

Exhibit No. 106

PSC Staff – Exhibit 106
Matthew R. Young
Rebuttal Testimony
File No. EA-2022-0328

Exhibit No.:
Issue(s): PTC Tracker
Witness: Matthew R. Young
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: EA-2022-0328
Date Testimony Prepared: January 17, 2023

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

MATTHEW R. YOUNG

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

CASE NO. EA-2022-0328

*Jefferson City, Missouri
January 2023*

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1 **REBUTTAL TESTIMONY OF**

2 **MATTHEW R. YOUNG**

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

5 **CASE NO. EA-2022-0328**

6 Q. Please state your name and business address.

7 A. My name is Matthew R. Young. My business address is 615 E. 13th Street,
8 Kansas City, Missouri, 64105.

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

10 A. I am a Utility Regulatory Audit Supervisor on the Staff of the Missouri Public
11 Service Commission (“Staff”).

12 Q. Please describe your educational background and experience.

13 A. I earned a Bachelor of Liberal Arts from The University of Missouri – Kansas
14 City in May 2009 and a Master of Science in Accounting, also from The University of Missouri
15 – Kansas City, in December 2011. I have been employed by the Missouri Public Service
16 Commission (“Commission”) since July 2013. During this time, I have conducted a variety of
17 audits, which are listed in Schedule MRY-r1.

18 Q. What are your responsibilities?

19 A. I perform rate audits and prepare miscellaneous filings for consideration by the
20 Commission. I review exhibits and testimony on assigned issues, develop accounting
21 adjustments and issue positions, which are supported by workpapers and testimony. For cases
22 that do not require testimony, I prepare Staff recommendation memorandums.

1 **EXECUTIVE SUMMARY**

2 Q. What is Staff’s overall position on Evergy Missouri West’s (“Evergy West”)
3 application to purchase the Persimmon Creek wind farm?

4 A. Staff is not recommending approval of Evergy West’s application. The support
5 for Staff’s position is presented in the rebuttal testimony of other Staff witnesses.

6 Q. What is the purpose of your rebuttal testimony?

7 A. My testimony will respond to the supplemental direct testimony of Evergy
8 Missouri West’s (“Evergy West”) witness, Jason O. Humphrey. My response will discuss
9 financial costs and benefits that will result should the Commission approve Evergy West’s
10 application. My testimony will go on to describe how the costs and benefits of purchasing the
11 Persimmon Creek assets justify a regulatory tracker designed to capture the Production Tax
12 Credit (“PTC”) benefits tied to the Persimmon Creek facility for ratemaking consideration in a
13 future rate case.

14 **FINANCIAL COSTS AND BENEFITS**

15 Q. If the Commission were to approve the purchase of Persimmon Creek, what
16 additional financial costs would Evergy West incur?

17 A. If the purchase of Persimmon Creek were approved, Evergy West would likely
18 see an increase in operation and maintenance expense, additional property tax (or Payment in
19 Lieu of Tax (“PILOT”)) payments, additional depreciation expense, perhaps a change in market
20 purchases from the Southwest Power Pool (“SPP”), and other minor cost changes that are not
21 reflected in the rates set in Case No. ER-2022-0130.

1 Q. If the Commission were to approve the purchase of Persimmon Creek, what
2 additional financial benefits would Evergy West enjoy?

3 A. If the purchase of Persimmon Creek were approved, Evergy West would be able
4 to claim a PTC tax benefit, generate depreciation-related tax deductions, perhaps a change in
5 market sales to the SPP, and other minor revenues/cost reductions that are not reflected in the
6 rates set in Case No. ER-2022-0130.

7 Q. Are any of these financial costs and benefits accounted for in between general
8 rate cases for regulatory purposes?

9 A. Yes. Fuel and net purchased power, including sales generated, will likely be
10 effected by Persimmon Creek. The effect on the overall net fuel costs incurred by Evergy West
11 would be captured and passed to ratepayers via the Commission-approved Fuel Adjustment
12 Clause (“FAC”). Also, Evergy West currently uses a Renewable Energy Standard Rate
13 Adjustment Mechanism (“RESRAM”), which could capture Persimmon Creek costs and
14 revenues if they are not flowed through the FAC. However, Persimmon Creek costs and
15 revenues would only be eligible from the RESRAM if Evergy West utilizes the project for RES
16 compliance purposes.

