

MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT

**FIFTH PRUDENCE REVIEW OF COSTS
RELATED TO THE FUEL ADJUSTMENT CLAUSE
FOR THE ELECTRIC OPERATIONS
OF
EVERGY METRO, INC., d/b/a
Evergy Missouri Metro (“Evergy Missouri Metro”)**

CASE NO. EO-2023-0276

July 1, 2021, through December 31, 2022

*Jefferson City, Missouri
August 30, 2023*

****Denotes Confidential Information****

Schedule BMM-d2
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OF
EVERGY METRO, INC., d/b/a
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I. EXECUTIVE SUMMARY

Commission Rule 20 CSR 4240-20.090(11)¹ and Missouri Revised Statute Section 386.266.5(4) require that the Commission’s Staff (“Staff”) conduct prudence reviews of an electric utility’s FAC no less frequently than every 18 months. In this prudence review, Staff analyzed items affecting Eversource Missouri Metro’s fuel costs; purchased power costs; net emission allowance costs; transmission costs; off-system sales revenues; and renewable energy credit revenues for the thirteenth, fourteenth and fifteenth accumulation periods of Eversource Missouri Metro’s FAC (“prudence review period”). The thirteenth² accumulation period started July 1, 2021, and ended December 31, 2021. The fourteenth accumulation period started January 1, 2022, and ended June 30, 2022. The fifteenth accumulation period started July 1, 2022, and ended December 31, 2022. Thus, the 18-month prudence review period is from July 1, 2021, through December 31, 2022 (“Review Period”). This is Staff’s fifth Prudence Review Report for Eversource Missouri Metro’s FAC. Table 1 identifies Staff’s previous Eversource Missouri Metro FAC prudence reviews.

Table 1: Completed Eversource Missouri Metro FAC Prudence Reviews

Review	File Number	Review Period
First	EO-2017-0231	July 1, 2015 through December 31, 2016
Second	EO-2019-0068	January 1, 2017 through June 30, 2018
Third	EO-2020-0263	July 1, 2018 through December 31, 2019
Fourth	EO-2022-0064	January 1, 2020 through June 30, 2021

¹ Effective January 30, 2019.

² AP13 includes the extraordinary net revenues from Winter Storm Uri that were originally included in AP12. See footnote 14 for more details.

1 In evaluating prudence, Staff reviews whether a reasonable person making the same
2 decision would find both the information the decision-maker relied on and the process the
3 decision-maker employed to be reasonable based on the circumstances and information known
4 at the time the decision was made, *i.e.*, without the benefit of hindsight. If either the information
5 relied upon or the decision-making process employed was imprudent, then Staff examines
6 whether the imprudent decision caused any harm to ratepayers. Only if an imprudent decision
7 resulted in harm to ratepayers will Staff recommend a disallowance. However, if an imprudent
8 decision did not result in harm to Evergy Missouri Metro’s customers, then Staff may further
9 evaluate the decision-making process, and may recommend changes to the company’s business
10 practice going forward.

11 Staff analyzed a variety of items in examining whether Evergy Missouri Metro was
12 imprudent when it incurred the fuel and purchased power costs associated with its FAC.
13 Based on its review, Staff found evidence of imprudence by Evergy Missouri Metro choosing
14 to do nothing about the substantial ratepayer harm caused by the PPAs it chose to sign into
15 approximately ten years ago. This is especially concerning when the losses the ratepayers have
16 incurred roughly halfway through the life of the contract of the long-term PPAs is very likely
17 to continue for the remaining years of the life of the agreements. Staff recommends the
18 Commission order an Ordered Adjustment (“OA”) in the amount of \$12,401,229, plus interest,
19 to be applied to Evergy Missouri Metro’s next Fuel Adjustment Rate (“FAR”) filing.

20 *Staff Expert/Witness: Brooke Mastrogiannis*

21 **II. INTRODUCTION**

22 **A. General Description of Evergy Missouri Metro’s FAC**

23 Table 2 identifies Evergy Missouri Metro’s Commission-approved FAC tariff sheets,
24 which were applicable for service provided by Evergy Missouri Metro to its customers
25 during the period July 1, 2021, through December 31, 2022:

26 *continued on next page*

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Table 2

Evergy Missouri Metro’s Commission-approved FAC Tariff Sheets³

July 1, 2021, through December 31, 2022

P.S.C. MO No. 7
Original Sheet No. 50.21
Original Sheet No. 50.22
Original Sheet No. 50.23
Original Sheet No. 50.24
Original Sheet No. 50.25
Original Sheet No. 50.26
Original Sheet No. 50.27
Original Sheet No. 50.28
Original Sheet No. 50.29
Original Sheet No. 50.30

For each accumulation period (“AP”),⁴ Evergy Missouri Metro’s Commission-approved FAC allows Evergy Missouri Metro to recover from (if the actual net energy costs exceed) or refund to (if the actual net energy costs are less than) its ratepayers ninety-five percent (95%) of its Missouri jurisdictional⁵ actual net energy costs (“ANEC”)⁶ less net base energy cost (“B”)⁷ which is identified as $(ANEC - B) * J$ in Evergy Missouri Metro’s FAC.⁸ Evergy Missouri Metro accumulates variable fuel costs, purchased power costs, transmission costs and net emissions costs minus off-system sales revenues and renewable energy credit revenues during six-month accumulation periods. Each six-month accumulation period is followed by a twelve-month

³ Effective January 9, 2023, these tariff sheets became First Revised Sheet No’s. 50.21 through 50.30.

⁴ Accumulation periods are January through June and July through December.

⁵ Missouri jurisdictional factor J is defined on Evergy Missouri Metro’s First Revised Sheet No. 50.28 as Missouri Retail Energy Ratio = $(MO \text{ Retail kWh sales} + MO \text{ Losses}) / (MO \text{ Retail kWh Sales} + MO \text{ Losses} + KS \text{ Retail kWh Sales} + KS \text{ Losses} + \text{Sales for Resale, Municipals kWh Sales [including border customers]} + \text{Sales for Resale, Municipals Losses})$, where MO Losses = 6.32%; KS Losses = 7.52%; Sales for Resale, Municipals Losses = 6.84%.

⁶ “Actual Net Energy Costs” are equal to fuel costs (FC) plus net emission costs (E) plus purchased power costs (PP) plus transmission costs (TC) minus off-system sales revenue (OSSR) and renewable energy credit revenue (R) as defined on Evergy Missouri Metro’s First Revised Sheet No. 50.22.

⁷ Net base energy costs (B) is defined on Evergy Missouri Metro’s First Revised Sheet No. 50.28 as 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. Net base energy costs will be calculated as shown below $S_{AP} \times \text{Base Factor (“BF”)}$.

⁸ For the thirteenth, fourteenth and fifteenth accumulation periods, the $(ANEC - B) * J$ amounts are included on line 5 of Evergy Missouri Metro’s 7th Revised Sheet No. 50.31, 8th Revised Sheet No. 50.31, and 9th Revised Sheet No. 50.31, respectively.

1 recovery period (“RP”) ⁹ when 95% of the (ANEC – B)*J amount (including the monthly
2 application of interest)¹⁰ is recovered from or returned to ratepayers through an increase or
3 decrease in the FAC FAR during the twelve-month RP. Because the FAR rarely, if ever, will
4 exactly match the required offset, Evergy Missouri Metro’s FAC is designed to true-up the
5 difference between the revenues billed and the revenues authorized (including the monthly
6 application of interest) for collection during recovery periods. Any disallowance the
7 Commission orders as a result of a prudence review shall include interest at the Company’s
8 short-term interest rate and will be accounted for as an item of cost¹¹ in a future filing to adjust
9 the FAR.

10 **B. Prudence Standard**

11 In making its recommendation to the Commission, Staff must determine if the utility
12 acted imprudently, and if this imprudence resulted in harm to the utility’s customers. This
13 determination is based upon the information available to the utility and under the circumstances
14 at the time, when the decision was made or action was taken. Staff’s responsibility is to
15 determine how a reasonable person would have performed the tasks that confronted a company.
16 The determination is not based on hindsight or information that was not available at the time.

17 *Staff Expert/Witness: Brooke Mastrogiannis*

18 **III. FUEL COSTS, PURCHASED POWER COSTS, 19 TRANSMISSION COSTS, NET EMISSION COSTS**

20 Evergy Missouri Metro’s FAC includes four major components of costs: fuel costs,
21 purchased power costs, net emission costs and transmission costs. It also includes
22 two components of revenues: off-system sales revenues and renewable energy credit revenues.
23 Table 3¹² is a breakdown of Evergy Missouri Metro’s fuel costs, purchased power costs, net

⁹ Recovery periods are: October through September and April through March.

¹⁰ See SECTION IV. INTEREST, of this Prudence Review Report.

¹¹ See PRUDENCE REVIEWS on Evergy Missouri Metro’s First Revised Sheet No. 50.30.

¹² The ANEC provided in Table 3 below does not take into account the Winter February 2021 Storm Uri net revenues from AP12, although they were ordered by the Commission to be included in AP13. They were included for recovery, but they were included as a true-up line item on the tariff and not under the actual net energy costs. Therefore, all amounts throughout this entire report will be referring to the AP13 through AP15 totals, without the Winter Storm Uri net revenues from AP12. However, the AP13 Winter Storm Uri net revenues were reviewed during this prudence review, see data requests 67 through 73.

