Exhibit No.:	
Issue(s):	Prudency of Planning
Witness/Type of Exhibit:	Mantle/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	EF-2022-0155

REBUTTAL TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

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

CASE NO. EF-2022-0155

** **
Denotes Confidential information that has been redacted

June 30, 2022

PUBLIC

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 a Financing Order Authorizing the Financing of Extraordinary Storm Costs Through an Issuance of Securitized Utility Tariff Bonds	))))))	File No. EF-2022-0155

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

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

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

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

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

Lena M. Mantle
Senior Analyst

Subscribed and sworn to me this 29th day of June 2022.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121

Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.

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REBUTTAL TESTIMONY

OF

LENA M. MANTLE

EVERGY MISSOURI WEST, INC.

FILE NO. EF-2022-0155

INTRODUCTION

Q. What are your name and business address?

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

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

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

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the OPC.

Q. Would you identify the OPC witnesses in this case and describe the purpose of each of their rebuttal testimony?

A. The following OPC witnesses have submitted rebuttal testimony.

Witness	Purpose of Testimony
David Murray	Addresses the issues of a fair and reasonable cost of capital for financing of extraordinary costs and the discount rate used by Evergy West to estimate the net present value of securitization as compared to the "customary method of financing."
John Riley	Provides the income tax implications of the losses incurred by Evergy West due to Storm Uri and describes how the savings on taxes should offset the losses in determining the amount included in securitization.

Lena Mantle	Describes how Evergy West's imprudence in resource planning impacted the costs Evergy West incurred during Storm Uri and provides a range of costs that should be disallowed due to that imprudence.
John Robinett	Provides testimony documenting the filings with the Commission where OPC expressed concern regarding Evergy West's resource planning process and resources.

Q. Would you provide a more detailed description of the purpose of your rebuttal testimony?

A. I am responding to the direct testimony of Evergy Missouri West, Inc. ("Evergy West") witness John Bridson, who states that the costs incurred by Evergy West were prudently and reasonably incurred as a result of the extreme and anomalous conditions of Winter Strom Uri ("Storm Uri").[1] It is my testimony that the costs incurred by Evergy West were not the result of the extreme and anomalous conditions of Winter Storm Uri but were the result of poor resource planning decisions. In this testimony, I explain how the imprudent resource planning of Evergy West contributed to it incurring over $315 million in fuel and purchased power costs to meet its customers' load requirements during Storm Uri in February of 2021. To give an understanding of the magnitude of Evergy West's Storm Uri energy costs, Evergy West's total energy costs for February 2020 were **_____ _____ **

I then recommend that the Commission not allow Evergy West to recover all of its Storm Uri fuel and purchased power costs because of its imprudent planning and because it did not use the option of controlled curtailment during Storm Uri to reduce costs.

I also recommend that the Commission not allow recovery of five percent of the prudent fuel and purchased power costs Evergy West incurred above what

[1] Page 4.

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was included in base rates during February 2021. The Commission has stated that 5% is the appropriate incentive for Evergy West to efficiently manage its fuel and purchased power costs. This incentive for Evergy West to act efficiently should not be recovered from its customers.

Q. Is it your testimony that Storm Uri was not an extreme weather event?

A. No. It was extreme weather that was also experienced by Evergy West's sister utility Evergy Metro, Inc. ("Evergy Metro"). Evergy Metro did not incur great cost during Storm Uri. Rather, it generated revenues during Storm Uri that it passed back to its customers (minus 5%).

Q. Why did Evergy Metro earn revenues and Evergy West incur significant costs during Storm Uri?

A. Past resource planning decisions for Evergy Metro have resulted in significant investment in generation capacity for Evergy Metro. Past resource planning decisions for Evergy West have resulted in generation retirements with no comparable replacements for Evergy West.

Q. Would you summarize your testimony?

A. Evergy, Inc. ("Evergy"), the parent company of Evergy Metro and Evergy West, has been playing games with the resource plans of Evergy West ever since Great Plains Energy (now known as Evergy) acquired Aquila, Inc. (now known as Evergy West). Since retirement of its Sibley 3 coal plant in November 2018, Evergy West has needed generation to meet the needs of its customers and the resource adequacy requirements of the Southwest Power Pool ("SPP"). In 2019, Evergy Metro had, and still has, generation far above what is needed for its customers and exceeds the SPP resource adequacy requirements. When Evergy West needed to add generation capacity for Evergy West to meet the SPP resource adequacy requirements, Evergy began submitting to SPP the combined resources and loads of Evergy Metro and

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Evergy West. In essence, Evergy was saying that Evergy Metro and Evergy West were one utility and the generation of Evergy Metro would cover the generation capacity shortage of Evergy West. Combining the generation resources removed the need for Evergy to invest in additional generation to meet SPP's resource adequacy requirements. So, to the SPP, Evergy Metro and Evergy West are one utility. This is the least cost resource plan option for **Evergy.**

However, Evergy Metro and Evergy West are not one utility. Evergy has chosen to not combine Evergy West and Evergy Metro into one utility. Rather, they operate as one utility but each utility seeks different rates from their customers. To arrive at these rates, the shared services costs are allocated among the utilities. When costs can be directly attributed to one utility or the other, those costs are directly assigned to that particular utility. For instance, the cost of plants that were built by Evergy Metro are assigned to Evergy Metro. These plants are in Evergy Metro's rate base and increase the revenue requirement and the rates charged to Evergy Metro's customers. The expected revenues generated from selling the energy produced by the plants is also included in revenue requirement, resulting in a reduction in Evergy Metro's revenue requirement and reducing the rates charged to Evergy Metro's customers.