17 Additionally, Missouri statutes¹ enabled Evergy West to establish a property tax tracker
18 in its last rate case, ER-2022-0130. The property tax tracker will capture additional property
19 tax or PILOT payments that are caused by ownership of Persimmon Creek. Lastly, the Plant In
20 Service Accounting (“PISA”) laws created by the Missouri government² allow Evergy West to

¹ 393.1275.

² 393.1400.

1 defer 85% of Persimmon Creek’s depreciation expense, with carrying costs, until the asset can
2 be reflected in a general rate case.

3 **TRACKER FOR PRODUCTION TAX CREDITS**

4 Q. Does Evergy West expect to claim production tax credits if it is permitted to
5 purchase Persimmon Creek?

6 A. Yes. Persimmon Creek will generate PTCs during the first ten years of
7 operations, which began in 2018. If Evergy West is permitted to purchase the facility, it will
8 own the remaining PTCs generated.

9 Q. Were PTCs generated by Persimmon Creek a factor in Evergy West’s decision
10 to enter into a purchase agreement for the wind farm?

11 A. Yes. Evergy West’s primary financial evaluation methodology was the
12 anticipated Levelized Cost of Energy (“LCOE”), which accounts for tax incentives.³

13 Q. Is the PTC tax incentive accounted for in between rate cases for regulatory
14 purposes?

15 A. No. Evergy West’s current rates are based on an annualized/normalized income
16 tax expense and include \$0 for PTC tax benefits. PTCs claimed in between rate cases are not
17 captured by any existing trackers, riders, or other rate mechanisms.

18 Q. Do any of the items accounted for in between rate cases provide ratepayer
19 protection?

20 A. Of the items I listed above, the FAC provides a two-way protection for
21 ratepayers and Evergy West that stem from volatility in power sales and fuel costs.

³ Humphrey supplemental direct, page 7.

1 Q. Do any of the items accounted for in between rate cases provide Evergy West
2 protection?

3 A. Yes. The other statutory mechanisms I referenced (RESRAM, property tax
4 tracker, PISA) generally incent utilities to invest in its assets by providing protection from
5 regulatory lag.

6 Q. How do these mechanisms protect utilities from regulatory lag?

7 A. Generally, these mechanisms ensure that cost increases are captured and
8 deferred in between rate cases so that the utility can recover the deferred costs from ratepayers
9 in the future. If the mechanisms were not available, the utility would need to consider the cost
10 increases while evaluating its overall cost of service and the need to file for a rate increase.

11 Q. Why are these cost recovery mechanisms germane to Persimmon Creek PTCs?

12 A. The Commission issues its ratemaking decisions to strike an appropriate balance
13 between all stakeholders after considering all relevant factors. These cost recovery mechanisms
14 will be before the Commission while it is considering what is just and reasonable in Evergy
15 West's next rate case.

16 Q. What is Staff's recommendation for the PTCs generated by Persimmon Creek?

17 A. Staff recommends that the Commission order Evergy West to track the PTCs
18 accrued on its books so that they too are available for the Commission's consideration in Evergy
19 West's next rate case.

20 Q. Is Staff recommending a particular ratemaking treatment for deferred PTCs?

21 A. No, not in the current case. If the Commission approves the purchase and if the
22 Commission orders a Persimmon Creek PTC tracker, all ratemaking decisions regarding the
23 ratemaking treatment of the deferred tax credits should be reserved to subsequent Evergy West

Rebuttal Testimony of
Matthew R. Young

1 rate proceedings. At that time, Staff would provide a ratemaking recommendation for the
2 Commission to consider with all other relevant factors.

3 Q. Does this conclude your rebuttal testimony?

4 A. Yes it does.

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)

Case No. EA-2022-0328

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW MATTHEW R. YOUNG and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Matthew R. Young*; and that the same is true and correct according to his best knowledge and belief.

