire the Project include: (a) Leaving EMW and its customers exposed to future uncertain energy market risks and price volatility; (b) Failing to fulfill EMW's clear need for capacity today; (c) Compelling the Company to re-start the process to find a suitable renewable energy resource or other resource in the face of significant national supply chain, logistical, and permitting and siting issues, as well as general economic inflation and cost pressures; (d) Initiating a lengthy transmission interconnection process at SPP that could take three to five years; and (e) Facing a host of other unknown lost opportunity risks that could arise compared to the opportunity to own and operate a highly efficient and productive Persimmon Creek resource at a competitive price that will help the Company to meet

customers' current and long-term energy needs and to serve the public interest. (Ex. 9, Messamore Surrebuttal at 33-34).

Balancing these benefits and opportunities with the potential detriment clearly shows that the Commission should authorize EMW to complete the asset transfer and merger described in the Application and the Membership Interest Purchase Agreement which is clearly not detrimental to the public interest. (Ex. 2C, Humphrey Direct at 17 & Confid. Sched. JH-4).

WHEREFORE, Evergy Missouri West respectfully submits its Initial Brief to the Commission.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was served upon counsel for all parties on this 9th day of March 2023, by either e-mail or U.S. Mail, postage prepaid.

/s/ Roger W. Steiner
Roger W. Steiner

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

DEFINITIONS

ACCUMULATION PERIODS, FILING DATES AND RECOVERY PERIODS:

An accumulation period is the six calendar months during which the actual costs and revenues subject to this rider will be accumulated for the purposes of determining the Fuel Adjustment Rate ("FAR"). The two six-month accumulation periods each year through four years from the effective date of this tariff sheet, the two corresponding twelve-month recovery periods and the filing dates will be as shown below. Each filing shall include detailed work papers in electronic format to support the filing.

Accumulation Periods	**Filing Dates**	**Recovery Periods**
June – November	By January 1	March – February
December – May	By July 1	September – August

A recovery period consists of the months during which the FAR is applied to customer billings on a per kilowatt-hour (kWh) basis.

COSTS AND REVENUES:

Costs eligible for the Fuel and Purchased Power Adjustment ("FPA") will be the Company's allocated jurisdictional costs for the fuel component of the Company's generating units, reservation charges, purchased power energy charges including applicable Southwest Power Pool ("SPP") charges, emission allowance costs and amortizations, cost of transmission of electricity by others associated with purchased power and off-system sales, all as incurred during the accumulation period. These costs will be offset by jurisdictional off-system sales revenues, applicable SPP revenues, revenue from the sale of Renewable Energy Certificates or Credits ("REC"). 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. Likewise, revenues do not include demand or capacity receipts associated with power contracts in excess of one year.

APPLICABILITY

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

The FAR is the result of dividing the FPA by forecasted Missouri retail net system input ("S_{RP}") for the recovery period, expanded for Voltage Adjustment Factors ("VAF"), rounded to the nearest $0.00001, and aggregated over two accumulation periods. The amount charged on a separate line on retail customers' bills is equal to the current annual FAR multiplied by kWh billed.

January 9, 2023

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS

FPA = 95% * ((ANEC – B) * J) + T + I + P

ANEC = Actual Net Energy Costs = (FC + E + PP + TC – OSSR – R)