1 emission costs, transmission costs, off-system sales revenues, and renewable energy credit
2 revenues for the period of July 1, 2021, through December 31, 2022:

3 **Table 3 - Confidential**

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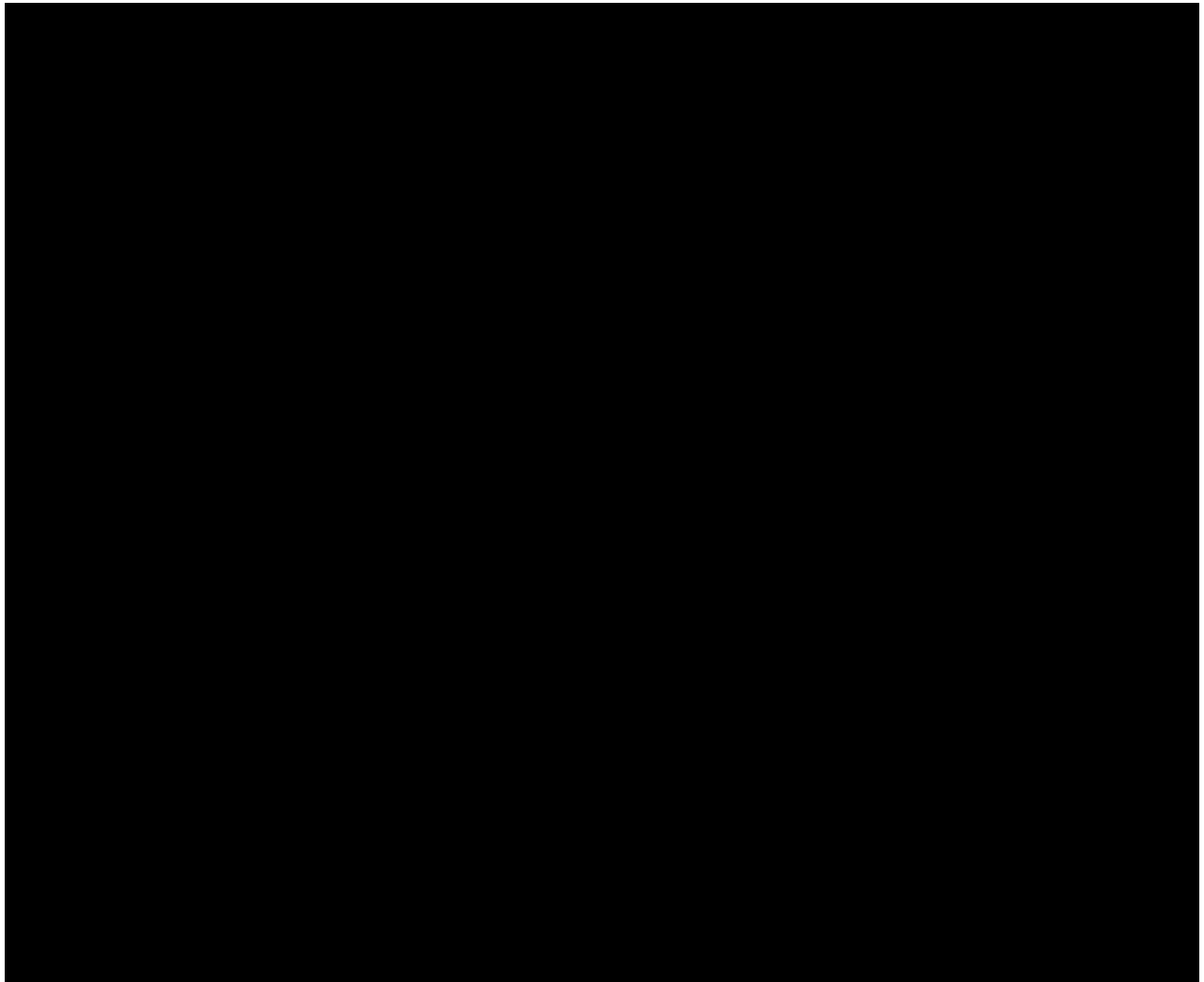
7 *Staff Experts/Witnesses: Brooke Mastrogiannis, Teresa Denney, Cynthia M. Tandy, and*
8 *Amanda C. Conner*

1 **A. Utilization of Generation Capacity**

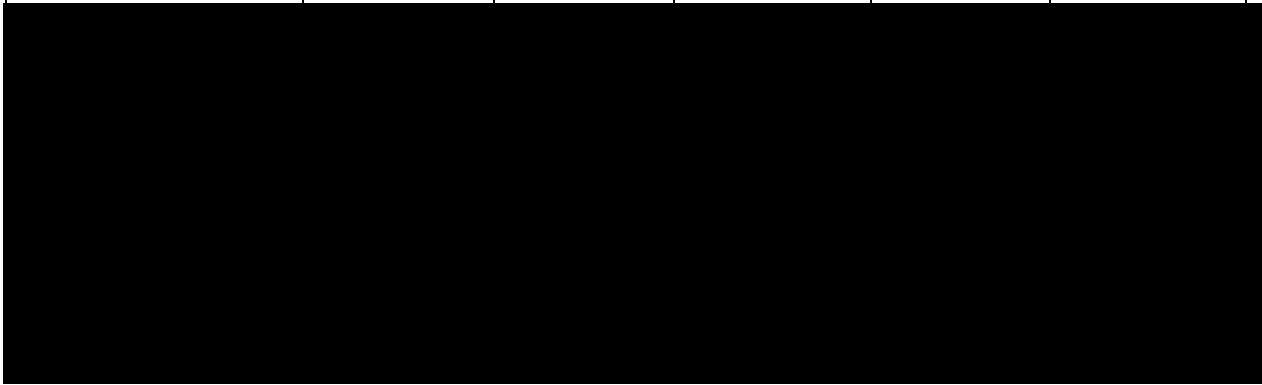
2 **1. Description**

3 The purpose of this section is to provide an overview of Evergy Missouri Metro’s
4 available supply-side and demand response resources and review the process by which
5 generating units are selected to satisfy native load requirements during the Review Period.
6 Evergy Missouri Metro’s generating units consist of a mixture of coal, nuclear, natural gas,
7 diesel, and wind as indicated in Table 4¹³ below titled Supply Side Resources. Table 5 provides
8 a list of Evergy Missouri Metro’s long-term Power Purchase Agreements (“PPA”). Table 6
9 contains a capacity summary for Evergy Missouri Metro’s current fleet.

10 **Table 4 - Confidential**



¹³ Evergy Missouri Metro response to Data Request No. 0012 & 0043.



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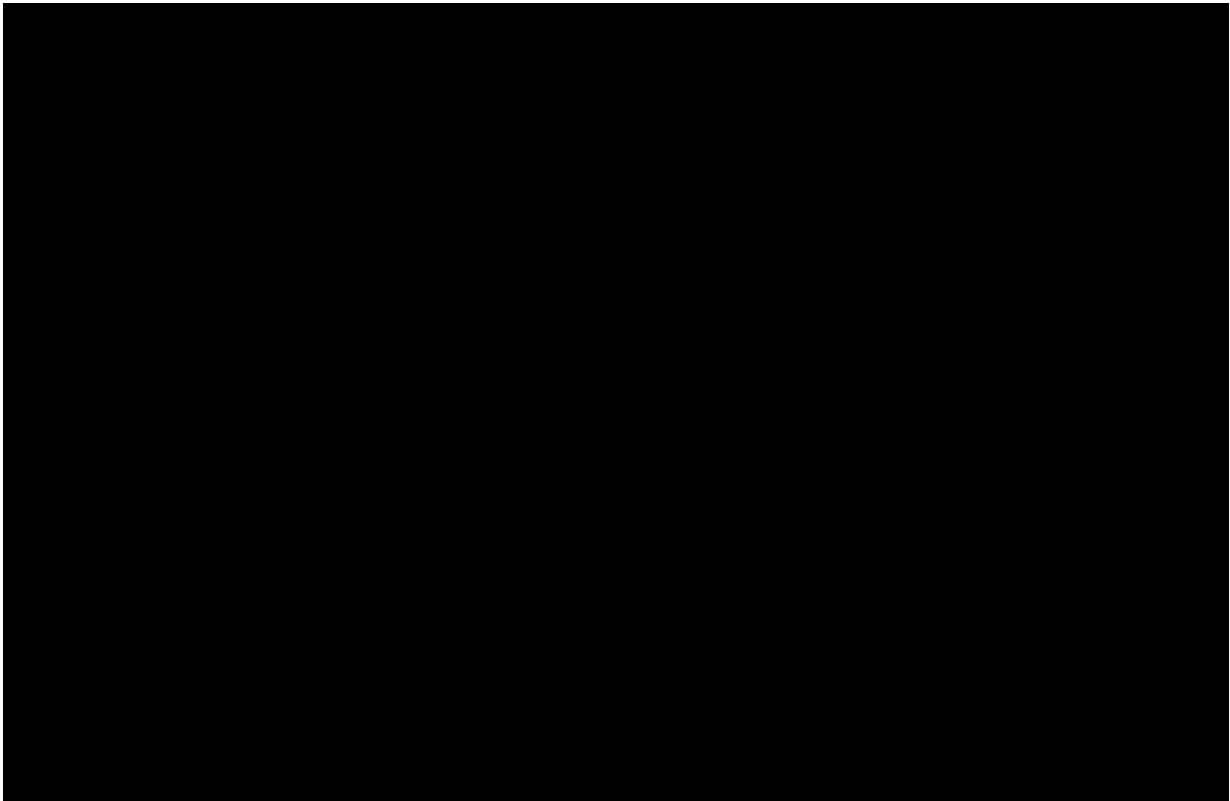
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Table 5 – Confidential

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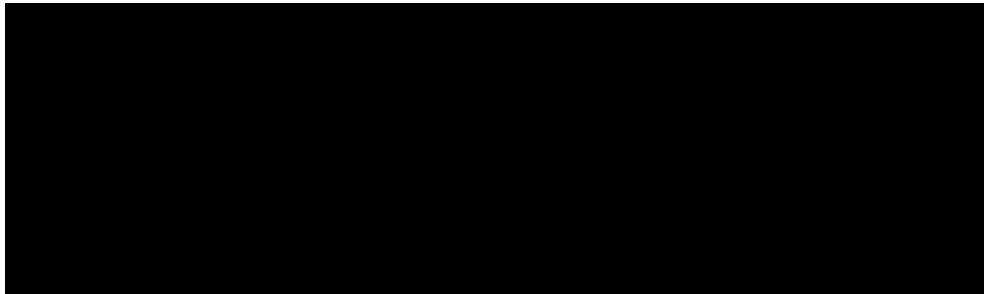
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Table 6 – Confidential

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1 **

2 **2. Self – Commitment of Baseload Generation Facilities into SPP**

3 During this FAC prudence review, Staff conducted a review of commitment status of
4 Evergy Missouri Metro’s electric generation facilities into SPP in an effort to determine any
5 negative impacts that might be occurring because of such actions. Evergy Missouri Metro has
6 varied electric generation facilities that are designed to provide varying types of services to its
7 customers. These generation facilities include coal, natural gas, #2 fuel oil, nuclear, and wind
8 turbines. Each one of Evergy Missouri Metro’s generation facilities has its own distinct
9 operating characteristics and requires specific operational guidelines to be followed as to
10 maintain the reliability of the units as determined by Evergy Missouri Metro’s plant operations
11 teams to determine optimal plant reliability and manufacturer operational guidelines.¹⁴ The
12 SPP market allows participants to commit resources in different ways rather than have the
13 market choose which units to run. SPP utilizes five resource offer commitment status
14 designations¹⁵ for its market participants (“MP”):

15 **1. Market** – the resource is available for centralized unit commitment through
16 its price sensitive (merit-based) price quantity offers.

17 **2. Self** – the market participant is committing the resource through price
18 insensitive offers outside of centralized unit commitment.

19 **3. Reliability** – the resource is off-line and is only available for centralized unit
20 commitment if there is an anticipated reliability issue.

21 **4. Outage** – the resource is unavailable due to a planned, forced, maintenance,
22 or other approved outage.

¹⁴ SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 4.

¹⁵ *Id.*, Page 5.

1 **5. Not participating** – the resource is otherwise available but has elected not to
2 participate in the day-ahead market.