Similarly, the cost of plants that were built by Evergy West are assigned to Evergy West for cost recovery from Evergy West's customers. When the generation from Evergy West's plants is not enough to meet the needs of Evergy West's customers, it purchases energy from the SPP market to cover its customers' loads. Although Evergy Metro's additional generation allows Evergy West to meet SPP's resource adequacy requirement, the energy Evergy Metro sells into the market does not offset the cost to purchase energy from the SPP to meet Evergy West's customers' load.

Absent a fuel adjustment clause ("FAC"), the risk of this strategy—depending on an energy market—would fall on Evergy West. However, because

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Evergy West has a FAC that allows cost recovery from customers of its market purchases, the risk of depending on the market shifts to Evergy West's customers. Whenever market costs are low and stable the cost of this risk is low. However, when market prices skyrocket, the cost of the risk pushed onto customers also skyrockets.

The Commission is the only protection the customers have from the imprudent strategy chosen by Evergy in operating Evergy West and Evergy Metro as one utility, but charging the customers as if the two were stand-alone utilities. If there are savings from combining the two utilities, then all customers should realize the benefits of those savings and the two utilities should be combined. If Evergy continues to insist that these are two separate utilities, then it should provide Evergy West's customers with the protection of generation that meets the requirements of a stand-alone utility.

Q. What amount of the fuel and purchased power costs Evergy West is seeking to securitize are you recommending that the Commission authorize it to recover?

A. In this case, the Commission should not place the impact of Evergy's resource planning decisions on the backs of Evergy West's customers. To accomplish this, it should not allow Evergy to recover the full cost of fuel and purchased power incurred in February 2021. I am recommending that, rather than the **_____** [2] of fuel and purchase power costs for February 2021 it seeks, the Commission allow Evergy West to recover in the range of $42,486,659 to $161,540,730. The calculation of this amount is shown on Schedule LMM-R-1.

[2] This amount is Evergy West's February 2021 fuel and purchased power costs minus the average February fuel and purchased power costs that were included in Evergy West's FAC for the 28th accumulation period. It also includes the 5% the Commission has designated as the incentive for Evergy West to efficiently manage its fuel and purchased power costs.

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Q. Would you briefly explain how you calculated this range?

A. The workpapers provided by Evergy West for the FAC accumulation period that includes February 2021[3] shows a SPP netting amount for February 2021 of **_____**. This is a proxy for the cost of Evergy West not having enough generation to cover its load costs in the SPP. To arrive at the floor of the amount the Commission should allow for recovery, I reduced the total cost of fuel and purchased power in February 2021 (**_____**) by the SPP netting amount for February 2021 (**_____**), reduced that amount by the fuel and purchased power cost recovery provided in base rates (**_____**), applied the jurisdictional allocation factor for February 2021 (**_____ **) and then reduced this amount by the 5% that the Commission has determined is the correct incentive for efficient management of fuel and purchased power (0.95). I removed the amount of **_____ ** that was recovered through the FAC to determine my recommendation of $42,486,659.

I realize that Evergy West's customers would have been paying higher rates had Evergy West added generation instead of relying on the market for energy for its customers. It is near impossible to determine what the rates would have been and how this generation would have affected revenue requirement. However, customers, at a minimum, should not be expected to shoulder more of the costs of imprudence than the shareholders of Evergy. So, to account for the revenue requirement that Evergy West's customers have not paid and to arrive at the ceiling amount the Commission should allow for recovery in this case, I repeated the calculation above with the disallowance being one half of Evergy West's SPP netting in February 2021 resulting in a ceiling on the costs customers should pay of $161,540,730. I further explain SPP netting later in this testimony.

[3] Substitute West Section 8 Filing – 28th Accum Period – May 2021.xlsx

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Q. What are your experience, education, and other qualifications for testifying on these matters?

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

Prior to being employed by the OPC, I worked for the Staff of the Missouri Public Service Commission ("Staff") from August 1983 until I retired as Manager of the Energy Unit in December 2012. During my employment at the Missouri Public Service Commission ("Commission"), I worked as an Economist, Engineer, Engineering Supervisor and Manager of the Energy Unit. Attached as Schedule LMM-R-6 is a brief summary of my experience with the OPC and Staff, and a list of the Commission cases in which I filed testimony, Commission rulemakings in which I participated, and Commission reports in rate cases to which I contributed as Staff.

Q. What is your experience in electric utility resource planning, in particular the resource planning of Missouri investor-owned utilities?

A. When I was employed by the Commission, I was a part of a team that, at the request of the Commission, researched the resource planning practices of the electric utilities in the late 1980s and developed the Commission's Chapter 22 Electric Utility Resource Planning rules that became effective June 12, 1993. During the remainder of my time at the Commission until my retirement in 2012, I reviewed every electric utility resource planning filing before this Commission. Before my retirement from the Commission I also supervised the revision of Chapter 22 that became effective in 2010. I have continued my involvement with the resource plans of Missouri investor-owned electric utilities since my employment at the OPC in August 2014.

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Q. What has the Commission said about the purpose of resource planning?

