Exhibit No. 6

Evergy West – Exhibit 6
Kayla Messamore Testimony
Rebuttal
File No. EO-2023-0276

Exhibit No.: _____
Issue(s): PPA Disallowances
Witness: Kayla Messamore
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Evergy Missouri Metro and Evergy Missouri West
Case No.: EO-2023-0276/0277
Date Testimony Prepared: December 14, 2023

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

REBUTTAL TESTIMONY

OF

KAYLA MESSAMORE

ON BEHALF OF

EVERGY MISSOURI METRO AND
EVERGY MISSOURI WEST

December 2023

DIRECT TESTIMONY

OF

KAYLA MESSAMORE

CASE NOS. EO-2023-0276/0277

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Kayla Messamore. My business address is 1200 Main Street, Kansas City, Missouri 64105.

Q: Are you the same Kayla Messamore who file direct testimony in these dockets?

A: Yes.

Q: On whose behalf are you testifying in this proceeding?

A: I am testifying on behalf of Evergy Missouri Metro, Inc. d/b/a Evergy Missouri Metro ("EMM") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("EMW") (collectively, the "Company" or "Evergy").

Q: What is the purpose of your rebuttal testimony in this proceeding?

A: The purpose of my testimony is to respond to Staff Witness Mastrogiannis' allegations of imprudence related to wind purchase power agreements ("PPAs") and to OPC Witness Lena Mantle's allegations of imprudent resource planning.

II. RESPONSE TO STAFF

Q: Has Staff introduced substantially new arguments in their Direct testimony compared to the original FAC Staff report?

A: No. Most of their direct testimony is very much in line with their FAC report. Since I have already addressed their arguments in my direct testimony in this case, I will keep this section of my rebuttal testimony brief.

Q: What action of the Company does Staff claim was imprudent?

A: Staff claims the Company has acted imprudently by "not finding a solution for its long-term PPA costs going forward or share (sic) more in the losses its ratepayers have incurred..."[1]

Q: What solution does Staff expect the Company to have found?

A: Staff does not propose a solution. Staff alludes to Evergy decision-makers not doing something, but readily admits the contractual details of these wind PPAs leave very little optionality beyond an early termination clause that only allows the Company to get out of the contract in the event of a default caused by a few specific reasons.

Q: Does Staff claim that entering these wind PPAs was imprudent?

A: Staff states that it "is not necessarily saying it was imprudent"[2].

Q: If not imprudent, then what grounds does Staff provide to support cost disallowance?

A: Staff claims that while not imprudent, entering into the contracts was a "very high risk to take"[3]. Conversely, I believe the decisions to enter into these contracts was a prudent choice by the Company and locked in access to long-term wind energy which provides

[1] Mastrogiannis Direct, EO-2023-0277, p. 3-4 lines 22-23, line 1.
[2] Mastrogiannis Direct, EO-2023-0276, p. 7, line 16; Mastrogiannis Direct, EO-2023-0277, p. 8, line 4.
[3] Mastrogiannis Direct, EO-2023-0277, p. 8, line 5.

economically competitive and clean power to customers. Additionally, these wind PPAs provide fixed-rate cost certainty compared to other type of generation resources that are highly dependent on volatile commodity prices. Staff also states that these contracts were a "very high risk to take" seemingly because they are long-term (20-year) contracts. This argument is illogical in the realm of utility resource planning where many (if not most) decisions are long-term in nature.

Q: Is it appropriate for Staff to claim the PPAs in question have losses resulting from average energy market prices being lower than the PPA contract prices?

A: No. It is not appropriate to reference the economic activity of these contracts as customer "losses" for a number of reasons. It is unclear why Staff expects market energy revenues to cover the bundled PPA costs, which are inclusive of third-party developer depreciation expense, return on capital invested, property taxes, and operations and maintenance expense. Staff should acknowledge the difference between the cost structure of a PPA, which has the all-in cost of service bundled into a price per mega-watt hour which flows through the fuel clause, compared to the cost structure of rate-based assets, which utilize more traditional utility ratemaking to include a significant portion of the cost of service in base rates, with only variable costs flowing through the FAC. Further, as I explained at length in my Direct testimony, the SPP wholesale market is not designed to cover the all-in costs of generation assets. It is structured to optimize generation dispatch based on short-run marginal costs in order to reduce the overall fuel costs to serve market-wide load. Energy market revenues provide an opportunity to partially offset the fixed costs of an asset in cases where they are greater than a generator's short-run marginal costs, but stating that

these are "losses" because revenues are not fully offsetting fixed costs is inappropriate and reflects a misunderstanding of how wholesale energy markets function.