3 Eversource Missouri Metro stated in Data Request No. 0053.3 “Aside from the need to self-commit
4 its units for safety, reliability, environmental compliance and economic reasons, the Company
5 currently offers its generation in Market commit status most of the time.”

6 Some of these reasons are unavoidable and can require the resource to be offered in
7 self-commitment status. Testing the output of a plant, as periodically required by regulatory
8 agencies, is a frequent justification. “Some of the reasons, such as high start-up costs, fuel offer
9 through dollar-based offer parameters. Thermal damage due to start-ups and shutdowns and
10 resulting major maintenance could be included in mitigated offers starting in April 2019. SPP
11 has seen a decline in self-committed generation over time and it is possible that perceptions of
12 economic justifications have changed over time.”¹⁶

13 Eversource Missouri Metro stated in Data Request No. 0053.1 that “As the operator of its
14 coal units, Eversource Metro decides when to self-commit.” Staff analyzed data received from
15 Eversource Missouri Metro¹⁷ to determine the financial impacts of the self-commit units as offered
16 and cleared into the SPP Real-time market and also reviewed the hourly real-time transactions
17 that were deemed self-commitment. Staff does not have the data to perform a detailed analysis
18 as to what would have been the additional costs to the units due to high cost of restart, increases
19 in O&M cost and increased plant outages if Eversource Missouri Metro would have designated
20 these units as “Market” instead of “Self-Commit.” The overall findings from Staff’s review
21 revealed that 67% of Eversource Missouri Metro’s self-commitment hourly transactions had
22 positive revenues associated with them.

23 **3. Conclusion**

24 Staff did not observe any evidence of imprudent utilization of generation resources
25 during this prudence review.

¹⁶ SPP, Self-committing in SPP markets: Overview, impacts, and recommendations, December 2019, Page 8.

¹⁷ Staff Data Request No. 0053 in Case No. EO-2023-0276.

1 **4. Documents Reviewed**

- 2 a. Eversource Missouri Metro’s responses to Staff Data Request Nos. 0012,
3 0043, 0053, 0053.1, 0053.2, & 0053.3;
- 4 b. SPP, Self-committing in SPP markets: Overview, impacts, and
5 recommendations, December 2019; and
- 6 c. EW-2019-0370.

7 *Staff Experts/Witnesses: Brad J. Fortson*

8 **B. Heat Rates**

9 **1. Description**

10 Heat rates of generating units are an indicator of each unit’s performance. A heat rate is
11 a calculation of total volume of fuel burned for electric generation multiplied by the average
12 heat content of that volume of fuel for a given time period divided by the total net generation
13 of electricity in kilowatt hours (kWh) for that same time period.

14 **2. Summary of Cost Implications**

15 Heat rates are inversely related to the operating efficiency of the generating unit.
16 Increasing heat rates of specific units over time may indicate that a specific unit’s efficiency is
17 declining. Heat rates can vary greatly depending on operating conditions including but not
18 limited to load, hours of operation, shutdowns and startups, unit outages, derates¹⁸, and weather
19 conditions. Therefore, a good indication of unit performance for frequently used units is an
20 analysis of the trend of heat rates over time. A permanent increase in monthly heat rates is
21 commonly the result of a decrease in a generating unit’s operating efficiency. This typically
22 occurs when additional emissions reduction equipment is added to the exhaust of the
23 generating unit. Continued utilization of units with sustained elevated heat rates could result in
24 Eversource Missouri Metro incurring higher fuel costs per unit of electricity generated than it would
25 otherwise have incurred. If Eversource Missouri Metro was imprudent in response to the ongoing
26 trend of a unit’s heat rate, ratepayer harm could result from an increase in the fuel costs that are
27 collected through Eversource Missouri Metro’s FAC charges.

¹⁸ Derate- To lower the rating of (a device), especially because of a deterioration in efficiency or quality.

1 **3. Conclusion**

2 In reviewing the monthly heat rates of Evergy Missouri Metro’s generating units and
3 examining the reasons behind the unfavorable trends and sporadic heat rate months, Staff found
4 no indication that Evergy Missouri Metro acted imprudently during the Review Period.

5 **4. Documents Reviewed**

- 6 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0017, 0061, 0061.1
7 and 0061.2;
- 8 b. Monthly Outage data in the Monthly Reports submitted by Evergy Missouri Metro
9 in compliance with Rule 20 CSR 4240-3.190.

10 *Staff Experts/Witnesses: Brad J. Fortson*

11 **C. Plant Outages**

12 **1. Description**

13 Generating stations’ outages generally can be classified as scheduled outages, forced
14 outages, or partial outages. Scheduled outages consist of either a planned outage or a
15 maintenance outage. A planned outage is one that is scheduled well in advance, with a
16 predetermined duration and occurring only once or twice a year. Outages are planned and
17 scheduled over one year in advance. The exact start date depends on freezing temperatures and
18 natural gas availability. Turbine and boiler overhauls, inspections, testing, and nuclear refueling
19 are typical planned outages. A maintenance outage is one that can be deferred beyond the end
20 of the next weekend but must be taken before the next planned outage. A forced outage is an
21 outage that cannot be deferred beyond the next weekend, and a partial outage, or derating, is a
22 condition that requires the unit to be limited to an energy output below maximum capacity.

23 Outages taken at any of the generating units have an impact on how much Evergy
24 Missouri Metro will pay for fuel and purchased power. Any planned outage during peak load
25 demand times or a period of high replacement energy prices has the potential result of Evergy
26 Missouri Metro paying more for fuel and purchased power costs than it would have paid if the
27 outage were planned during forecasted low load times. Periodic planned outages are required
28 to maintain each generating unit in peak operating condition to minimize forced or maintenance

1 outages that could occur during peak load demand or periods of high replacement energy prices,
2 typically June through August and January through February.

3 Staff examined the planned outages and their timing for imprudence. An example of an
4 imprudent outage would be scheduling a planned outage of a large base loaded unit during a
5 time of peak load or a period of high replacement energy prices.

6 Evergy Missouri Metro has little or no control over the timing of unscheduled
7 maintenance or forced outages of the generating stations it owns and operates when such
8 outages are the result of unforeseen events. The Company has no control over the timing of
9 planned outages for generating stations it does not own and operate. These types of outages are
10 not included as a part of this prudence review.

11 2. Summary of Cost Implications

12 An imprudent planned outage could result in an increased cost of purchased power
13 by Evergy Missouri Metro from the SPP IM¹⁹ as well as a decrease in off-system sales revenues
14 through the SPP IM.

15 3. Conclusion

16 Staff did not find any evidence of imprudent planned outages by Evergy Missouri Metro
17 during the Review Period.

18 4. Documents Reviewed

- 19 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0004, 0005, and
20 0046.

21 *Staff Experts/Witnesses: Brad J. Fortson*

22 D. Natural Gas Costs

23 1. Description

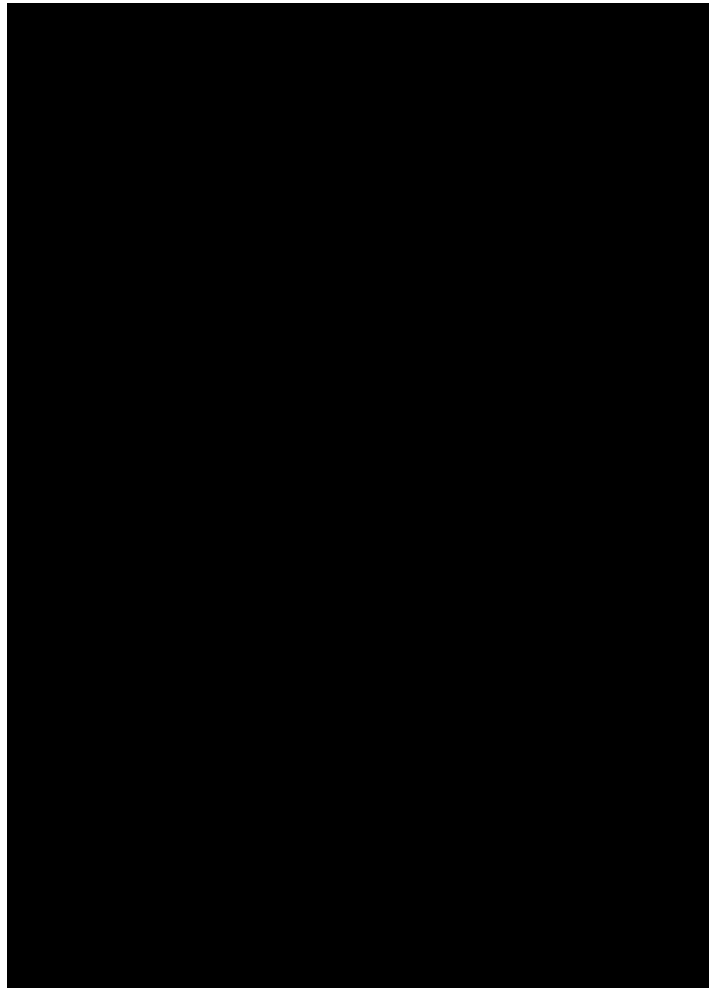
24 For the Review Period, ** [REDACTED] ** or ** [REDACTED] ** of Evergy Missouri
25 Metro's total fuel costs, purchased power costs, transmission costs, and net emission costs was
26 associated with the natural gas used in generating electricity. The cost of natural gas includes
27 various miscellaneous charges such as firm transportation service charges. During the Review

¹⁹ Southwest Power Pool Integrated Market

1 Period, Every Missouri Metro's natural gas price averaged ** [REDACTED] ** per MMBtu, based on
2 ** [REDACTED] ** MMBtu of natural gas purchased for a total purchased amount of
3 ** [REDACTED] **. Staff reviewed the contract terms and a sampling of invoices for gas
4 purchased. Staff notes that hedging costs associated with natural gas are not currently included
5 for recovery in Every Missouri Metro's FAC; therefore, the hedging costs/revenues and
6 hedging policies were not reviewed in this prudence review. Every Missouri Metro receives
7 natural gas services from twenty-four gas supply contracts and four natural gas transportation
8 contracts. The contracts are with the following suppliers:

9 **Table 7 - Confidential**

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11 **

1 Table 8 lists the entities that Evergy Missouri Metro has Gas Transportation Contracts in effect
2 with for the Review Period:

3 **Table 8 – Confidential**

4 **

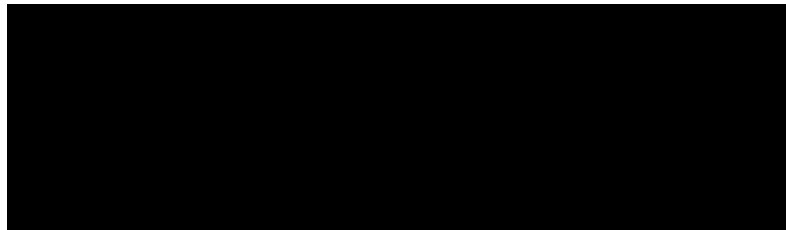


5 **

6 Table 9 identifies Evergy Missouri Metro’s intermediate and peaking generating units that burn
7 natural gas:

8 **Table 9 – Confidential**

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10 **

11 **2. Summary of Cost Implications**

12 If Evergy Missouri Metro was imprudent in its purchasing decisions relating to natural
13 gas, ratepayer harm could result from increased FAC charges.