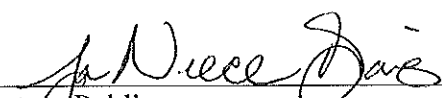
Further the Affiant sayeth not.



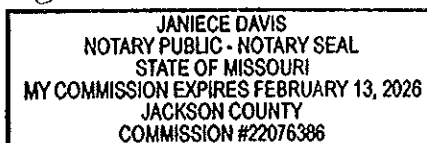
MATTHEW R. YOUNG

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 17th day of January 2023.



Notary Public



Matthew R. Young

Educational and Employment Background and Credentials

I am employed as a Utility Regulatory Audit Supervisor for the Missouri Public Service Commission (“Commission”). I earned a Bachelor of Liberal Arts Degree from The University of Missouri – Kansas City in May 2009 and a Master of Science in Accounting, also from The University of Missouri – Kansas City, in December 2011. I have been employed by the Commission as a Regulatory Auditor since July 2013.

As a Utility Regulatory Audit Supervisor, I perform rate audits and prepare miscellaneous filings for consideration by the Commission. I review exhibits and testimony on assigned issues, develop accounting adjustments and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums. In addition, I oversee the work product produced by junior auditors.

Cases in which I have participated and the scope of my contributions are listed below:

| Case/Tracking Number | Company Name | Scope of Issues | Testified at Hearing |
|------------------------------|-----------------------------|---|-----------------------------|
| ER-2022-0337 | Ameren Missouri | Plant, Reserve, Sioux Deferral, Fuel Inventory, Fuel Expense, Fuel Prices, Coal Refinement, Intangible Amortization, Extended Amortization, Incentive Compensation, Exceptional Performance Bonus, Income Taxes, IRA Tracker, Capitalized Overheads | |
| GO-2022-0339 | Spire Missouri | Revenue Requirement | |
| GR-2022-0179 | Spire Missouri | Capitalized Overheads | |
| GO-2022-0171 | Spire Missouri | Capitalized Overheads | |
| ER-2022-0129 ER-2022-0130 | Evergy Metro Evergy West | Prospective Tracking, Income Taxes, Fuel Expense and Inventory, DSM Opt-Out and Iatan Regulatory Assets, Plant, Reserve, Amortization Expense. | |
| EO-2022-0105 | Evergy Metro | Revenue Requirement Issues | |

Matthew R. Young

| Case/Tracking Number | Company Name | Scope of Issues | Testified at Hearing |
|------------------------------|---------------------------------|--|-----------------------------|
| ER-2021-0240 GR-2021-0241 | Ameren Missouri | Incentive Compensation | |
| GR-2021-0108 | Spire Missouri | Capitalized Overheads, Income Taxes, Rate Base Amortizations | Yes |
| SA-2021-0017 | Missouri American Water Company | Feasibility Studies, Construction Cost Estimates | Yes |
| GO-2021-0030 GO-2021-0031 | Spire – East and Spire – West | ISRS Rate Base | |
| GA-2021-0010 | Spire – West | Costs to Expand Distribution System | |
| WR-2020-0264 | Raytown Water Company | Tank Painting and Tower Maintenance, Taxes, Leases, Capitalized Depreciation | |
| GO-2020-0229 GO-2020-0230 | Spire – East and Spire – West | ISRS Rate Base | |
| GA-2020-0105 | Spire – West | Costs to Expand Distribution System | |
| WA-2019-0366 SA-2019-0367 | Missouri American Water Company | Sale of Assets, Rate Base | |
| WA-2019-0364 SA-2019-0365 | Missouri American Water Company | Sale of Assets, Rate Base | |
| GO-2019-0356 GO-2019-0357 | Spire – East and Spire – West | Overhead Costs in Rate Base, Reconciliation | Yes |
| ER-2019-0335 | Ameren Missouri | Incentive Compensation, Fuel Inventory | |
| WO-2019-0184 | Missouri American Water Company | ISRS Rate Base | |
| SA-2019-0161 | United Services Inc. | Application for Certificate, Rate Base | |