Q: How do you react to the amounts that Staff is recommending being allowed?

A: As explained in my Direct testimony, the logic Staff applies to quantify their recommended disallowance is flawed. When a new resource addition is evaluated, we assess not only its energy market value, but also its value in meeting capacity requirements and providing a long-term hedge against changes in commodity prices and/or carbon restrictions. As I explained in my Direct, that is the type of analysis that was utilized when these PPAs were originally entered into (and which is used in Integrated Resource Plans today) and Staff alleges no imprudence in that actual decision-making process. Focused more specifically on the historical economics of these assets, Staff completely ignores the value of Renewable Energy Credits and congestion hedging, as well as the capacity costs avoided as a result of these PPAs. Even if looking at historical performance was the appropriate way to assess the prudence of a resource decision – which it is not – Staff's analysis is overly myopic and misses real and realized sources of value from these PPAs.

III. <u>RESPONSE TO OPC</u>

Q: What imprudence does OPC witness Mantle accuse Evergy Missouri West of?

A: OPC Witness Mantle asserts that EMW made imprudent resource planning decisions by not maintaining sufficient generation to meet its customer's needs.

Q: When does OPC witness Mantle claim the imprudent resource planning decisions occur?

A: Ms. Mantle does not specify the exact resource planning decisions or date when the alleged imprudent actions, or inactions, took place, but rather states at p. 11 of her direct testimony

that issues have persisted for more than a decade and that OPC has raised concern with EMW's resource planning since at least 2017.

Q: What support does Ms. Mantle provide for her allegation that EMW's resource planning is imprudent?

A: She states that "[EMW's] resource planning, or rather lack of resource planning specific to Evergy West, has resulted in Evergy West not having enough generation resources to meet the load requirements of its customers during this prudence period." (Mantle Direct, p. 11 lines 18-21).

Q: How do you respond to this?

A: Ms. Mantle is making unsupported and untrue assertions about EMW's resource planning. She provides no actual evidence from EMW's Integrated Resource Plans ("IRPs") or other filings which back up this claim. She has simply made the same assertion repeatedly in this and prior cases under the apparent assumption that if you say something enough times it eventually makes it true. I will respond to her allegations in more detail below.

Q: Has EMW ever had resource planning efforts deemed inconsistent with the requirements outlined in the IRP Rules or imprudent by the Commission?

A: No. EMW has filed annual resource plans with the MPSC since 2007 and has always met the standard requirements of 20 CSR 4240-22.060. Further, no decision or action taken as a result of executing EMW's preferred plans from past IRPs has been deemed imprudent, although the Commission did make an adjustment to EMW's rate base and cost of service related to the addition of the Crossroads facility.

Q: Is the prudency of resource planning practices typically reviewed in Missouri's FAC prudence review process? If not, why has Ms. Mantle chosen to raise this concern during this particular FAC prudence review period?

A: Typically, wholistic resource planning practices are not in scope of FAC prudence reviews. I imagine this is because there are prescribed resource planning requirements as referenced above. Presumably, Ms. Mantle is using this docket as a platform to continue to promote arguments that she has made, unsuccessfully, in prior cases. Importantly, these same arguments have been heard by this Commission and EMW's resource planning approach has not been determined to be imprudent. Further, Ms. Mantle seems to be leveraging data from this FAC prudence review docket to further bolster these same historic arguments that have not been effective in prior cases. At some point – and I would argue we have passed that point – it would be in every party's best interest to stop rehashing old arguments and accusations.

Q: How do you respond to OPC's assertion that EMW's resource planning has resulted in a situation where it did not have enough generating resources to meet the load requirements of its customers?

A: As stated in my direct testimony in this case, EMW has always had sufficient capacity to meet reserve margins established by SPP and EMW's IRP has always been deemed to have met the requirements set forth by the State of Missouri. This means that EMW has and continues to have adequate resource planning practices and that EMW has planned to have enough generating resources to meet customer needs, both from a capacity and energy perspective. Unless OPC's arguments are grounded in requirements other than SPP's and

the State of Missouri's, I am not sure what proof they are relying on to substantiate their arguments.

Q: Ms. Mantle quotes your testimony from EA-2023-0291 as evidence that EMW has a current need for energy. (Mantle Direct, page 19 lines 5-8) How do you respond?