FC = Fuel costs, excluding decommissioning and retirement costs, incurred to support sales and revenues associated with the Company's in-service generating plants:
The following costs reflected in Federal Energy Regulatory Commission ("FERC") Account Number 501:
Subaccount 501000: coal commodity and transportation, side release and freeze conditioning agents, dust mitigation agents, accessorial charges as delineated in railroad accessorial tariffs [additional crew, closing hopper railcar doors, completion of loading of a unit train and its release for movement, completion of unloading of a unit train and its release for movement, delay for removal of frozen coal, destination detention, diversion of empty unit train (including administration fee, holding charges, and out-of-route charges which may include fuel surcharge), diversion of loaded coal trains, diversion of loaded unit train fees (including administration fee, additional mileage fee or out-of-route charges which may include fuel surcharge), fuel surcharge, held in transit, hold charge, locomotive release, miscellaneous handling of coal cars, origin detention, origin re-designation, out-of-route charges (including fuel surcharge), out-of-route movement, pick-up of locomotive power, placement and pick-up of loaded or empty private coal cars on railroad supplied tracks, placement and pick-up of loaded or empty private coal cars on shipper supplied tracks, railcar storage, release of locomotive power, removal, rotation and/or addition of cars, storage charges, switching, trainset positioning, trainset storage, and weighing], unit train maintenance, leases, depreciation and applicable taxes, natural gas costs including reservation charges, fuel quality adjustments, fuel adjustments included in commodity and transportation costs, broker commissions and fees (fees charged by an agent, or agent's company to facilitate transactions between buyers and sellers), oil costs for commodity, propane costs, storage, taxes, fees, and fuel losses, coal and oil inventory adjustments, and insurance recoveries, subrogation recoveries and settlement proceeds for fuel expenses in the 501 Accounts.
Subaccount 501020: the allocation of the allowed costs in the 501000, 501300, 501400 and 501420 accounts attributed to native load;
Subaccount 501030: the allocation of the allowed costs in the 501000, 501300, 501400 and 501420 accounts attributed to off-system sales;
Subaccount 501300: fuel additives and consumable costs for Air Quality Control Systems ("AQCS") operations, such as ammonia, hydrated lime, lime, limestone, limestone inventory adjustment, powder activated carbon, urea, propane, sodium bicarbonate, calcium bromide, sulfur, and RESPond, or other consumables which perform similar functions;
Subaccount 501400 and 501420: residual costs and revenues associated with combustion byproducts, slag and ash disposal costs and revenues including contractors, materials and other miscellaneous expenses.

January 9, 2023

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

The following costs reflected in FERC Account Number 547:

Subaccount 547000: natural gas and oil costs for commodity, transportation, broker commissions and fees (fees charged by an agent, or agent's company to facilitate transactions between buyers and sellers), storage, taxes, fees and fuel losses, and settlement proceeds, insurance recoveries, subrogation recoveries for fuel expenses,

Subaccount 547020: the allocation of the allowed costs in the 547000 and 547300 accounts attributed to native load;

Subaccount 547027: natural gas reservation charges;

Subaccount 547030: the allocation of the allowed costs in the 547000 and 547300 accounts attributed to off-system sales;Subaccount 547300: fuel additives and consumable costs for Air Quality Control Systems (“AQCS”) operations, such as ammonia or other consumables which perform similar functions.

E = Net Emission Costs:
The following costs and revenues reflected in FERC Account Number 509:

Subaccount 509000: NOx and SO_2 emission allowance costs, including any associated broker commissions and fees (fees charged by an agent, or agent's company to facilitate transactions between buyers and sellers) offset by revenue amortizations and revenues from the sale of NOx and SO_2 emission allowances.

PP = Purchased Power Costs:
The following costs or revenues reflected in FERC Account Number 555:
Subaccount 555000: purchased power costs, energy charges from capacity purchases of any duration, insurance recoveries, and subrogation recoveries for purchased power expenses, broker commissions and fees (fees charged by an agent, or agent's company to facilitate transactions between buyers and sellers), and charges and credits related to the SPP Integrated Marketplace (“IM”) or other IMs, including energy, revenue neutrality, make whole and out of merit payments and distributions, over collected losses payments and distributions, Transmission Congestion Rights (“TCR”) and Auction Revenue Rights (“ARR”) settlements, virtual energy costs, revenues and related fees where the virtual energy transaction is a hedge in support of physical operations related to a generating resource or load, load/export charges, ancillary services including non-performance and

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

PP = Purchased power Costs (continued):

distribution payments and charges and other miscellaneous SPP Integrated Market charges including uplift charges or credits, excluding (1) the amounts associated with purchased power agreements ("PPA") associated with the Renewable Energy Rider tariff; (2) amounts associated with the purchase of power for customers served under the MKT Schedule; and (3) net costs associated with wind PPAs entered into after May 2019 whose costs exceed their revenues resulting in a net loss.

Subaccount 555005: capacity charges for capacity purchases one year or less in duration;

Subaccount 555030: the allocation of the allowed costs in the 555000 account attributed to purchases for off-system sales;

Subaccount 555035: purchased power costs associated with the WAPA agreement.

For solar subscription projects, factor PP shall not include costs for any undersubscribed portion of the Solar Subscription Program resources(s) allocated to shareholders under Tariff Sheet No. 109.5.