Matthew R. Young

| Case/Tracking Number | Company Name | Scope of Issues | Testified at Hearing |
|------------------------------|---|--|----------------------|
| ER-2018-0145 ER-2018-0146 | Kansas City Power & Light & KCP&L Greater Missouri Operations | Fuel Prices & Inventories, Purchased Power Expense, Pensions, OPEBs, SERP, Outside Services | |
| WM-2018-0104 | Missouri American Water Company | Rate Base | |
| WM-2018-0023 | Liberty Utilities | Sale of Assets, Rate Base | |
| WR-2017-0343 | Gascony Water Company | Rate Base | Yes |
| GR-2017-0215 GR-2017-0216 | Laclede Gas Company & Missouri Gas Energy | Pensions, OPEBs, SERP, Incentive Compensation, Equity Compensation, Severance Costs | Yes |
| WR-2017-0139 | Stockton Hills Water Company | Revenue, Expenses, Rate Base | |
| ER-2016-0285 | Kansas City Power & Light | Forfeited Discounts, Bad Debt Expense, Customer Growth, Cash Working Capital, Payroll and Payroll Related Costs, Incentive Compensation, Rate Case Expense, Renewable Energy Standards Cost Recovery, Property Taxes | Yes |
| SR-2016-0202 | Raccoon Creek Utility Operating Company | Rate Base | |
| ER-2016-0156 | KCP&L Greater Missouri Operations | Payroll, Payroll Benefits, Payroll Taxes, Incentive Compensation, Injuries and Damages, Insurance Expense, Property Tax Expense, Rate Case Expense | |
| SR-2016-0112 | Cannon Home Association | Revenues and Expenses, Rate Base | |

Matthew R. Young

| Case/Tracking Number | Company Name | Scope of Issues | Testified at Hearing |
|------------------------------|---|--|----------------------|
| WR-2016-0109 SR-2016-0110 | Roy-L Utilities | Revenues and Expenses, Rate Base | |
| WO-2016-0098 | Missouri American Water Company | ISRS Revenues | |
| WR-2015-0246 | Raytown Water Company | Revenues and Expenses, Rate Base | |
| SC-2015-0152 | Central Rivers Wastewater Utility | Verification of amounts identified in Complaint | |
| WR-2015-0104 | Spokane Highlands Water Company | Revenues and Expenses, Rate Base | |
| GR-2015-0026 | Laclede Gas Company | Plant Additions and Retirements, Contributions in Aid of Construction | |
| GR-2015-0025 | Missouri Gas Energy | Plant Additions and Retirements, Contributions in Aid of Construction | |
| WR-2015-0020 | Gascony Water Company | Revenues and Expenses, Rate Base | |
| SM-2015-0014 | Raccoon Creek Utility Operating Company | Sale of Assets, Rate Base, Acquisition Premium | |
| ER-2014-0370 | Kansas City Power & Light | Injuries & Damages, Insurance, Payroll, Payroll Benefits, Payroll Taxes, Property Taxes, Rate Case Expense | Yes |
| SR-2014-0247 | Central Rivers Wastewater Utility | Revenues and Expenses, Rate Base, Affiliated Transactions | |
| HR-2014-0066 | Veolia Energy Kansas City | Payroll, Payroll Benefits, Payroll Taxes, Bonus Compensation, Property Taxes, Insurance Expense, Injuries & Damages Expense, Outside Services, Rate Case Expense | |

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| Case/Tracking Number | Company Name | Scope of Issues | Testified at Hearing |
|-----------------------------|-----------------------------------|---|-----------------------------|
| GO-2014-0179 | Missouri Gas Energy | Plant Additions, Contributions in Aid of Construction | |
| GR-2014-0007 | Missouri Gas Energy | Advertising & Promotional Items, Dues and Donations, Lobbying Expense, Miscellaneous Expenses, PSC Assessment, Plant in Service, Depreciation Expense, Depreciation Reserve, Prepayments, Materials & Supplies, Customer Advances, Customer Deposits, Interest on Customer Deposits | |
| SA-2014-0005 | Central Rivers Wastewater Utility | Application for Certificate, Revenue and Expenses, Plant in Service, Depreciation Reserve. Other Rate Base Items | |