14 **3. Conclusion**

15 Staff found no indication Evergy Missouri Metro’s purchases of natural gas were
16 imprudent during the Review Period.

17 **4. Documents Reviewed**

- 18 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0006, 0012,
19 0023, 0024, 0025, 0027, 0035, 0035.1, 0035.2, 0036, 0044, 0045, 0052; and
20 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
21 AP 13, 14, and 15.

22 *Staff Expert/Witness: Teresa Denney*

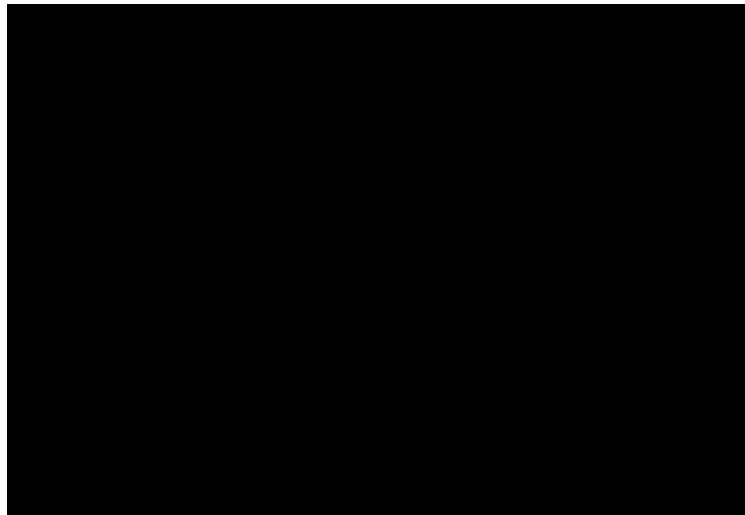
1 **E. Coal and Rail Transportation Costs**

2 **1. Description**

3 For the Review Period, ** [REDACTED] ** or ** [REDACTED] ** of Evergy Missouri
4 Metro’s total fuel costs, purchased power costs, transmission costs, and net emission allowance
5 costs was associated with the coal used in generating electricity. The cost of coal includes
6 various miscellaneous charges such as rail and other ground transportation service charges.
7 Staff reviewed the contract terms of eight short and long-term coal purchase contracts, as well
8 as a sampling of invoices for coal purchased and delivered. The counterparties for the contracts
9 are identified in Table 10:

10 **Table 10 - Confidential**

11 **



12 **

13 The contracts provide coal delivery to Evergy Missouri Metro’s Hawthorn 5, Iatan 1 and 2, and
14 LaCygne 1 and 2. The price of coal can either be a fixed price for the entire contract, a fixed
15 price for each year of the contract, a base price plus an escalation as calculated per the contract,
16 a price determined by the Master Purchase & Sales Agreement, or a price which is index-based.

17 **2. Summary of Cost Implications**

18 If Evergy Missouri Metro was imprudent in its decisions relating to purchasing and
19 transporting coal, ratepayer harm could result from an increase in FAC charges.

1 **3. Conclusion**

2 Staff found no indication that Evergy Missouri Metro’s purchases and transportation of
3 coal or its coal-related contracts were imprudent during the Review Period.

4 **4. Documents Reviewed**

- 5 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0006, 0007,
- 6 0008, 0012, 0021, 0023, 0028, 0029, 0030, 0031, 0035, 0035.1, 0035.2, 0036, 0044,
- 7 0045, 0052, 0079, 0079.1; and
- 8 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
- 9 AP 13, 14, and 15.

10 *Staff Expert/Witness: Teresa Denney*

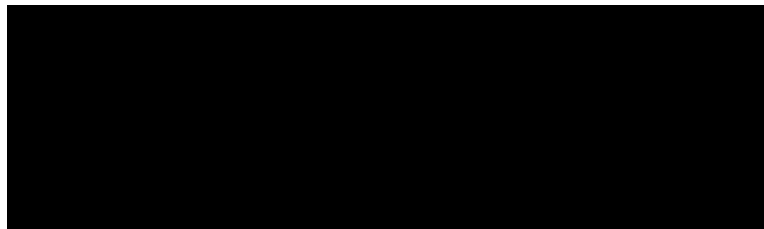
11 **F. Fuel Oil Costs**

12 **1. Description**

13 For the Review Period, ** [REDACTED] ** or ** [REDACTED] ** of Evergy Missouri Metro’s total
 14 fuel costs, purchased power costs, transmission costs, and net emission allowance costs was
 15 associated with the fuel oil used in generating electricity. The cost of fuel oil includes various
 16 miscellaneous charges, such as rail and/or ground transportation service charges. Staff reviewed
 17 the contract terms of Evergy Missouri Metro’s three oil contracts that were in place during the
 18 Review Period, as well as a sampling of invoices for fuel oil purchased. The contracts provide
 19 a primary delivery location and agreement on the price. The price is based on the market price
 20 at the time Evergy Missouri Metro purchases the fuel oil. The counterparties for the fuel oil
 21 contracts are identified in Table 11:

22 **Table 11 - Confidential**

23 **



24 **

25 The fuel oil contracts provide delivery of fuel oil to various generating units.

1 **2. Summary of Cost Implications**

2 If Evergy Missouri Metro imprudently purchased fuel oil, ratepayer harm could result
3 from increased FAC charges.

4 **3. Conclusion**

5 Staff found no indication Evergy Missouri Metro’s costs associated with its fuel oil
6 contracts in place were imprudent during the Review Period.

7 **4. Documents Reviewed**

- 8 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001, 0006, 0012,
9 0023, 0026, 0035, 0035.1, 0036, 0044, 0045, 0052, 0079; and
10 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
11 AP 13, 14, and 15.

12 *Staff Expert/Witness: Teresa Denney*

13 **G. Transmission Costs**

14 **1. Description**

15 For the Review Period, ** [REDACTED] ** or ** [REDACTED] ** of Evergy Missouri Metro’s
16 total fuel cost, purchased power costs, transmission costs and net emission costs was associated
17 with transmission costs. There was one tariff sheet that was in effect during this Review Period.
18 Evergy Missouri Metro’s FAC P.S.C. MO No. 7 Original Sheet No. 50.24.
19 For calculating TC, Evergy Missouri Metro implemented a process whereby total transmission
20 expenses were tabulated and then costs not allowed in the FAC were removed. Staff reviewed
21 the transmission costs over the Review Period to verify only 26.40% of the SPP transmission
22 service costs are included (from July 1, 2021 through December 31, 2022).²⁰ Evergy Missouri
23 Metro’s transmission costs during the Review Period are ** [REDACTED] **.

24 **2. Summary of Cost Implications**

25 If Evergy Missouri Metro imprudently included transmission costs in the FAC,
26 ratepayer harm could result from increased FAC charges.

²⁰ During the last general rate case, Case No. ER-2018-0145, the Commission, in its *Order Approving Stipulations and Agreements* issued on October 31, 2018, approved the change of the FAC transmission percentage from 20.91% to 26.40%.

1 **3. Conclusion**

2 Staff found no indication that Evergy Missouri Metro’s transmission costs were
3 imprudent during the Review Period.

4 **4. Documents Reviewed**

- 5 a. Evergy Missouri Metro’s General Ledger;
6 b. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0040 and
7 0044; and
8 c. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
9 AP 13, 14, and 15.

10 *Staff Expert/Witness: Cynthia M. Tandy*

11 **H. Nuclear Fuel**

12 **1. Description**

13 For the Review Period ** [REDACTED] ** or ** [REDACTED] ** of Evergy Missouri Metro’s
14 fuel costs, purchased power costs, transmission costs, and net emission allowance costs is
15 associated with nuclear fuel used in the generation of electricity at the Wolf Creek Nuclear
16 Operating Corporation’s generating unit. Evergy Missouri Metro owns 47% of Wolf Creek
17 Nuclear Operating Corporation.

18 **2. Summary of Cost Implications**

19 If Evergy Missouri Metro was imprudent in its purchasing decisions relating to nuclear
20 fuel, ratepayer harm could result from increased FAC charges.

21 **3. Conclusion**

22 Staff found no indication that Evergy Missouri Metro nuclear fuel costs were imprudent
23 during the Review Period.

24 **4. Documents Reviewed**

- 25 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0023, 0035, 0036,
26 0044, 0045, 0062, 0079; and
27 b. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
28 AP 13, 14, and 15.

29 *Staff Expert/Witness: Teresa Denney*

1 **I. Emission Allowances**

2 **1. Description**

3 The Cross-State Air Pollution Rule (“CSAPR”) is a ruling by the United States
4 Environmental Protection Agency (“EPA”) that requires a number of states, including Missouri,
5 to reduce power plant emissions that contribute to ozone and/or fine particle pollution in other
6 states. The CSAPR requires Missouri to reduce its annual emissions of sulfur dioxide (SO₂)
7 and nitrous oxides (NO_x) to help downwind states attain the 24-hour National Ambient Air
8 Quality Standards (“NAAQS”). The CSAPR also requires Missouri to reduce ozone season
9 emissions of NO_x to help downwind states attain the 8-hour NAAQS.

10 The primary mechanism of CSAPR is a cap-and-trade program that allows a
11 major source of NO_x and/or SO₂ to trade excess allowances when its emissions of a
12 specific pollutant fall below its cap for that pollutant. Originally, the EPA issued a model
13 cap-and-trade program for power plants, which could have been used by states as the
14 primary control mechanism under CAIR. This model, with modifications, had continued under
15 CSAPR.

16 To comply with CSAPR, Evergy Missouri Metro established an inventory for SO₂ and
17 NO_x. Evergy Missouri Metro currently plans to maintain this SO₂ and NO_x allowance inventory
18 sufficient to offset expected emissions. This Emission Allowance inventory is tracked in
19 Company account 158200 and 158201. The Evergy Missouri Metro SO₂ and NO_x allowance
20 inventories are valued at zero cost, and the cost for SO₂ and NO_x allowances is tracked in FERC
21 Account Number 509000. For the Review Period, the total balance in the emission inventory
22 accounts as of December 31, 2022 was ** [REDACTED] **. The Company annually balances account
23 509000 when the EPA yearly awards the additional allowances.