A. According to the Commission's electric utility resource planning rule 20 CSR 4240-22.010(2):

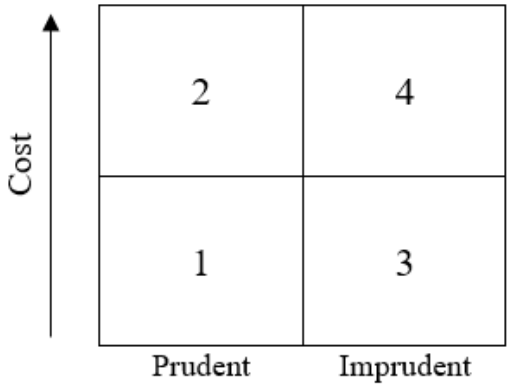
> The fundamental objective of the resource planning process at electric utilities shall be to provide the public with energy services that are safe, reliable, and efficient, at just and reasonable rates, in compliance with all legal mandates, and in a manner that serves the public interest and is consistent with state energy and environmental policies.

Prudence

Q. What is your understanding of the relationship between prudence and costs?

A. Figure 1 below depicts the realm of possibilities regarding prudence/imprudence and costs.

Figure 1: Relationship Between Prudence and Costs



Boxes 1 and 2 represent prudent decisions. Box 1 is the ideal - a prudent decision with low costs. While one of the objectives of a prudent decision is low cost, in reality, prudent decisions can sometimes result in increased cost. This is what Box 2 in the diagram illustrates.

Boxes 3 and 4 represent imprudent decisions. Box 3 is a decision that is imprudent but does not result in increased costs. Box 4 is a costly, imprudent decision.

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Q. What does this relationship between prudence and costs have to do with Evergy West's Storm Uri purchased power and fuel costs?

A. Simply put, Evergy West is imprudent because it does not have enough generation resources to meet the energy requirements of its customers. Evergy West's resource planning decisions have been imprudent because Evergy West is relying on the energy from other utilities in the SPP to meet its customers' needs. Prior to Storm Uri, customers did not see an increased cost due to the implementation of Evergy West's imprudent resource planning decisions. Its imprudence was Box 3 in the chart in the response to the prior question. Its decisions were imprudent but those decisions did not result in harm to customers. Storm Uri moved Evergy West's imprudence from Box 3 (an imprudent decision with low cost) into Box 4 (an imprudent decision with extreme cost).

Q. Has OPC previously raised any concerns regarding Evergy West's resource planning process prior to Storm Uri?

A. Yes. OPC has raised its concerns regarding Evergy West's resource plan's increased reliance on energy purchased from the SPP market in at least the following cases:

EO-2017-0230	2017 Annual Resource Plan Update
EO-2018-0045	Contemporary Resource Planning Issue
ER-2018-0146	General Rate Increase Case
EO-2018-0269	Evergy West Triennial Resource Planning Compliance filing

OPC witness John A. Robinett further describes OPC's filings in these cases in his rebuttal testimony.

Q. Were not the fuel and purchased power costs that Evergy West incurred due to Storm Uri beyond Evergy West's control?

A. Yes and no. In the short-term, yes, the fuel and purchased power costs Evergy West incurred in February 2021 were out of its control. This is one of the assumed risks for which the Commission has rewarded Evergy West a return for years.

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However, Evergy West incurred much of the extraordinary cost associated with Storm Uri as the consequence of Evergy West's lack of generation resources. As Evergy West witness John Bridson stated in his direct testimony "company owned and PPA generation revenue was critical in [sic] mitigated some exposure to elevated wholesale market prices in SPP."[4] To the extent that it could, Evergy West's resources did just that – they mitigated the high market prices that SPP charged Evergy West for the energy required to meet its customers' energy needs. If it had prudently completed its resource planning, Evergy West would have had generation resources that would have mitigated the cost of energy and avoided much of the cost it incurred during Storm Uri. This is explained further in the whitepaper titled, "Resource Planning of a Vertically Integrated Utility in the [Regional Transmission Organization ("RTO")] World" that is attached to this testimony as Schedule LMM-R-2.

The lack of energy resources to mitigate the market prices is imprudent. Evergy has made the decision to not add any dispatchable resources to Evergy West's resource portfolio while retiring 550 megawatts ("MW") of dispatchable resources. The magnitude of the fuel and purchased power costs Evergy West incurred for February 2021 is a direct result of the imprudent resource planning decisions made by Evergy on Evergy West's behalf. Evergy West's customers should not be required to pay for the total cost consequences of these bad decisions for the next 15 years.

Q. Are you saying that to be considered prudent Evergy West should have generating resources to satisfy its customers' load at all times including all extreme events?

A. No. There is no way to accurately plan for all extreme circumstances. Adding generation resources should be a balance between cost and reliability. While

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economics is important, so is looking at the probability customers will be without energy. A proper balance in the resource planning process will mitigate any volatility in the energy market.

Evergy West has made the assumption in its resource planning that because it is a member of SPP, it does not need to add dispatchable resources or even have enough resources to meet its forecasted peak load that is based on normal weather. It is depending on its customers always having energy available to them, because it assumes that it can always get energy from SPP. This strategy pushes market price and volatility risk upon its customers. Storm Uri exposed the cost of this risk. Now Evergy West is asking the Commission to make sure that its customers not only pay for the costs of this strategy, but also pay it a weighted average cost of capital return on that cost.

Q. In your opinion, if Evergy West had taken into account in its resource planning process both economics and reliable provision of energy by Evergy West, would it have incurred such a great cost during Storm Uri?

A. No. While there may have been some forced outages or derates of some of its resources that resulted in some resources not being available to generate energy, the high market prices paid by SPP for generation during Storm Uri would have resulted in a market margin large enough to not only cover the load costs but also the increased fuel costs.