TC = Transmission Costs:
The following costs reflected in FERC Account Number 565:

Subaccount 565000: non-SPP transmission used to serve off-system sales or to make purchases for load, excluding any transmission costs associated with the Crossroads Power Plant and 74.57% of the SPP transmission service costs which includes the schedules listed below as well as any adjustments to the charges in the schedules below:

Schedule 7 – Long Term Firm and Short Term Point to Point Transmission Service
Schedule 8 – Non Firm Point to Point Transmission Service
Schedule 9 – Network Integration Transmission Service
Schedule 10 – Wholesale Distribution Service
Schedule 11 – Base Plan Zonal Charge and Region Wide Charge

excluding amounts associated with portions of purchased power agreements dedicated to specific customers under the Renewable Energy Rider tariff.

Subaccount 565020: the allocation of the allowed costs in the 565000 account attributed to native load;
Subaccount 565027: the allocation of the allowed costs in the 565000 account attributed to transmission demand charges;
Subaccount 565030: the allocation of the allowed costs in account 565000 attributed to off-system sales.

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

OSSR = Revenues from Off-System Sales:
The following revenues or costs reflected in FERC Account Number 447:

Subaccount 447020: all revenues from off-system sales. This includes charges and credits related to the SPP IM, or other IMs, including, energy, ancillary services, revenue sufficiency (such as make whole payments and out of merit payments and distributions), revenue neutrality payments and distributions, over collected losses payments and distributions, TCR and ARR settlements, demand reductions, virtual energy costs and revenues and related fees where the virtual energy transaction is a hedge in support of physical operations related to a generating resource or load, generation/export charges, ancillary services including non-performance and distribution payments and SPP uplift revenues or credits, excluding (1) off-system sales revenues from full and partial requirements sales to municipalities that are served through bilateral contracts in excess of one year, and (2) the amounts associated with purchased power agreements associated with the Renewable Energy Rider tariff and (3) net costs associated with wind PPAs entered into after May 2019 whose costs exceed their revenues resulting in a net loss.

Subaccount 447012: capacity charges for capacity sales one year or less in duration;

Subaccount 447030: the allocation of the includable sales in account 447020 not attributed to retail sales.

Subaccount 447035: the off-systems sales revenues associated with the WAPA agreement.

For solar subscription projects, factor OSSR shall not include revenues for any undersubscribed portion of the Solar Subscription Program resources(s) allocated to shareholders under Tariff Sheet No. 109.5.

R = Renewable Energy Credit Revenue:
Revenues reflected in FERC account 509000 and gains or losses to be recorded in FERC accounts 411800 and 411900 from the sale of Renewable Energy Credits (RECs) that are not needed to meet the Missouri Renewable Energy Standards less the cost associated with making the sale.

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

Costs and revenues not specifically detailed in Factors FC, PP, E, TC, OSSR, or R shall not be included in the Company's FAR filings; provided however, in the case of Factors PP, TC or OSSR, the market settlement charge types under which SPP or another centrally administered market (e.g., PJM or MISO) bills/credits a cost or revenue need not be detailed in Factors PP or OSSR for the costs or revenues to be considered specifically detailed in Factors PP or OSSR; and provided further, should the SPP or another centrally administered market (e.g. PJM or MISO) implement a new market settlement charge type not listed below or a new schedule not listed in TC.

SPP IM charge/revenue types that are included in the FAC are listed below:

Day Ahead Ramp Capability Up Amount
Day Ahead Ramp Capability Down Amount
Day Ahead Ramp Capability Up Distribution Amount
Day Ahead Ramp Capability Down Distribution Amount
Day Ahead Regulation Down Service Amount
Day Ahead Regulation Down Service Distribution Amount
Day Ahead Regulation Up Service Amount
Day Ahead Regulation Up Service Distribution Amount
Day Ahead Spinning Reserve Amount
Day Ahead Spinning Reserve Distribution Amount
Day Ahead Supplemental Reserve Amount
Day Ahead Supplemental Reserve Distribution Amount
Real Time Contingency Reserve Deployment Failure Amount
Real Time Contingency Reserve Deployment Failure Distribution Amount
Real Time Ramp Capability Up Amount
Real Time Ramp Capablity Down Amount
Real Time Ramp Capability Up Distribution Amount

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

SPP IM charge/revenue types that are included in the FAC (continued)