24 For the Review Period, Evergy Missouri Metro’s total net emission allowance cost was
25 ** [REDACTED] **.

26 **2. Summary of Cost Implications**

27 If Evergy Missouri Metro imprudently used, purchased or banked its SO₂ and
28 NO_x allowances, ratepayer harm could result from an increase in Evergy Missouri Metro’s
29 FAC charges.

1 **3. Conclusion**

2 Staff found no indication that Evergy Missouri Metro was imprudent in its purchases,
3 banking, or usage of CSAPR NO_x and SO₂ allowances.

4 **4. Documents Reviewed**

- 5 a. Evergy Missouri Metro’s response to Staff’s Data Request Nos. 0023, 0032, 0034,
6 0039, 0044, 0057, 0058, 0059, and 0060;
7 b. Evergy Missouri Metro’s FAR filings and related work papers for AP 13, 14, and
8 15; and,
9 c. Evergy Missouri Metro’s monthly reports for the time period July 1, 2021 through
10 December 31, 2022 required by 20 CSR 4240-20.090(5).

11 *Staff Expert/Witness: Cynthia M Tandy*

12 **J. Off-System Sales Revenue**

13 **1. Description**

14 Off-system sales revenues (“OSSR”) is a component in the calculation of Evergy
15 Missouri Metro’s FAR used to charge or refund fuel and purchased power costs to its customers.
16 Staff reviewed the off-system sales quantities and revenues over the Review Period, and
17 Evergy Missouri Metro’s off-system sales revenue recoverable under the FAC was in the
18 amount of ** [REDACTED] **.

19 **2. Summary of Cost Implications**

20 Evergy Missouri Metro’s revenues from off-system sales are an offset against total fuel
21 and purchased power costs, transmission costs and net emission costs. This is because Evergy
22 Missouri Metro’s ratepayers pay for the resources used to produce any energy that Evergy
23 Missouri Metro sells. Since implementing the IM, SPP has controlled the economic dispatch
24 of Evergy Missouri Metro’s generation. During times that Evergy Missouri Metro’s generation
25 exceeds Evergy Missouri Metro’s retail customers’ needs, Evergy Missouri Metro becomes a
26 net seller in the SPP IM. If Evergy Missouri Metro did not make available its generating units
27 in the SPP IM for off-system sales to be made, ratepayers could be harmed by such imprudence
28 by an increase in Evergy Missouri Metro’s FAC charges.

1 **3. Conclusion**

2 Staff found no indication that Evergy Missouri Metro imprudently withheld availability
3 of its generating units in the SPP for off-system sales to be made.

4 **4. Documents Reviewed**

- 5 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0019, 0023, 0044,
6 0054 and 0068;
7 b. Evergy Missouri Metro’s FAC tariff sheet during the Review Period; and,
8 c. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
9 AP 13, 14 and 15.

10 *Staff Expert/Witness: Cynthia M. Tandy*

11 **K. Renewable Energy Credit Revenues**

12 **1. Description**

13 The Missouri Renewable Energy Standard ("RES")²¹ requires all investor-owned
14 electric utilities in Missouri to provide at least two percent (2%) of their retail electricity
15 sales using renewable energy resources in each calendar year 2011 through 2013, and to
16 increase that percentage over time to at least fifteen percent (15%) by 2021. Commission rule
17 20 CSR 4240-20.100, Electric Utility Renewable Energy Standard Requirements, which first
18 became effective September 30, 2010, contains the definitions, structure, operations, and
19 procedures for implementing the RES.

20 The RES rule creates two categories of energy-generating resources: non-renewable
21 energy resources (including purchased power from non-renewable energy sources) and
22 renewable energy resources (including purchased power from renewable energy sources).²²

23 Renewable energy resources produce electrical energy and are:

- 24 • wind
25 • solar sources
26 • thermal sources
27 • hydroelectric sources
28 • photovoltaic cells and panels

²¹ Section 393.1020 RSMo. Supp. 2013 and Section 393.1030.1(1), RSMo. Supp. 2013.

²² 20 CSR 4240-20.100(5)(B).

- fuel cells using hydrogen produced by one (1) of the above named electrical energy sources, and other sources of energy that become available after August 28, 2007, and are certified as renewable by the Missouri Department of Natural Resources – Division of Energy (“Division of Energy”).²³

Once an energy resource is certified, it begins producing Renewable Energy Credits (“RECs”), with one (1) REC representing one (1) megawatt-hour of electricity that has been generated from the renewable energy resource. These RECs can be sold and/or traded in the market place bundled with or without the energy that generated the REC.²⁴ The cost of a REC (as a RES compliance cost) cannot be recovered through the FAC.²⁵ However, revenues from the sale of RECs are recovered through the FAC as an off-set to fuel costs. During the Review Period, the RES rule required Evergy Missouri Metro to serve at least 10% of its retail load using renewable energy resources until December 31, 2020, and then at least 15% of its retail load starting January 1, 2021. There were no REC expenses submitted under the FAC program during this Review Period.

In Case No. EO-2022-0064 on July 25, 2022, a Non-Unanimous Stipulation and Agreement was made in regards to Evergy Missouri Metro selling excess RECs, and the Commission issued its Order Approving Stipulation and Agreement on September 14, 2022²⁶. Within this agreement it states, “The Company’s current REC sales procedure implemented in 2022 will be included in the next Evergy Missouri Metro and Evergy Missouri west Fuel Adjustment Rate (FAR) filings.” Subsequently, Evergy Missouri Metro began selling some of their excess RECs starting February 1, 2022.

Staff also reviewed Evergy Missouri Metro’s 2022 RES Compliance Plan²⁷, and all sources suggest the number of non-solar RECs will increase significantly in the coming years. On February 1, 2022 (during this Review Period), the maximum level of the RES rule requirement

²³ Prior Department of Economic Development – Division of Energy

²⁴ 20 CSR 4240-20.100(6)(B)(5)(J).

²⁵ 20 CSR 4240-20.100(6)(A)(16).

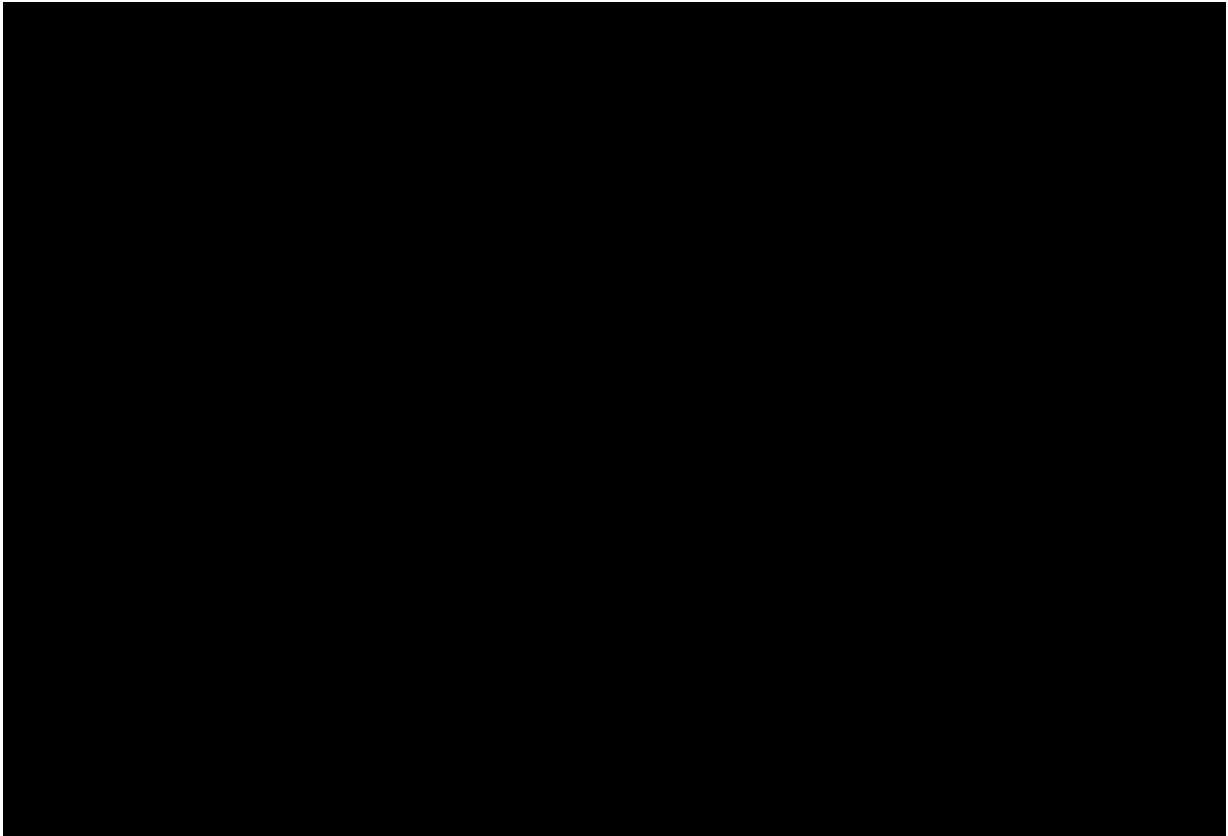
²⁶ Non-Unanimous Stipulation and Agreement filed on July 25, 2022 and Ordered by the Commission on

²⁷ RES Compliance Plan Case No. EO-2022-0287

1 of 15% was reached and even with this increase, the Company's excess and expired RECs
2 increased. The following table summarizes the data of RECs from 2020 to 2022:

3 **Table 12 - Confidential**

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7 Table 12 above also illustrates the percentage of RECs sold over total excess RECs.
8 Staff was able to use the certified vintage date instead of the date it was actually sold to
9 correspond with the actual year it was acquired and used for compliance.

10 **2. Summary of Cost Implications**

11 Everygy Missouri Metro started selling excess RECs in 2022. The revenues from the
12 sale of excess RECs is a partial offset to fuel and purchased power costs. However, since the
13 amount of excess RECs continues to increase, Staff will continue to monitor the management
14 of the Company's REC assets including, but not limited to, the amount and vintage dates of
15 excess RECs being sold.

1 **3. Conclusion**

2 Staff found no indication that Evergy Missouri West imprudently sold RECs during this
3 review period. However, Staff will continue to monitor the management of selling RECs to
4 ensure the maximum amount of revenues.

5 **4. Documents Reviewed**

- 6 a. Evergy Missouri Metro’s responses to Data Request Nos. 0042, 0042a, 0042.1,
7 0044, 0055, 0056, 0056a, 0056.1, 0056.2, and 0056.3
- 8 b. File No. EO-2022-0064
- 9 c. File No. EO-2020-0263
- 10 d. File No. EO-2019-0068; and
- 11 e. File No. EO-2022-0287- Evergy Missouri Metro 2022 Annual Renewable
12 Energy Standard Compliance Plan;

13 *Staff Expert/Witness: Amanda C. Conner*

14 **L. Purchased Power Costs**

15 **1. Description**

16 Evergy Missouri Metro’s FAC Original Sheet No. 50.23, applicable to service provided
17 from December 6, 2018, through the effective date of this tariff sheet, define the Purchased
18 Power Costs (“PP”) components, which are purchases of power through the SPP Integrated
19 Market (“SPP IM”) and not energy generated by the Company.