A: EMW does have a current need to add additional capacity (which, by definition, includes the ability to produce energy) to meet increased SPP capacity requirements, particularly in 2026 and beyond, as I outlined in my testimony in that case. However, EMW had sufficient capacity to meet SPP requirements in 2021 and 2022 (the period at issue in this case), and in 2023. The current need to add new generation does not equate to a historical shortfall and Ms. Mantle attempting to use statements out of context to support her case does not change that. It is also noteworthy that Ms. Mantle's assertion that there have not been any changes to EMW's energy needs since the end of this review period is inaccurate. (Mantle Direct, p. 19, lines 9-13) In 2022, SPP's required planning reserve margin was 12%. Today, it is 15%. In the future, it will likely be higher – again, as I outlined in my testimony in EA-2023-0291**.** As I describe in more detail below, these SPP requirements are the mechanism through which EMW plans to meet its customers' energy requirements (because they establish the amount of capacity EMW must maintain to meet peak customer energy needs). As a result, the recent increase in SPP's planning reserve margin requirement has resulted in a direct increase in EMW's energy needs compared to this FAC review period, despite Ms. Mantle's statements to the contrary.

Q: Do you agree that "if Evergy West has sufficient cost-effective resources to meet all of its customers' energy needs during the time periods required, the revenues from the generation of energy should effectively match, and thereby negate, the cost Evergy West paid to SPP for the energy its customers use" (Mantle Direct, p. 3 lines 16-19)?

A: No. While I realize OPC is attempting to take a very simplistic view of the SPP marketplace, unfortunately, it's not a realistic view. The SPP marketplace is dispatching all registered generators to meet system-wide SPP load. Gone are the days of individual balancing areas where each utility's generation production effectively matched load. This is essentially what OPC is arguing – generation volumes should effectively match load volumes. If this happened, and there was no pricing congestion between generator nodes and the load node, then yes, generation revenues would theoretically match load costs. Reality is that the SPP market dispatches generators across 15 states to meet load based on economics which, if evaluated over a long enough period of time, results in some utilities being net-sellers (generation volumes exceeding load volumes) and some being net-buyers (load volumes exceeding generation volumes). The status of net-buyer versus net-seller is typically driven by the composition of each utility's generation fleet, which is the product of long-term resource planning spanning over decades. Implying that a "prudent resource mix" is a plan where actual economic dispatch is perfectly matched to customer loads is simply unachievable in an integrated market – or at least unachievable unless EMW wants to ignore the integrated market and not take advantage of the economies of scale that it offers.

Q: Does OPC provide any detail on what it would mean to have "sufficient" generation to meet customer needs?

A: Only by way of a simplified example which is difficult to extrapolate to actual resource planning. At page 8 of her Direct, she outlines the example below:

Hour	1	2	3	4	5	6	7	8	9	10	Total MWh
Load	50	50	50	50	550	50	50	50	50	50	1000
Generator 1 (100 MW)	100	100	100	100	100	100	100	100	100	100	1000
Excess / Shortfall	50	50	50	50	(450)	50	50	50	50	50	0

In her example, she states that this generator would "not be 'sufficient' to meet this customer's load requirement even though it could generate the amount of energy the customer requires." What this seems to be saying is that a "sufficient" or "prudent" resource plan is one that can not only 1) meet a utility's peak load, but also 2) must have economic dispatch which matches its energy needs in every hour. That standard of prudence is completely unreasonable – in that economic dispatch is subject to market conditions across all of SPP and is not within EMW's direct control – and is also entirely infeasible to plan around. The only way that such a resource mix could be constructed is a) if EMW decided to perform its own dispatch and ignore the SPP overall - which would be much more costly due to the loss of economies of scale, or b) if EMW had perfect foresight of all SPP market conditions, fuel costs, renewable output, load, generator outages, and all other factors which can impact economic dispatch - which is impossible.

Q: Given these challenges with OPC's example, how does EMW ensure it has sufficient generation to meet its load?

A: First, by complying with the resource adequacy requirements established by SPP. These requirements establish the amount of capacity that EMW has to maintain so that there will be sufficient generation (energy) available to meet its peak needs. These requirements meet the first test for "sufficiency" which OPC outlines. Second, EMW uses its IRP process to

assess the cost of meeting its customers long-term hourly energy needs across a wide variety of potential scenarios. This factors in the economics of EMW's fleet compared to a large variety of SPP market conditions and assesses the *all-in costs* of different resource plans which meet EMW customer requirements. It also assesses the cost of purchasing energy from the SPP market in a wide variety of potential futures. This analysis does not simply assess the net of SPP revenues and load costs, which OPC is myopically focused on in these examples, but includes all fixed and variable costs associated with any given resource plan. When a Preferred Plan is selected, it is on this holistic basis and it is built to ensure sufficient energy is available to meet customer requirements and that the cost of that energy is evaluated across a wide range of futures. This analysis meets OPC's second test for "sufficiency."