Q. What is the difference between energy and capacity?

A. In the simplest terms, capacity is the maximum output an electricity generator can physically produce, measured in megawatts ("MW"). Energy is the amount of electricity a generator produces over a defined period of time. For example, a generator with a capacity of 100 MW that runs at full capacity for 10 hours generates 1,000 MWh (100 MW * 10 hours = 1,000 MWh) of energy.

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Having enough capacity is essential to having enough energy to meet customers' load requirements. However, having enough capacity does not necessarily ensure that energy will be available when it is needed. For instance, Evergy West does not have enough generation capacity through its owned resources and purchased power agreements to meet the SPP resource adequacy standards. It can only meet the SPP resource adequacy standards when combined with Evergy Metro. Evergy West's resource plan depends on Evergy Metro to provide capacity and on SPP to provide energy.

Q. Did all of Missouri's investor-owned electric utilities incur the same extreme costs from Storm Uri?

A. No. Evergy Metro, due to its excess of generation resources, actually generated enough revenues during Storm Uri to cover its load costs, the fuel costs of its generation, and an extra $58.2 million of revenue.

The Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri"), a member of the Midcontinent Independent System Operator ("MISO") RTO, also incurred purchased power and fuel costs greater than its revenues, but the difference was not extraordinary. Ameren Missouri passed its February 2021 fuel and purchased power costs to its customers through its FAC and, in doing so, absorbed 5% of the costs. In my opinion, Ameren Missouri would have had sufficient revenues to exceed its fuel and purchased power costs had Ameren Missouri's Callaway Energy Center been operational during Storm Uri.

The other investor-owned electric utility in Missouri, The Empire District Electric Company ("Empire"), like Evergy West incurred considerable costs in February 2021. Empire also is requesting the Commission authorize it recover its February 2021 costs through securitization in case EO-2022-0040. In that case, similar to this case, OPC has requested the Commission find Empire was imprudent in its resource planning and not be allowed to recover all of it fuel and purchased power costs from February 2021.

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Evergy West's Resource Planning

Q. How do you know that Evergy West's long-term decisions with respect to its generation resources are imprudent?

A. The consistent amount of energy Evergy West purchases above the amount of energy it sells into the market demonstrates that Evergy West's generation resources cannot meet its customers' load and therefore its resource planning is imprudent.

In February 2021, Evergy West's SPP netting, calculated as required by the Federal Energy Regulatory Commission's ("FERC") Order 668 as purchased energy net of energy sold into the market, was **_____** [5] This means Evergy West, over the month of February 2021, made purchases in the SPP market of **_____** more than the revenues the SPP paid Evergy West for energy sold into the market. For context, the SPP netting for the two months prior to February 2021 was **_____ **

Q. Would you explain FERC Order 668?

A. In December 2005, FERC determined its Uniform System of Accounts ("USofA") needed to be revised to accommodate the restructuring changes that were occurring in the electric industry due to the availability of open-access transmission service and increasing competition in wholesale bulk power markets. FERC, in its Order 668, concluded that a change was necessary to accurately reflect what utilities would have recorded on their books and records in the absence of the use of an RTO energy market to serve their native load. Therefore, FERC ordered that it was appropriate for RTO energy market transactions to be recorded on a net basis

[5] SPP netting Ancillary services and SPP netting FERC order 668 as reported in the "substitute West section 8 filing – 28th accumulation period – May 2021" workpaper, tab "8 A 2.A (V)" provided in the FAC rate change case ER-2022-0025

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since purchase and sale transactions taking place in the same reporting period to serve native load are done in contemplation of each other and should be combined.[6]

The large netting value indicates that Evergy West did not have sufficient revenues from generation resources to offset the incurred cost of energy from SPP for its load. It also signifies that, in the absence of the SPP, Evergy West would not have been able to meet its customers' requirements.

Q. Is this large amount of netting surprising to you?

A. No, it is not. Table 1 below is Evergy West's capacity and energy resources as provided in its 2020 Annual Resource Plan update in Case No. EO-2020-0281.[7]

Table 1
2020 Capacity and Energy Sources
EO-2020-0281

Capacity by Fuel Type	Capacity (MW)	Capacity (%)	Energy (MWh)	Energy (%)
Coal	462	20.2%	2,058,414	46.5%
Nat'l Gas & Oil	1,169	51.1%	249,796	5.6%
Liquefied NG	1.6	0.1%	6,294	0.1%
Total Dispatchable	**1,632.6**	**68%**	**2,314,504**	**52.2%**
Wind	653	28.5%	2,109,622	47.6%
Solar	3	0.1%	4,545	0.1%
Total	**2,270.6**	**100%**	**4,428,671**	**100%**
SPP Accredited Capacity:[8] ** _____ **				

In this filing, Evergy West estimated that its peak demand for 2020 would be **____ ** MW and net system input[9] would be **_____** MWh. Evergy

[6] Final Rule at 39, Accounting and Financial Reporting for Public Utilities Including RTOs, Order No. 668, (Federal Energy Regulatory Commission Docket No. RM04-12-000), (Dec. 16, 2005), available at https://www.ferc.gov/sites/default/files/2020-05/E-1_83.pdf.
[7] The last resource plan provided to the Commission before Storm Uri occurred in February 2021.
[8] With wind accreditation as provided in the capacity balance sheet in this filing.
[9] Net system input ("NSI") is the amount of generation necessary to meet the customer's energy needs plus system loss and company use.

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West's SPP accredited generation capacity was **____ ** Evergy West's forecasted peak. Its expected generation was **___ ** of its forecasted net system energy for 2020.