20 Staff has determined that Evergy Missouri Metro’s total purchased power expense for
21 the Review Period is ** [REDACTED] ** as shown previously in Table 3. More detail for the
22 cost of Purchased Power is shown in Confidential Table 13 below.

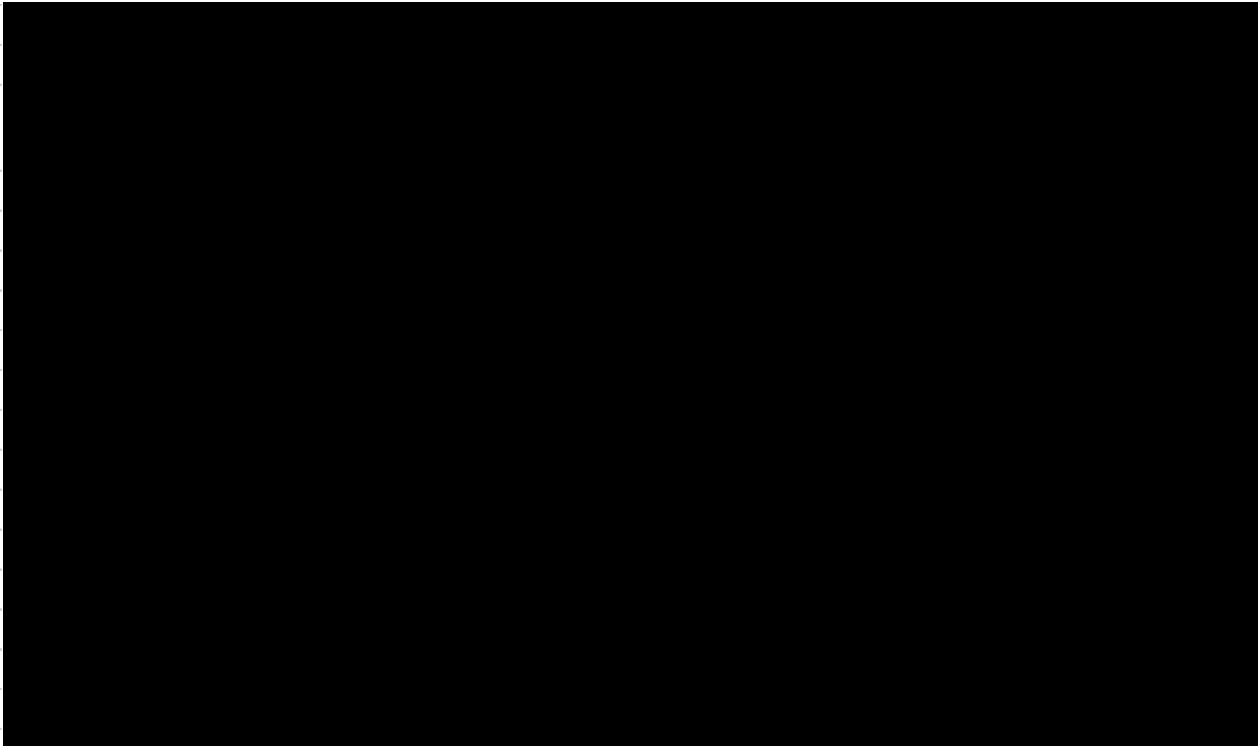
23 *continued on next page*

Table 13- Confidential

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Non-Firm Short-term Energy

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Since SPP implemented the IM on March 1, 2014, SPP has controlled the economic dispatch of Evergy Missouri Metro’s generation. During times that Evergy Missouri Metro’s load exceeds Evergy Missouri Metro’s generation, Evergy Missouri Metro becomes a net purchaser in the SPP market. These SPP market purchases are from other electric suppliers to help meet Evergy Missouri Metro’s retail load during times of forced or planned plant outages and during times when the market price is below the marginal cost of providing that energy from Evergy Missouri Metro’s generating units. Under the SPP IM, Evergy Missouri Metro’s generation is offered to the SPP IM and energy needed for native load requirements is purchased from the SPP market. “Spot purchases and sales are made based upon SPP market and system operating conditions for the entire SPP footprint.”²⁸ Costs for the IM purchases are

²⁸ Data Request Response 0016 in Case No. EO-2023-0276

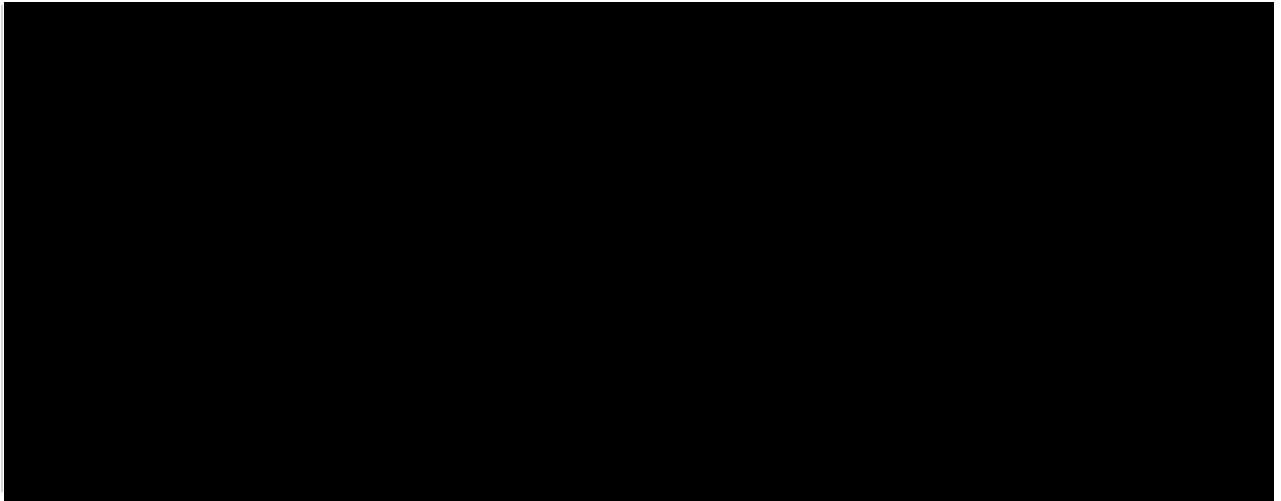
1 included as “Non-Firm Short-term Energy” in Tables 3 and 13 of this Report. Further discussion
2 of Evergy Missouri Metro’s participation in these markets can be found in Section III.A. of
3 this report.

4 **Long-Term Purchased Power Agreements**

5 Evergy Missouri Metro has eight long-term PPA’s in effect during the Review Period:
6 Cimarron 2, Slate Creek, Spearville 3, Waverly, Osborn Wind, Rock Creek Wind, Pratt Wind,
7 and Prairie Queen Wind. These contracts are “take-or pay” contracts for renewable wind energy
8 and RECs (i.e., Evergy Missouri Metro has to receive and pay for the energy whether it needs
9 the energy or not), which is a standard feature of many wind PPAs. The contract is for the
10 energy and RECs generated by the wind farm. The total fixed energy contract price per MWh,
11 the amount of capacity per MW, the number of years for each contract, the expiration date for
12 each contract, and the total cost of electricity with revenue associated with sales and the results
13 of a net loss/gain for the Review Period are included in the Confidential Table below.

14 **Table 14 Confidential**

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18 Staff also reviews long-term purchased power contracts during a general rate case. As a
19 result of that review, a determination is made regarding what generation plants and purchased
20 power contracts should be input into Staff’s fuel model. The outcome of the most recent general
21 rate case is taken into consideration regarding the prudence of long-term purchased power

1 contracts. Staff also considers the Company’s Integrated Resource Plan (“IRP”) and IRP
2 Annual Updates regarding long-term purchased power contracts.

3 Not included in this section of Staff’s Report is the new purchased power wind contracts
4 that Evergy Missouri Metro has recently signed into because the associated costs and revenues
5 have not been sought for recovery through this FAC filing. However, Staff is aware of these
6 additional purchased power wind contracts and provided, as part of its Staff Report in the
7 Evergy Missouri Metro 2020 IRP Annual Update, concerns with these additional purchased
8 power wind contracts. On March 10, 2020, the Companies’ filed the *Evergy Metro Integrated*
9 *Resource Plan 2020 Annual Update* (“Evergy Missouri Metro 2020 Annual Update”) in Case
10 No. EO-2020-0280 and the *Evergy Missouri West Integrated Resource Plan 2020 Annual*
11 *Update* (“Evergy Missouri West 2020 Annual Update”) in Case No. EO-2020-0281. In those
12 dockets, on May 18, 2020, Staff filed its *Staff Report* responding not only to the Evergy
13 Missouri Metro 2020 Annual Update and Evergy Missouri West 2020 Annual Update, but also
14 to the Companies’ Notices in Case Nos. EO-2018-0268 and EO-2018-0269²⁹. Staff voiced
15 several concerns in regards to PPAs in its Staff Report. Some to note are as follows:

16 Page 2:

17 The Companies have failed to meet the fundamental objective of the
18 Commission’s Chapter 22 Rules by entering into ** [REDACTED] ** MW of fixed price
19 wind power purchase agreements (PPAs) based upon speculation of future SPP
20 energy prices. Entering into a PPA based on speculated market revenues that
21 could outweigh costs does not serve the public interest because flowing all of
22 the costs of these PPAs through the Companies’ fuel adjustment clauses creates
23 a potentially large amount of risk to ratepayers and almost zero risk to
24 shareholders at a point in time when the SPP Market Monitoring Unit states that
25 “market prices have not been signaling new generation entry for some time.”
26 The Companies do not need to enter into the PPAs for SPP resource adequacy
27 requirements, reliability needs, or Missouri Renewable Energy Standard
28 requirements. The Companies state in the Annual Reports that the PPAs were
29 entered into in part for the Renewable Energy Rider, however Staff cannot

²⁹ On December 16, 2019, the Companies filed a Notice of Determination of Change (Notice). In its Notice, Evergy
stated, ** [REDACTED]

**

1 determine the accuracy of that statement at this time. Furthermore the economic
2 feasibility analysis that was relied upon for the contracts blatantly ignore
3 realities of the SPP markets, utilizes stale market price forecasts that are limited
4 to only six potential outcomes, relies on developer estimates that are much
5 greater than the actual outputs of the existing Evergy Metro and Evergy West
6 PPAs, ** [REDACTED]

7 30

8 **

9 Page 3:

10 ... The Companies did not need to enter into the PPAs to meet SPP resource
11 adequacy needs, reliability needs, or Missouri RES compliance requirements.
12 Since the Companies will be purchasing the energy generated by a third party,
13 the Companies will not own, operate, control or manage the facilities. Further,
14 the Companies' shareholders will not finance the purchase. Rather ratepayers
15 will be required to finance the purchase for 15+ years through collection of costs
16 through fuel adjustment clauses of the Companies... In the case of the wind
17 PPAs entered into by the Companies, they are not in the public interest for
18 several reasons. The PPAs are not needed, the economic analysis relied upon is
19 extremely flawed, and nearly all of the risk is borne by ratepayers.