Q: Ms. Mantle states at p. 10 of her direct testimony that a "prudent resource plan...is likely to be a bit more costly than the least cost plan because it can handle a broad range of potential futures". Does EMW's IRP process assess this consideration?

A: Yes. It is unclear what Ms. Mantle is referring to as a "least cost plan" in this statement. One can infer that it would be a plan which is least cost only in a single scenario or potentially a plan which is least-cost from a purely fixed cost perspective. However, the IRP is already designed to assess a "broad range of potential futures" and when a plan is identified as "least cost" on an expected value basis through the IRP, it is "least cost" *across* this wide variety of futures and factoring in *all* costs of the resource plan.

Q: At p. 14 of her direct testimony, Ms. Mantle refers to the 2007 Aquila Preferred Resource Plan as evidence the EMW has not added resources that it needed over time. How did OPC respond to Aquila's Preferred Plan in that case?

A: OPC's tenth alleged deficiency in that case stated: "Aquila failed to create an alternative plan that makes use of new PPAs (purchased power agreements) over the entire planning horizon (2007 - 2026) since it constrained most of its plans to limit the use of PPAs to the time period of 2006 – 2009 even though Aquila is not large enough to be able to construct base load generation resources large enough to fully capture economies of scale. The only Aquila alternative plan that looked at PPAs beyond 2009 limited the duration of PPAs to 2012. Therefore, Aquila failed to properly construct plans that include one of the basic ingredients (long-term PPAs) that might be necessary to best satisfy the planning objectives identified in 4 CSR 240-22.010(2)."

The fact that OPC is now pointing to that Preferred Plan as the one EMW should have executed on given that comment is interesting. I also find it highly unlikely that OPC would have been supportive if EMW had attempted to actually build 200 MW of new coal and 300 MW of new nuclear generation in the last seven years, as the 2007 Preferred Plan outlined. This historical datapoint, along with OPC's apparent change in opinion about EMW's need for control of its generation, simply point out why resource planning must be an ongoing process, where needs and economics are reassessed as conditions change.

Q: Do you agree with OPC's assertion that in EMW's latest resource plan update, it estimates it can only generate 62% of its customer load requirements?

A: No. OPC is using 2022 data to compare EMW's total energy generated (5,351,124 MWh) to EMW's retail sales (8,666,707 MWh) to assert that EMW can only generate 62% of its

load requirements. OPC's division is correct, in that 2022 EMW's energy generated was equivalent to 62% of EMW retail customer usage. What isn't correct is their logic that EMW *can only* generate 62% of its retail customer load requirements. What OPC is failing to recognize is that energy generated is a product of the SPP's economic dispatch model. The fact that EMW's generation was equivalent to 62% of retail customer needs is a result of SPP wholesale energy being more economic than energy EMW's assets could produce. This doesn't mean these assets can't dispatch to cover retail energy when needed, it means that SPP's short-run margin economic optimization model is performing as intended – dispatching other more economic generating assets throughout the power pool instead of less economic options. A large part of the reason SPP has more economic energy available to supplement EMW's generation fleet is due to the significant build-out of renewables within the region. Ironically, the parallel argument at hand in this FAC prudence review period is centered around the economics of wind PPAs. If we weren't distracted rehashing OPC's old arguments about EMW's resource planning practices, we could spend more time discussing these kinds of economic benefits that wind provides both EMW customers and the broader SPP.

Q: Please explain OPC's position that EMW performs combined resource planning for EMW and Evergy Metro.

A: OPC references EMW's most recent IRP filing, EO-2023-0213, as evidence of Evergy performing combined resource planning. This is inaccurate as the EMW filing in the referenced case clearly outlines a Preferred Plan exclusively for EMW[4], as required by the

[4] See. P. 4 of EO-2023-0213 Executive Summary, "Due to the many changes in planning considerations over the past year, the Preferred Plan selected for Missouri West in this 2023 IRP Annual Update differs from the 2021 Triennial and 2022 IRP Preferred Plans."

Commission's IRP rule. Integrated risk analysis was performed for each of Evergy's utilities individually. This means EMW, Evergy Metro, and Evergy Kansas Central ("EKC") are all modeled at an individual operating company level – the exact opposite of OPC's accusation that Evergy performs combined resource planning. Notably, Ms. Mantle does not provide specific support from the 2023 IRP filing to back up her claim that planning was done on a joint basis. That is because such support does not exist. In the 2023 IRP filing, the only joint plans evaluated were to test the economics of different coal retirement dates given many of Evergy's coal units are jointly owned (e.g., by EMW and Metro or by EMW and EKC). Even these tests, however, were performed again at the individual utility (e.g., EMW) level to ensure results were consistent prior to any retirement changes in the Preferred Plan of any of the individual utilities.