**_____
_____
_____ **

Q. Does Evergy West purchase a large amount of energy every month?

A. Yes. The workpapers provided by Evergy West with its FAC rate change cases show that typically Evergy West purchases a large percentage of its customers' energy requirements from the SPP. The graph[10] below shows the net energy purchases from the SPP as a percent of the energy requirements of Evergy West's customers for the 12 months of June 2020 through May 2021.

Figure 2

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_____
_____
_____
_____

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[10] "West Section 8 Filing – 27th Accum Period – Nov 2020" and "substitute West Section 8 Filing – 28th Accum Period – May 2021."

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Q. Would you explain Evergy West's resource planning strategy that has resulted in Evergy West requiring such a large amount of energy from the SPP energy market?

A. While there have been resource planning reports filed with the Commission on behalf of Evergy West, since the acquisition of Evergy West (then known as Aquila, Inc.) by Evergy (then known as Great Plains Energy) resource planning has been conducted based on what is best for all of Evergy's utilities – Evergy West, Evergy Metro, and Evergy Kansas Central after it was acquired by Evergy. Evergy Metro and Evergy Kansas Central have more than enough generation resources to meet their customers' capacity and energy requirements. Evergy West does not.

Table 2 below shows Evergy West's 2012 generation resources provided in the first triennial resource plan filing after it was acquired by Evergy in Case No. EO-2012-0324.

Table 2

2012 Capacity and Energy Sources
EO-2012-0324

Capacity by Fuel Type	Capacity (MW)	Capacity (%)	Energy (MWh)	Energy (%)
Coal	1,015	43%	5,573,965	86%
Nuclear[11]	75	3%	578,889	9%
Oil	61	2%	52	0%
Nat'l Gas	1,062	45%	163,593	3%
Liquefied NG	2	0.1%	10,138	0.2%
Total Dispatchable	**2215**	**93%**	**6,326,638**	**98%**
Wind	159	7%	123,408	2%
Total	2,374	100%	6,450,046	100%
SPP Accredited Capacity: 2215 MW[12]				

[11] Nuclear and wind were purchased power agreements.
[12] The SPP accreditation of the 159 MW of wind capacity as shown in the capacity balance sheet in Volume 1: Executive Summary, page 26 was 0 MW.

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As provided above in Table 1, by 2020, Evergy West's SPP accredited capacity for generation resources had fallen to **_____** MW.

As a result of combined planning of Evergy, Evergy West's "plan" has been to retire 550 MW of coal generation owned by Evergy West, enter into capacity-only PPAs with Evergy Metro, and depend on the SPP market for the energy needed by Evergy West's customers. The only generation resources that have been added to Evergy West's portfolio since it was acquired by Evergy has been a small amount of solar power (3 MW) and purchased power agreements ("PPAs") for wind generation that are entered into by Evergy, not because the energy and capacity is needed by Evergy's utilities, but for "economic" reasons.[13] After entering into these PPAs, Evergy allocated the PPAs to its three utilities including Evergy West.

Q. What are "capacity-only" purchased power agreements?

A. A capacity-only PPA transfers the capacity of generation resources for a payment. It does not include any energy from that generation.

Q. What benefit did the capacity-only PPAs Evergy West has with Evergy Metro provide for Evergy West in February 2021?

A. It provided no benefit for Evergy West or its customers in February 2021.

Q. Did it not provide the benefit of Evergy West meeting SPP's winter resource adequacy requirements?

A. No. While SPP has a winter resource adequacy requirement, it is my understanding there is no penalty for not meeting the requirement. Therefore, the capacity-only PPA with Evergy Metro provided no benefit to Evergy West in February 2021.

[13] Evergy has stated that it entered into these PPAs because it believes that they will generate revenues on the market greater than the charge for the power over the life of the PPA. At the time of the writing of this testimony, these PPAs have cost Evergy West customers over $141 million in losses.

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Q. What benefit did the capacity-only PPAs provide for Evergy Metro in February 2021?

A. Because its PPAs with Evergy West are for capacity only, all of the energy generated by Evergy Metro's generation, including the energy provided by Evergy Metro's generation capacity that was contracted by Evergy West, was attributed to Evergy Metro meaning that in February 2021 Evergy Metro received revenue for the capacity from Evergy West and revenue from the SPP for the energy generated by that capacity.

Prudent Resource Portfolios

Q. What is a prudent resource portfolio for a vertically-integrated electric utility?

A. A good resource portfolio is one that contains diverse types of generation resources, each with its own strengths and weaknesses that is chosen to meet the unique load demands of the utility's customers at all times while also minimizing the risk of high utility bills and loss of service. When determining the acquisition, continuation, or retirement of any resource, the availability of fuel and the dispatchability of the resource, along with meeting environmental regulations needs to be considered. No one type of resource on its own can meet all of the requirements of a prudent resource plan. However, a diverse portfolio of resources will.

Q. What do you mean by dispatchability of the resource?

A. Dispatchability refers to being able to depend on a resource to provide electricity when the electricity is needed. Fossil fuel units are units that can be relied on to generate electricity when needed, i.e. dispatched, when fuel is available. When it is not needed to generate electricity, the plant does not generate. Renewable generation is not completely dispatchable. It cannot be counted on to provide electricity upon customer demands but it can be reduced when its generation is greater than demand. If the headwater is available (hydro), the wind blowing, or

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the sun shining, renewable generation can provide electricity. However, when the headwater is not available, the wind is not blowing, and the sun is not shining, these resources cannot generate electricity.

Q. Evergy West witness John Bridson provided a list of Evergy's resources in his direct testimony.[14] Is this not a diverse set of resource types?