- Real Time Ramp Capability Down Distribution Amount
- Real Time Ramp Capability Non-Performance Amount
- Real Time Ramp Capability Non-Performance Distribution Amount
- Real Time Regulation Service Deployment Adjustment Amount
- Real Time Regulation Down Service Amount
- Real Time Regulation Down Service Distribution Amount
- Real Time Regulation Non-Performance
- Real Time Regulation Non-Performance Distribution
- Real Time Regulation Up Service Amount
- Real Time Regulation Up Service Distribution Amount
- Real Time Spinning Reserve Amount
- Real Time Spinning Reserve Distribution Amount
- Real Time Supplemental Reserve Amount
- Real Time Supplemental Reserve Distribution Amount
- Day Ahead Asset Energy
- Day Ahead Non-Asset Energy
- Day Ahead Virtual Energy Amount
- Real Time Asset Energy Amount
- Real Time Non-Asset Energy Amount
- Real Time Virtual Energy Amount
- Transmission Congestion Rights Funding Amount
- Transmission Congestion Rights Daily Uplift Amount
- Transmission Congestion Rights Monthly Payback Amount
- Transmission Congestion Rights Annual Payback Amount
- Transmission Congestion Rights Annual Closeout Amount
- Transmission Congestion Rights Auction Transaction Amount
- Auction Revenue Rights Funding Amount
- Auction Revenue Rights Uplift Amount
- Auction Revenue Rights Monthly Payback Amount
- Auction Revenue Annual Payback Amount
- Auction Revenue Rights Annual Closeout Amount
- Day Ahead Demand Reduction Amount
- Day Ahead Demand Reduction Distribution Amount
- Day Ahead Grandfathered Agreement Carve Out Daily Amount
- Grandfathered Agreement Carve Out Distribution Daily Amount
- Day Ahead Grandfathered Agreement Carve Out Monthly Amount
- Grandfathered Agreement Carve Out Distribution Monthly Amount
- Day Ahead Grandfathered Agreement Carve Out Yearly Amount
- Grandfathered Agreement Carve Out Distribution Yearly Amount
- Day Ahead Make Whole Payment Amount
- Day Ahead Make Whole Payment Distribution Amount
- Day Ahead Combined Interest Resource Adjustment Amount
- Real Time Combined Interest Resource Adjustment Amount

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

SPP IM charge/revenue types that are included in the FAC (continued)

Miscellaneous Amount
Reliability Unit Commitment Make Whole Payment Amount
Real Time Out of Merit Amount
Reliability Unit Commitment Make Whole Payment Distribution Amount
Over Collected Losses Distribution Amount
Real Time Joint Operating Agreement Amount
Real Time Reserve Sharing Group Amount
Real Time Reserve Sharing Group Distribution Amount
Real Time Demand Reduction Amount
Real Time Demand Reduction Distribution Amount
Real Time Pseudo Tie Congestion Amount
Real Time Pseudo Tie Losses Amount
Unused Regulation Up Mileage Make Whole Payment Amount
Unused Regulation Down Mileage Make Whole Payment Amount
Revenue Neutrality Uplift Distribution Amount

Should FERC require any item covered by components FC, E, PP, TC, OSSR or R to be recorded in an account different than the FERC accounts listed in such components, such items shall nevertheless be included in component FC, E, PP, TC, OSSR or R. In the month that the Company begins to record items in a different account, the Company will file with the Commission the previous account number, the new account number and what costs or revenues that flow through the Rider FAC to be recorded in the account.

B = Net base energy costs ordered by the Commission in the last general rate case consistent with the costs and revenues included in the calculation of the FPA. N e t Base Energy costs will be calculated as shown below:

S_{AP} x Base Factor (“BF”)

S_{AP} = Net system input (“NSI”) in kWh for the accumulation period, at the generation level, excluding the energy used by customers served under the MKT Schedule.

BF = Company base factor costs per kWh: $0.02983

J = Missouri Retail Energy Ratio = Retail kWh sales/total system kWh
Where: total system kWh equals retail and full and partial requirement sales associated with GMO.

T = True-up amount as defined below.

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

FORMULAS AND DEFINITIONS OF COMPONENTS (continued)

I = Interest applicable to (i) the difference between Missouri Retail ANEC and B for all kWh of energy supplied during an accumulation period until those costs have been recovered; (ii) refunds due to prudence reviews ("P"), if any; and (iii) all under- or over-recovery balances created through operation of this FAC, as determined in the true-up filings ("T") provided for herein. Interest shall be calculated monthly at a rate equal to the weighted average interest paid on the Company's short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

P = Prudence adjustment amount, if any.