Q: OPC states that "modeling by Evergy in every resource plan filing after the acquisition of Evergy West shows that the resource plan of the 'combined utilities' has the lowest net present value revenue requirement ('NPVRR') of the potential resource plans it analyzed." (Mantle Direct, p. 13 lines 18-21) What is your response to this assertion?

A: It's unclear what this assertion means or what it is referring to in Evergy West's filings. Notably, again, Ms. Mantle does not provide citations to support her assertion. Joint planning has been performed since the Aquila acquisition in order to "provide a platform to determine if joint planning 'serves the public interest' as mandated in 4 CSR 240-22.010"[5]. However, in every year since the acquisition, EMW has filed separate IRPs for EMW and Metro and has selected EMW's Preferred Plan on the basis of analysis of costs

[5] EO-2015-0252 Volume 6 p. 10.

specific to only EMW. If Ms. Mantle is stating that the NPVRR results for the analyzed joint plans are lower cost than the sum of the NPVRR of the EMW and Evergy Metro Preferred Plans, that may be the case, but it does nothing to support her argument that EMW is not planning to meet its customers' needs. If she's using this statement as support that Evergy has used joint planning NPVRR results to select EMW's Preferred Plan, it is simply untrue.

Q: Please explain how OPC calculates its recommended disallowance.

A: OPC asserts that improper resource planning over time has resulted in EMW not having enough generation to cover customer needs. In an attempt to manifest this accused improper resource planning OPC has developed hypothetical calculations to quantify an impact to EMW customers. This spreadsheet exercise has led OPC to requesting the Commission to disallow approximately $86M of FAC costs for the June 1, 2021 through November 30, 2022 period. The foundation of this exercise is premised on OPC's belief that EMW does not have enough resources to meet customer needs while Metro has excess resources. Further, OPC asserts that Evergy has chosen to not merge the two utilities, as if Evergy has the unilateral decision authority to combine utilities. Apparently OPC doesn't realize, or chooses to ignore, the complexity and procedural requirements associated with merging the two utility jurisdictions. With that said, OPC's logic argues that the two utilities *should be* combined from a cost perspective and details the hypothetical customer benefits of this combination for EMW, while conveniently ignoring the impact to Metro customers.

Q: Please explain how OPC's calculations would impact Evergy Metro customers.

A: In most simplistic terms, OPCs logic takes the combined energy costs for EMW and Metro during the FAC prudence review period and reallocates the costs amongst the two. This reallocation is determined using the hypothetical assumption that EMWs generation fleet and costs were set equal to the sum of the two utilities. In essence, EMW gets the net benefit of Metro's portfolio which has higher fixed costs, but lower variable costs (during this FAC review period, at least), relative to EMW's. In reality, in order for this to happen, the value created for EMW customers would need to come from somewhere – that somewhere would be from Metro customers. This hypothetical exercise is a zero-sum game and very clearly explained in OPC schedule LMM-D-5. Looking only at the "variable cost" component for simplicity, the schedule states that EMW's Actual Net Energy Cost ("ANEC") was $510 million, compared to the hypothetical combined and allocated Prudent ANEC of $337 million, a difference of $174 million in lower costs. The schedule also details Metro's ANEC was $421 million, and Metro's hypothetical combined and allocated ANEC would have been $595, a difference of $174 million in higher costs. OPC's schedule clearly shows its disallowance logic benefitting EMW customers by $174 million, while being a detriment to Metro customers by $174 million – the definition of zero-sum game theory.

Q: Does this conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Fifth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Metro, Inc. d/b/a Evergy Missouri Metro	)))))	Case No. EO-2023-0276
In the Matter of the Eleventh Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of Evergy Missouri West, Inc. d/b/a Evergy Missouri West	)))))	Case No. EO-2023-0277

AFFIDAVIT OF KAYLA MESSAMORE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Kayla Messamore, being first duly sworn on his oath, states:

1. My name is Kayla Messamore. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Vice President of Strategy and Long Term Planning.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of fifteen (15) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Kayla Messamore

Subscribed and sworn before me this 14th day of December 2023.

Notary Public

My commission expires: 4/26/2025

ANTHONY R. WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2025
PLATTE COUNTY
COMMISSION #17279952