A. No. It is heavily reliant on combustion turbine peaking generation units that are relatively inexpensive to build but have high variable (fuel) costs. Peaking generation makes up 60% of Evergy West's SPP accredited capacity. Baseload coal plants make up is 25% of its resources. Baseload plants are expensive to build but have low variable costs to generate energy. The other 15% is renewable generation consisting mostly of wind PPAs that have proven to be very costly to Evergy West's customers.

Q. Have you reviewed Evergy West's resources in the past?

A. Yes. I have been reviewing Evergy West's generation resources and resource planning process for the last 30 years. Evergy West has always struggled in its resource planning even prior to its acquisition by Great Plains Energy (Evergy). However, the decision of Evergy to retire Evergy West's baseload plants and not replace them with additional dispatchable resources is imprudent.

Resource Planning

Q. Did the Commission approve Evergy West's resource plans?

A. No. Chapter 22 Electric Utility Resource Planning rule 20 CSR 4240-22.010(1) specifically states:

> Compliance with these rules shall not be construed to result in commission approval of the utility's resource plans, resource acquisition strategies, or investment decisions.

[14] Pages 4-5.

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The Commission, in the last Evergy West triennial resource planning case, Case No. EO-2018-0269, did not approve Evergy West's resource plan, but, instead approved the remedies to alleged deficiencies and concerns of parties to the case and found the filings demonstrated compliance with the Commission's Chapter 22 Electric Utility Resource Planning requirements.[15]

Q. What is the purpose of the Commission's electric utility resource planning compliance filings?

A. Chapter 22 contains minimum standards regarding *the data* the electric utilities should review and *the methodologies* to be used for analyzing the data. The decisions regarding resource acquisition strategies are the decisions of utility management. Chapter 22 does not take away management's control of the resource planning process or the implementation of a resource plan, but requires electric utilities to look at a minimum set of data and to include an analysis of risk to inform the decision makers in their resource planning processes.

Q. Are you aware whether the results of Evergy West's resource planning processes ever show that any of its resource plans cannot meet the requirements of its customers?

A. No. Given how Evergy conducts its resource planning process for Evergy West, its models will never show customer energy load not being met.

Q. Why not?

A. In its resource planning analysis, Evergy combines the generating resources of Evergy Metro and Evergy West, and, with the most recent filings, Evergy Kansas Central. Evergy Metro and Evergy Kansas Central have a surplus of generation resources. Evergy also inputs into the analysis that energy is available from SPP.

[15] *Order Regarding the 2018 Integrated Resource Plans*, Page 3.

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Q. Is this a reasonable process?

A. No. While it can show the least cost method of meeting the capacity and energy requirements of the combined three utilities, they are not a combined utility. Customers of each utility pay for the resources of that utility. And they pay the consequences resulting from the impact of the combined decision on each utility.

Q. How did Storm Uri impact Evergy as a total company?

A. According to the presentation to Evergy's Board of Directors on May 4, 2021, obtained in response to OPC data request 3014 in Case No. ER-2022-0129 **[16]

[17]

[16] Page 19.
[17] Page 20.

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_____ ** This shows the impact on Evergy West's customers of the resource planning choices made for Evergy West by Evergy.

This presentation to the Evergy Board of Directors also states that the total cost impact to Evergy was _____

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_____ ** I have attached a copy of this presentation to my testimony as Schedule LMM-R-3.

Q. Does this presentation include a description of why Evergy West does not have resources it needs to cover its customers' energy requirements?

A. **_____

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Q. Does Evergy's resource planning process of combining its three electric utilities loads and resources give the Commission an accurate portrayal of how Evergy West's resources meet Evergy West's energy loads?

A. No. How well Evergy West's resources meet Evergy West's customers' energy loads can only be seen in model runs that do not include Evergy Metro, Evergy Kansas Central, and access to SPP energy. A comparison of a stand-alone resource plan and a resource plan with Evergy Metro and Evergy Kansas Central would show the reliance of Evergy West on the other two utilities. A comparison of a

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stand-alone plan that allows access to SPP will give an idea of the market risk Evergy is placing on Evergy West's customers.

Q. Has Evergy West done such an analysis?

A. Not to my knowledge. In its recent Evergy West triennial update in Case No. EO-2022-0202, Evergy discusses how its resource planning process assesses the ability of Evergy's resource plan to provide reliable service for its customers.[18] It does not discuss how its resource planning process assesses the ability of Evergy West to provide reliable service to Evergy West's customers.

As Storm Uri demonstrated, the impact on customers of Evergy Metro and Evergy Kansas Central is completely different from the impact on customers of Evergy West.

Evergy West's Resources Do Not Meet SPP Resource Adequacy Requirements

Q. What is the SPP's resource adequacy requirement?

A. The SPP requires its load serving entities ("LSE") to have a reserve margin of 12%. What this means is that each LSE has to have enough capacity to meet 1.12 times its projected summer and winter peak demands. However, since 2018, Evergy West and Evergy Metro have combined their resources to meet the 12% reserve margin requirement.

Q. Why is Evergy West not required to meet this requirement on a stand-alone basis?

A. According to Evergy West's (then KCP&L Greater Missouri Operations Company or "GMO") response to OPC data request 8535 in Case. No. ER-2018-0146[19] attached as Schedule LMM-R-4, SPP's Open Access Transmission Tariff ("OATT") allows Evergy to comply with the SPP resource adequacy requirement

[18] Page 85 and 86.
[19] Without the SPP OATT that was attached to the response.