FAR = FPA/S_{RP}

Single Accumulation Period Secondary Voltage $FAR_{Sec} = FAR * VAF_{Sec}$
Single Accumulation Period Primary Voltage $FAR_{Prim} = FAR * VAF_{Prim}$
Single Accumulation Period Substation Voltage $FAR_{Sub} = FAR * VAF_{Sub}$
Single Accumulation Period Transmission Voltage $FAR_{Trans} = FAR * VAF_{Trans}$

Annual Secondary Voltage FAR_{Sec} = Aggregation of the two Single Accumulation Period Secondary Voltage FARs still to be recovered
Annual Primary Voltage FAR_{Prim} = Aggregation of the two Single Accumulation Period Primary Voltage FARs still to be recovered
Annual Substation Voltage FAR_{Sub} = Aggregation of the two Single Accumulation Period Substation Voltage FARs still to be recovered
Annual Transmission Voltage FAR_{Trans} = Aggregation of the two Single Accumulation Period Transmission Voltage FARs still to be recovered

Where:

FPA = Fuel and Purchased Power Adjustment

S_{RP} = Forecasted Missouri jurisdictional recovery period retail NSI in kWh, at the generation level, excluding the energy used by customers served under the MKT Schedule.

VAF = Expansion factor by voltage level
VAF_{Sec} = Expansion factor for lower than primary voltage customers
VAF_{Prim} = Expansion factor for primary to substation voltage customers
VAF_{Sub} = Expansion factor for substation to transmission voltage customers
VAF_{Trans} = Expansion factor for transmission voltage customers

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

TRUE-UPS

After completion of each recovery period, the Company shall make a true-up filing by the filing date of its next FAR filing. Any true-up adjustments shall be reflected in component "T" above. Interest on the true-up adjustment will be included in component "I" above.

The true-up amount shall be the difference between the revenues billed and the revenues authorized for collection during the RP as well as any corrections identified to be included in the current FAR filing. Any corrections included will be discussed in the testimony accompanying the true-up filing.

PRUDENCE REVIEWS

Prudence reviews of the costs subject to this Rider FAC shall occur no less frequently than every eighteen months, and any such costs which are determined by the Commission to have been imprudently incurred or incurred in violation of the terms of this Rider FAC shall be returned to customers. Adjustments by Commission order, if any, pursuant to any prudence review shall be included in the FAR calculation in component "P" above unless a separate refund is ordered by the Commission. Interest on the prudence adjustment will be included in component "I" above.

FUEL ADJUSTMENT CLAUSE – Rider FAC
FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE
(Applicable to Service Provided the Effective Date of This Tariff Sheet and Thereafter)

Accumulation Period Ending:			
1	Actual Net Energy Cost (ANEC) = (FC+E+PP+TC-OSSR-R)		
2	Net Base Energy Cost (B)	-	
	2.1 Base Factor (BF)		$0.02983
	2.2 Accumulation Period NSI (S_{AP})		
3	(ANEC-B)		
4	Jurisdictional Factor (J)	x	
5	(ANEC-B)*J		
6	Customer Responsibility	x	
7	95% *((ANEC-B)*J)		
8	True-Up Amount (T)	+	
9	Interest (I)	+	
10	Prudence Adjustment Amount (P)	+	
11	Fuel and Purchased Power Adjustment (FPA)	=	
	11.1 PISA Deferral (Sec. 393.1400)		
	11.2 FPA Subject to Recover in True-Up		
12	Estimated Recovery Period Retail NSI (S_{RP})	÷	
13	**Current Period Fuel Adjustment Rate (FAR)**	=	
14	Current Period FAR_{Sec} = FAR x VAF_{Sec}		
15	Prior Period FAR_{Sec}	+	
16	Current Annual FAR_{Sec}	=	
17	Current Period FAR_{Prim} = FAR x VAF_{Prim}		
18	Prior Period FAR_{Prim}	+	
19	Current Annual FAR_{Prim}	=	
20	Current Period FAR_{Sub} = FAR x VAF_{Sub}		
21	Prior Period FAR_{Sub}	+	
22	Current Annual FAR_{Sub}	=	
23	Current Period FAR_{Trans} = FAR x VAF_{Trans}		
24	Prior Period FAR_{Trans}	+	
25	Current Annual FAR_{Trans}	=	
26	VAF_{Sec} = 1.0766		
27	VAF_{Prim} = 1.0503		
28	VAF_{Sub} = 1.0388		
29	VAF_{Trans} = 1.0300		