20 Staff requested for the Companies to demonstrate the need for the wind PPA
21 additions in 2021 and 2022 in the preferred resource plans.³¹ The Companies'
22 response to this request simply referred to the Companies' December 16, 2019
23 Notice of Determination of Change in Case Nos. EO-2018-0268 and
24 EO-2018-0269, in which the Companies notified the Commission that a decision
25 had been made to enter into two PPAs totaling ** [REDACTED] ** MW that would be
26 allocated to Evergy Missouri Metro and Evergy Missouri West. Staff requested
27 supplemental responses to this data request that actually demonstrated the need
28 to enter into the wind PPAs, to which the Companies continuously insisted that
29 the original response was adequate. The notion that simply making a decision
30 to enter into wind PPAs is an adequate demonstration of the need for the
31 contracts is not only concerning, but insufficient. By that logic, the Companies
32 could continually add the costs of an unlimited number of PPA contracts to
33 Evergy West's and Evergy Metro's respective fuel adjustment clauses without
34 any demonstration of a need to do so. In fact, the Companies' response to Staff

³⁰ The footnote attached to this portion is for Company response to Staff Data Request No. 0033 in EO-2020-0280 and EO-2020-0281.

³¹ The footnote attached to this portion is for Company response to Staff Data Request No. 0001 in EO-2022-0280 and EO-2020-0281.

1 data request 0023 indicates that the Companies do not have an upper limit on
2 the number of wind PPAs the Companies would consider entering into based on
3 the capacity positions and customer loads of Evergy Metro and Evergy West.
4 The Commission’s regulatory oversight of the decision making of Evergy Metro
5 and Evergy West would be significantly hindered by actions such as these...
6 However, by entering into contracts for a large number of PPAs without
7 demonstrating the need, relying upon speculated revenues outweighing expected
8 costs, and not providing sound economic analysis at the time of entering the
9 PPAs, the Companies have shifted all of the risk to ratepayers through the fuel
10 adjustment clauses and shifted all of the burden of proof onto other stakeholders
11 by making prudence reviews the process for initial in-depth analysis of the
12 decision to enter into the PPAs.

13 Pages 5 – 6:

14 ** [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 32
19 [REDACTED]
20 ** [REDACTED]

21 Page 6:

22 ** [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 ** [REDACTED]

27 Staff also noted in this same report on page 7 “that this risk could be addressed fairly
28 through risk mitigation or risk sharing in the Commission-approved fuel adjustment clauses of
29 the Companies.”

30 Subsequently, Staff’s Report in the most recent Evergy Missouri Metro Triennial IRP
31 Filing in Case No. EO-2021-0035 also stated, “Staff echoes its past comments in regards to
32 Evergy Metro and PPAs, and that ratepayers should not have to bear all of the risk
33 of PPAs which are entered into when there is not a need for capacity to meeting minimum

³² The footnote attached to this portion is for Company response to Staff Data Request No. 0050 in EO-2020-0280 and EO-2020-0281.

1 capacity requirements. To remedy this concern, Staff suggests as it has before, that ratepayer
2 risk mitigation or risk sharing could be addressed fairly in the Commission-approved fuel
3 adjustment clause of Evergy Metro.”

4 In the most recently concluded general rate case, Case No. ER-2022-0129 and
5 ER-2022-0130, Staff shared similar concerns in Brad J. Fortson’s Direct and Surrebuttal
6 Testimonies. The Commission’s *Order Approving Four Partial Stipulation and Agreements*,
7 filed on September 22, 2022, approved the *Stipulation and Agreement* filed on August 30, 2022,
8 which provided the following in its paragraph 5, item number 4:

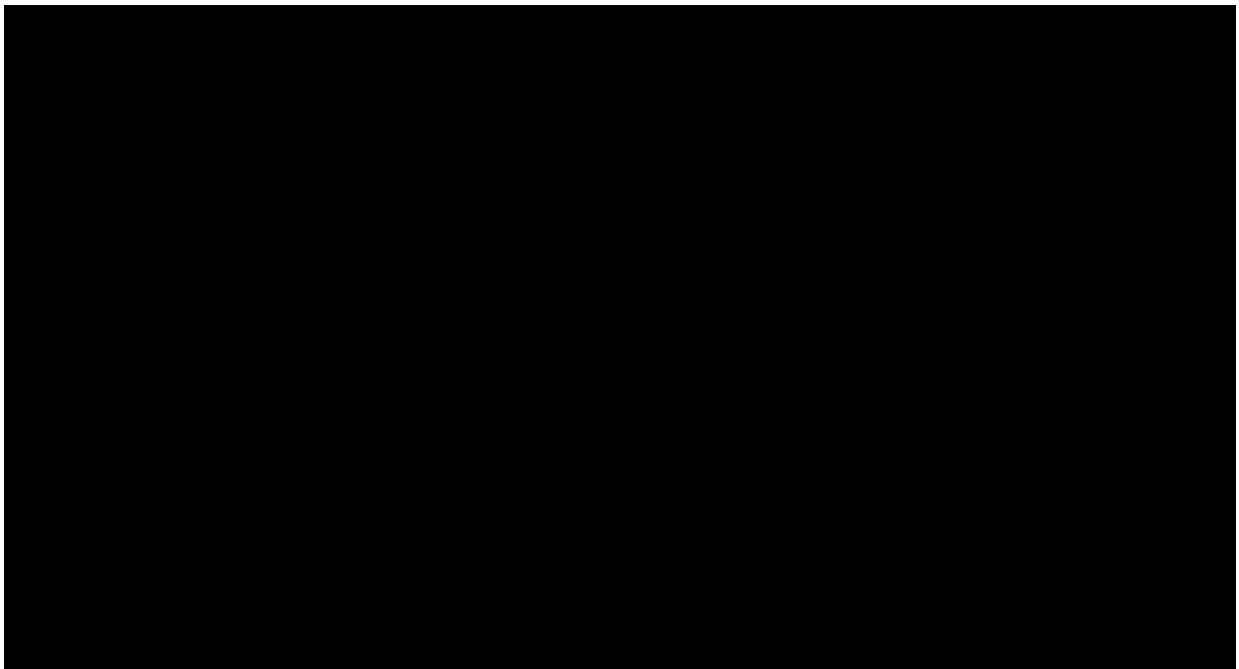
9 The Company will exclude from its FACs the net costs associated with
10 wind purchased power agreements (“PPAs”) entered into after May 2019
11 whose costs exceed their revenues resulting in a net loss. Language will
12 be included in its FAC tariff sheets reflecting this exclusion. The
13 Company will factor the financial risk of this settlement condition into
14 its evaluation of wind PPAs in its prospective long-term resource
15 planning during such time that the condition is in effect.

16 In a previous Evergy Missouri West and Evergy Missouri Metro FAC prudence review,
17 OPC challenged Evergy’s decisions to acquire the Rock Creek and Osborn Wind PPA’s. In
18 the Report and Order in Case No. EO-2019-0067 (consolidated with Case No. EO-2019-0068),
19 the Commission stated, “The Commission will not replace the companies’ primary
20 supposition at the point of decision that the PPA’s were being acquired in the context of a long-
21 term, twenty-year investment with a supposition that the investment was short-term, and then
22 apply a hindsight test and pronounce the investments imprudent.” Historically, Staff has stated
23 in previous prudence reviews, “Staffs review of the PPA’s and the performance of the contracts
24 should be viewed on a long-term basis and not just from the results during the review period.”
25 Staff has had concerns about all current and future PPA’s for some time now, but recognizes
26 that it is difficult to make an imprudence disallowance, especially on a short-term basis. Staff’s
27 language used in previous prudence reviews allowed for and provided an opportunity for these
28 PPAs to turn around positively. In the past, Staff has not alleged imprudence on these PPAs
29 specifically because of this, giving them a chance to turn around and be beneficial to ratepayers,
30 to prove any part of the PPA analysis relied upon was correct, and to allow for a larger dataset
31 to be gathered over a longer period of time. Now that some of these PPAs are more than halfway
32 through their contract term, and the losses are continually growing, Staff is able to review these

1 PPA's in the context of a long-term, twenty-year investment, as the Commission suggested in
2 their Report and Order language above. Reviewing the total amount of losses that both Evergy
3 Missouri West and Evergy Metro³³ customers have suffered since SPP implemented the IM, it
4 is approximately ** [REDACTED] ** dollars, or almost half a billion dollars. Confidential Tables
5 15 and 16 below illustrates what the market prices have been, by using a monthly average DA
6 LMP for the specific customer location node for each PPA, as compared to the contract price.

7 **Table 15 - Confidential**³⁴

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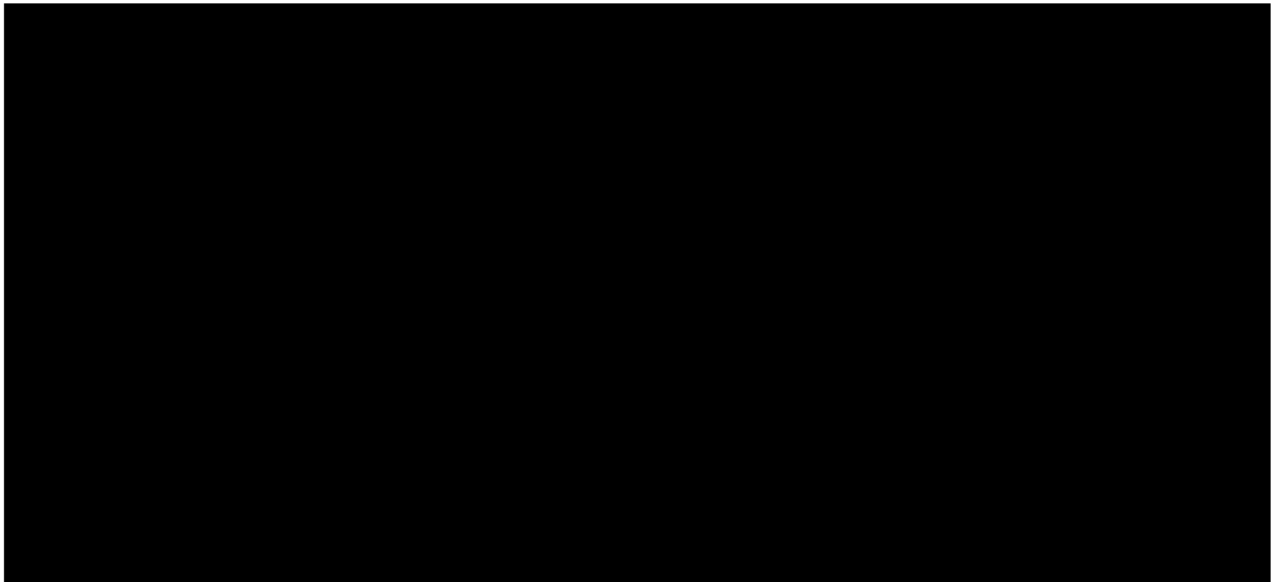
³³ The Evergy Metro losses are not separated out between Missouri and Kansas jurisdictions for the purposes of this section of the report.