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to serve the combined loads of Evergy West and Evergy Metro with a combined set of designated resources. Evergy West goes on in this response to state:

> This combined view reduces the chances that [Evergy West] or [Evergy Metro] on an individual basis would fail to meet the SPP resource adequacy requirement. For example, if [Evergy West] did not have sufficient capacity to meet the 12% reserve margin requirement and [Evergy Metro] had sufficient capacity to cover the shortfall, no penalties would be incurred by [Evergy West] for a failure to meet the resource adequacy requirement as compliance would be determined on a combined basis.

Q. Did Evergy West ever have sufficient capacity to meet SPP's reserve margin requirement?

A. According to the SPP 2017 Resource Adequacy Report published on June 19, 2017, Evergy West had resources to meet the 12% reserve margin in 2017 and 2018. It also shows that Evergy West would not have met the requirement beginning in 2019.

Q. Did Evergy West have *generation resource capacity* to meet the 12% reserve margin in the summer of 2020?

A. No. According to the capacity balance sheet Evergy West filed with its 2020 Annual Resource Planning update, Evergy West did not have the generation resources to meet its peak let alone an extra 12% in the summer of 2020.

Q. Did Evergy West have *capacity* to meet the 12% reserve margin in the summer of 2020?

A. Yes. To remedy its shortage in generation capacity, Evergy West entered into capacity only contracts with Evergy Metro to meet the 12% reserve margin in the summer of 2020. This means Evergy West received credit for some of Evergy Metro's excess capacity but was not entitled to any of the energy generated by that capacity.

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Q. Why should a utility that is part of a RTO be concerned about resource adequacy if it satisfies the RTO's reserve margin requirement for it?

A. While the customers of utilities that are members of RTOs are likely to have the energy they need available from the RTO, relying on the market exposes customers to high energy price risk. If a utility has adequate resources, the cost of extreme weather events such as Storm Uri will be significantly lower.

The circumstances surrounding Storm Uri show that there is a possibility of a RTO not having energy to meet the demands of its members. An assumption that energy will be available for all members of a RTO at any time is unrealistic. Customers needed energy to heat their homes at a time when SPP required its members to curtail their loads so that its system would not crash. SPP came very close to not having enough generation to supply the need.

Q. Is it reasonable to assume that the SPP may not have the energy its members need in the near future?

A. Yes. While the probability may not be high, it is reasonable to expect utilities to assume that it could happen, to test the robustness of their resource plans to meet that possibility, and to use the results of that testing to prepare for such an occurrence. The North American Energy Reliability Corporation ("NERC") assessed SPP's reliability for this summer on page 28 of its 2022 Summer Reliability Assessment report attached as Schedule LMM-R-5. In this report, NERC provides the following assessment for SPP for the summer of 2022:

> Expected resources meet operating reserve requirements under normal peak-demand scenarios. Above-normal summer peak load and outage conditions could result in the need to employ operating mitigations (i.e., demand response and transfers) and [energy emergency alerts]. Load shedding may be needed under extreme peak demand and outage scenarios studied.

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Q. How should a utility prepare for such circumstances?

A. By not relying on the market to meet its customers' energy needs and using the market to supplement owned resources. In the long-term, generation resources are hedges in the energy market. Some types of generation are better hedges against market energy availability (dispatchable) than others (intermittent). In the short-term, utilities should prepare their customers for potential curtailment.

Q. How are generation resources hedges?

A. The benefit of any resource in the energy market is the difference between the cost to produce energy and the market price for that energy.

For example, if a utility owns its wind resources, the entire revenue provided by the market is a benefit. Whenever owned wind resources are generating and market prices are positive, the wind resources are a hedge against prices regardless of whether the price is high or low. This is the benefit of an owned wind resource. However, the intermittent availability of wind often means that revenues from owned wind resources cannot be maximized when the market price is the highest. These resources respond to the availability of wind, not the market.

Dispatchable resources, on the other hand, provide a hedge when the market price is greater than the cost for that resource to produce electricity. When market prices are high and the dispatchable resources are producing electricity, the dispatchable resources are a hedge against market prices because they are able to provide electricity at the time when market prices exceed the cost for that resource to produce electricity. However, this excess revenue should not be the sole reason for a utility to have the dispatchable resource. Rather, having the resource available to offset high market prices should be.

The difference in the value of the resources is the dependability of the source of energy used to create electricity. Intermittent resources provide benefits when their energy source—water, wind, or light—is available. Dispatchable resources use energy sources that are typically available upon demand. Evergy

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witness Bridson in his direct testimony touts as valuable the dispatchable resources that Evergy West had that had fuel on site during February 2021.[20] This adds value to these resources.

Q. Given the recent time of extreme market prices in February 2021, were both types of resources hedges against market prices?

A. Yes. Every resource that could generate electricity was a hedge against market prices. February 2021 is the only month that all of Evergy West's wind resources generated more revenues than they cost the customers. However, dispatchable resources with on-site fuel were better hedges because they were more dependable.

5% of FAC Costs

Q. Why should the Commission exclude five percent of Evergy West's extraordinary February 2021 fuel and purchased power costs in addition to a disallowance to account for imprudence?

A. There are at least three reasons the Commission should exclude 5% of February 2021 fuel and purchased power costs in addition to a disallowance to account for imprudence. First, if the Commission allows Evergy West to recover this 5%, through securitization or customer rates, then the Commission, in effect, has removed any incentive for Evergy West to plan for and to efficiently manage extraordinary events that impact its biggest cost—fuel and purchased power. Evergy West should be on the hook for this 5%.