³⁴ The February 2021 amount in table 15 and table 16 was reduced from \$505 for Cimarron 2 and \$511 for Spearville 3. This was adjusted so the scale of the tables gives a better representation of the other prices throughout the seven year period.

Table 16- Confidential

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As the tables above illustrates over the past seven³⁵ years, the market price is almost always lower than the contract price, specifically ** [REDACTED] ** of the time for Cimarron 2 and ** [REDACTED] ** for Spearville 3. This is concerning to Staff, and also should be to Evergy Missouri Metro, that for the remainder of the contract it is very unlikely these PPA's will turn around, and if they do, extremely unlikely they will turn around to pay the customers back the full ** [REDACTED] ** dollars.

Furthermore, Staff tried to obtain information from Evergy Missouri Metro to understand if they are projecting any losses or revenues from these PPAs going forward, in their most recent annual or triennial IRP filings. It is still unclear of what the Company's assumptions of costs and revenues associated with each PPA are for planning purposes, and Staff will continue to send more discovery on this. In Data Request No. 0077 it simply states,

** [REDACTED]

[REDACTED] **

³⁵ Staff used seven years instead of ten because of how the SPP data was presented in the years prior to 2016.

1 Part of the prudence standard that Staff relies on states, “whether a reasonable person
2 making the same decision would find both the information the decision-maker relied on and the
3 process the decision-maker employed to be reasonable based on the circumstances and
4 information known at the time the decision was made, without the benefit of hindsight. If either
5 the information relied upon or the decision-making process employed was imprudent, then Staff
6 examines whether the imprudent decision caused **any harm to ratepayers**. Only if an
7 imprudent decision resulted in harm to ratepayers, will Staff recommend a disallowance.”

8 Staff wants to first point out that although not necessarily imprudent, there is no early
9 termination clause to get out of these contracts. Since these contracts have no early termination
10 clause, the customers are on the hook to continue to pay these losses for the remaining years of
11 the contract term. Staff is of the opinion that most decision-makers at that point would invest
12 their money elsewhere and cut their losses, before possibly losing another half a billion dollars.

13 Based on the historic actual data, historic trends, the cost/revenue assumptions going
14 forward, and the customer harm is recognizable on a long-term basis, in this circumstance by
15 ** [REDACTED] ** dollars, it is Staff’s opinion that it is imprudent for Evergy’s decision makers
16 to not do something about these PPA’s going forward or share more in the losses the ratepayers
17 have incurred over all of these years. Staff was unable to fully see the customer harm of these
18 PPAs right after they were entered into, therefore did not make an adjustment on a short-term
19 basis, as described in the Commission Report and Order above. However, Staff is recognizing,
20 and has recognized for a long time, that these PPAs will not make up for the losses they have
21 incurred roughly halfway through the contract term, and Staff now has enough data to make
22 this recommendation.

23 Consequently, Staff is recommending the Commission order a disallowance of
24 \$12,401,229,³⁶ plus interest, for Evergy Missouri Metro as an ordered adjustment for this
25 Review Period. This amount comes from both the Cimarron 2 and Spearville 3 PPA losses
26 that occurred during the Review Period. Staff is only recommending a disallowance for these
27 two PPAs at this time because they are the only two that are halfway through their contract

³⁶ This is calculated by taking \$22,936,150 of losses for both Cimarron 2 and Spearville 3 PPAs during the review period, and applying the 95% sharing mechanism and the corresponding monthly jurisdictional factor. The \$22,936,150 is taken from adding the losses (far right column in Table 14) for Cimarron 2 and Spearville 3.

1 terms during the Review Period, and it is very clear the remainder of their contract life will not
2 make up for the losses they have incurred roughly halfway through the contract term. Staff is
3 also only recommending a disallowance of these two PPAs just for the Review Period, because
4 Staff did want to give Evergy Missouri Metro the benefit of the doubt that these contracts would
5 somehow be a benefit to customers on a long-term basis. However, Staff has concluded that
6 customers will never see a benefit from these PPAs, therefore ratepayers should not have to
7 suffer any more harm going forward.

8 In addition, Staff also recommends the Commission order any losses incurred for all
9 PPAs going forward that are halfway through their contract life be borne by shareholders.

10 **2. Summary of Cost Implication**

11 If Evergy Missouri Metro did not manage its purchase power contracts properly,
12 ratepayer harm could result from an increase in costs collected through the FAC.

13 **3. Conclusion**

14 Staff has found that Evergy Missouri Metro has acted imprudently by not finding a
15 better solution about these long term PPA's going forward or share more in the losses the
16 ratepayers have incurred over all of these years. Staff recommends the Commission order an
17 Ordered Adjustment ("OA") in the amount of \$12,401,229, plus interest, to be applied to
18 Evergy Missouri Metro's next FAR filing. Staff further recommends any losses incurred for
19 all PPAs going forward that are halfway through their contract life be borne by Evergy's
20 shareholders.

21 **4. Documents Reviewed**

- 22 a. Evergy Missouri Metro's responses to Staff Data Request Nos. 0001, 0020, 0023,
23 0044, 0045, 0051, 0051.1, 0051.2, 0051.3, 0065, 0065.1, 0074, 0074.1, 0075,
24 0075.1, 0075.2, 0075.3, 0075.4, 0075.5, 0076, 0077, 0078 and 0082;
- 25 b. PPA Contracts;
- 26 c. Staff Report in EO-2020-0280 and EO-2021-0035;
- 27 d. Commission Report and Orders in EO-2019-0067 and EA-2022-0328; and
- 28 c. Section III.A. of this report.

29 *Staff Expert/Witness: Brooke Mastrogiannis and Brad J. Fortson*

1 **IV. INTEREST**

2 **1. Description**

3 During each accumulation period, Evergy Missouri Metro is required to calculate a
4 monthly interest amount based on Evergy Missouri Metro’s short-term debt borrowing rate that
5 is applied to the under-recovered or over-recovered fuel and purchased power costs. Evergy
6 Missouri Metro’s short-term debt rate is calculated using the daily one-month United States
7 Dollar London Interbank Offered Rate (“LIBOR”), using the last previous actual rate for
8 weekends and holidays or dates without an available LIBOR, and the Applicable Margin for
9 Eurodollar Advances. A simple mathematical average of all the daily rates for the month is then
10 computed. For the Review Period, Evergy Missouri Metro’s average monthly interest rate from
11 July 1, 2021, through December 31, 2022, was ** [REDACTED] ** with the total amount of interest
12 accumulated for the period of ** [REDACTED] **. The interest amount is component “I” of
13 Evergy Missouri Metro’s FAC.

14 **2. Summary of Interest Implications**

15 If Evergy Missouri Metro imprudently calculated the monthly interest amounts or used
16 short-term debt borrowing rates that did not fairly represent the actual cost of Evergy Missouri
17 Metro’s short-term debt, ratepayers could be harmed by FAC charges that are too high.

18 **3. Conclusion**

19 Staff found no evidence Evergy Missouri Metro imprudently determined the monthly
20 interest amount that was applied to the under-recovered or over-recovered fuel and purchased
21 power costs.

22 **4. Documents Reviewed**

- 23 a. Evergy Missouri Metro’s responses to Staff Data Request Nos. 0001 and 0044;
24 b. Evergy Missouri Metro’s monthly interest calculation work papers in support of the
25 interest calculation amount on the under-recovered or over-recovered balance; and
26 c. Evergy Missouri Metro’s monthly reports, FAR Filings and related work papers for
27 AP 13, 14, and 15.

28 *Staff Expert/Witness: Amanda C. Conner*

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Fifth Prudence Review)
of Costs Subject to the Commission-) File No. EO-2023-0276
Approved Fuel Adjustment Clause of)
Evergy Missouri Metro, Inc. d/b/a Evergy)
Missouri Metro)

AFFIDAVIT OF AMANDA C. CONNER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW AMANDA C. CONNER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Amanda C. Conner
AMANDA C. CONNER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

Dianna L. Vaught
Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Fifth Prudence Review)
of Costs Subject to the Commission-) File No. EO-2023-0276
Approved Fuel Adjustment Clause of)
Evergy Missouri Metro, Inc. d/b/a Evergy)
Missouri Metro)

AFFIDAVIT OF BRAD J. FORTSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BRAD J. FORTSON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Report*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

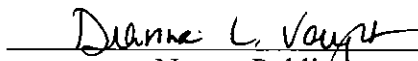


BRAD J. FORTSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 29th day of August, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Fifth Prudence Review)
of Costs Subject to the Commission-) File No. EO-2023-0276
Approved Fuel Adjustment Clause of)
Evergy Missouri Metro, Inc. d/b/a Evergy)
Missouri Metro)

AFFIDAVIT OF TERESA DENNEY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW TERESA DENNEY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Teresa Denney
TERESA DENNEY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2023.

Dianna L. Vaught
Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Fifth Prudence Review)
of Costs Subject to the Commission-) File No. EO-2023-0276
Approved Fuel Adjustment Clause of)
Evergy Missouri Metro, Inc. d/b/a Evergy)
Missouri Metro)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

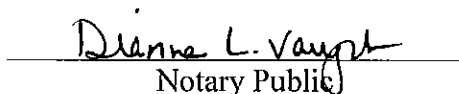
Further the Affiant sayeth not.


BROOKE MASTROGIANNIS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Fifth Prudence Review)
of Costs Subject to the Commission-) File No. EO-2023-0276
Approved Fuel Adjustment Clause of)
Evergy Missouri Metro, Inc. d/b/a Evergy)
Missouri Metro)

AFFIDAVIT OF CYNTHIA M. TANDY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW CYNTHIA M. TANDY and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Report*; and that the same is true and correct according to her best knowledge and belief.

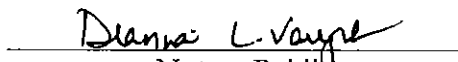
Further the Affiant sayeth not.


CYNTHIA M. TANDY

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 25th day of August, 2023.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377


Notary Public