Second, the load cost that Evergy West is wanting to pass on to its customers is determined by 1) the load market price, and 2) the magnitude of the load. While Evergy West had no control over the cost that the SPP charged it for load, Evergy West did have control over the other part of the equation – its load.

Finally, the Commission should exclude 5% to maintain consistency with the Commission's treatment of Evergy Metro's revenues generated during Storm

[20] Pages 16 through 17.

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Uri. The Commission, through Evergy Metro's FAC, ordered the revenues Evergy Metro received from the SPP in February 2021, be returned to the customers. However, in keeping with the design of the FAC, the amount returned to customers was decreased by 5% to account for the incentive of the FAC. This allowed Evergy Metro to retain 5% of the revenues generated in February 2021. To be consistent, Evergy West's customers should not have to pay 5% of the fuel and purchased power costs Evergy West incurred due to Storm Uri, which is the amount the Commission has said is sufficient to incentivize Evergy West to efficiently meet its customers' needs.

Q. Would you further explain the reason for the 5% incentive?

A. Prior to the advent of the FAC, electric utilities carried all the risk of such extraordinary events. In exchange for assuming this risk, the Commission allowed electric utilities to earn a return on their investments.

Then in 2005, legislation was passed[21] that allowed the Commission to approve FACs for the electric utilities that would eliminate most of the risk of not being able to recover the fuel costs associated with providing electricity for their customers. The Legislature included language in the statute that allows the Commission to include a provision in a utility's FAC to provide an incentive for the electric utility to more efficiently manage its fuel and purchased power costs. The Commission has determined that it is appropriate for utilities, as an incentive to efficiently manage its fuel and purchased power costs, to be at risk for 5% of the cost above what was included in base rates, and be rewarded 5% of the costs below what was included in base rates.[22]

[21] Section 386.266 RSMo.

[22] In the Empire rate case, ER-2019-0374, OPC recommended that the sharing mechanism be adjusted from 5% to 15% as an incentive for Empire to act efficiently. In its *Amended Report and Order* in that case, the Commission determined "that based on the facts in this case, the 95/5 sharing mechanism in Empire's FAC provides the appropriate incentive to properly manage its net energy costs."

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I am not aware of any meaningful reduction to the electric utilities' authorized return on equity to account for a decrease in the utilities' risk of not recovering fuel and purchased power costs since the advent of FACs. The risk of fuel cost fluctuations has essentially been moved from utilities to their customers without customers seeing a reduction in rates for taking on this risk.

If the Commission allows Evergy West to fully recover this total cost through securitization, then the returns Evergy West has been earning since the Commission first authorized it to use a FAC have falsely compensated Evergy West for an assumed exposure to a risk that did not exist.

Q. You stated there was a resource that Evergy West chose not to use during Storm Uri. What was that resource?

A. Evergy West could have reduced its customers' usage when prices increased to an unprecedented amount. It could, and should, have initiated controlled service interruptions to reduce its aggregate cost of energy during Storm Uri.

Q. But did not Evergy West curtail its customers' usage during Storm Uri?

A. Yes, but only when the SPP required it to do so. In all other hours during Storm Uri, Evergy West just assumed that its customers were okay with paying astronomical prices for energy – costs that Evergy West is now asking its customers to pay over the next 15 years.

Q. Is it your opinion that Evergy West should have turned off its customers' electricity during a period of extremely cold temperatures before the SPP required it to do so?

A. Yes. It is an opinion that does not come easy. I am not saying that Evergy West should have turned off electricity for an extended amount of time for all of its customers. *Controlled service interruptions*, with information relayed on times and places before the commencement of the interruptions, could have reduced the cost

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that is being requested from customers in this case while taking into account the needs of its customers who provide essential health and public services.

Q. Would not controlled interruptions have inconvenienced Evergy West's customers?

A. Yes, for an hour a day every other day for a few days. I am confident that customers, had they known the magnitude of the cost Evergy West was incurring, and intending to pass on to them, would have accepted some short-term inconvenience to mitigate paying hundreds of millions of dollars over the next 15 years.

Q. When should Evergy West have begun controlled interruptions?

A. I do not know the exact SPP market price or price duration that should have triggered Evergy West to start interrupting service. However, the Board of Directors presentation that I previously referenced shows **_____ _____ _____ _____ _____ **

While it is theoretically possible to calculate the potential impact of a controlled interruption, many assumptions would have to be made and it would require information that is not available to me at this time. Therefore, at a minimum, the Commission should not allow Evergy West to recover 5% of the fuel and purchased power costs that could have flowed through Evergy West's FAC.

Q. Do you have an estimate of the dollar amount of the 5%?

A. The dollar amount is dependent upon the total amount of fuel and purchased power expense that the Commission determines was prudent. Table 3 below shows the

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dollar amount of the 5% for Evergy West's position and OPC's floor and ceiling recommendations.

Table 3

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Q. What has been the treatment of the 5% incentive for other electric utilities in Missouri?

A. As I stated above, Evergy Metro was allowed to keep 5% of its revenues earned from the sale of energy during Storm Uri. Ameren Missouri who had costs greater than revenues, absorbed 5% of those costs. Empire, like Evergy West, is asking for the 5% to be included in the amount of its securitized bonds for February 2021 costs.

Q. Does this conclude your rebuttal testimony?

A. Yes.

[23] Evergy West is requesting recovery of 100% of fuel and purchased power costs.
[24] Includes another adjustment that accounts for storm costs paid for through the FAC rates.
[25] Includes another adjustment that accounts for storm costs paid for through the FAC rates.