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Data Center
Missouri Public
Service Commission

Exhibit No. 304

OPC – Exhibit 304
Power Point Presentation
File No. EO-2023-0276

The Missouri Office of the Public Counsel's Opening Statements

Case EO-2023-0277: 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

Understanding the OPC’s Case

The Logic behind what the OPC is saying

The OPC’s Argument

- A prudent electric utility will try to maintain enough generation to regularly meet or exceed the electric load required to serve its customers
- This will mitigate exposure to energy market volatility

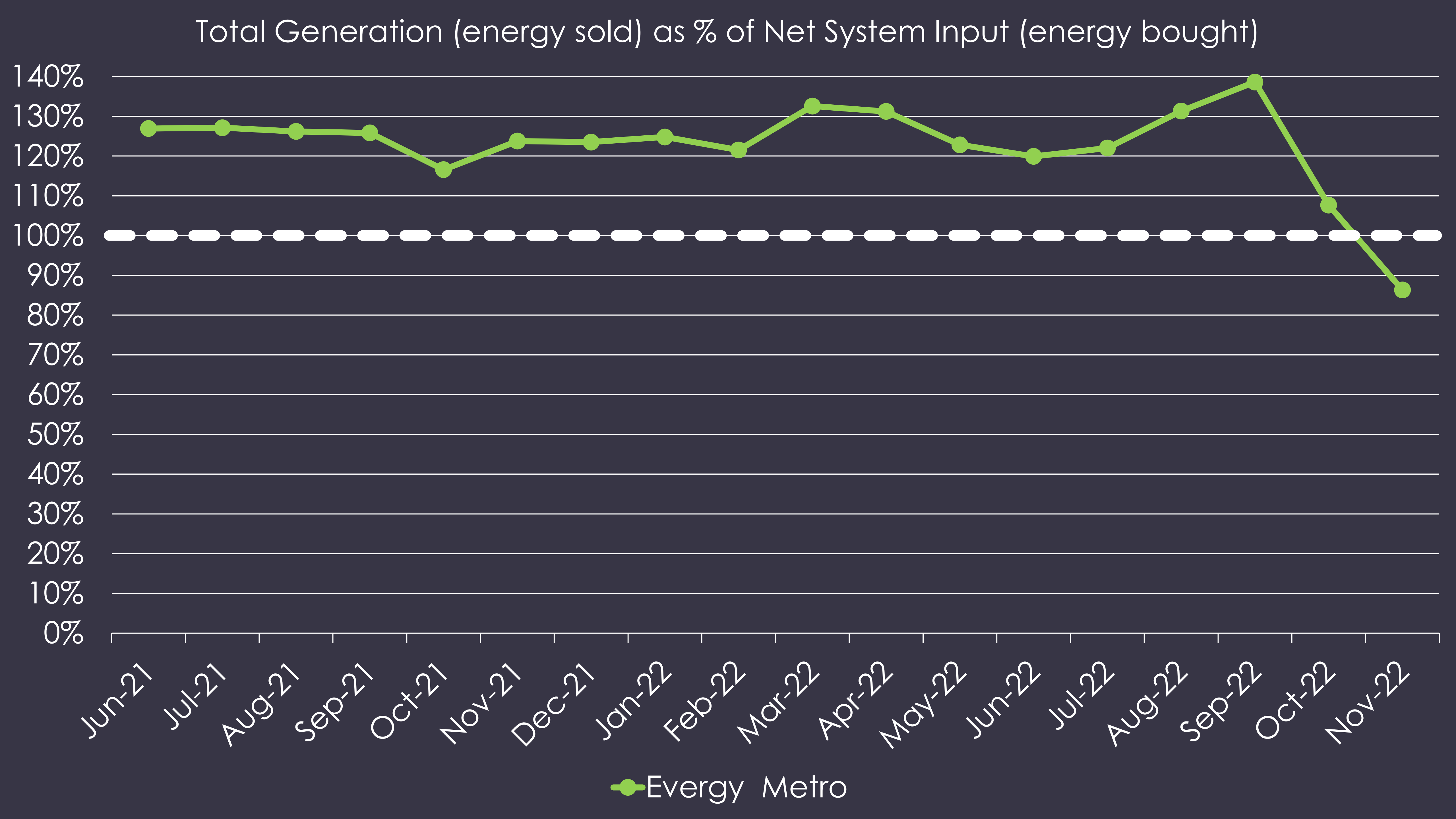
The Effect of Being in an RTO

- An electric utility in an RTO will buy all the energy it requires to serve customers off the RTO energy market

But

- The electric utility can also sell the electricity it generates into the RTO energy market to offset or "cover" the cost of the energy that it bought

A Helpful Analogy: Insurance


Total Generation (energy sold) as % of Net System Input (energy bought)
140%
130%
120%
110%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Jun-21
Jul-21
Aug-21
Sep-21
Oct-21
Nov-21
Dec-21
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Mar-22
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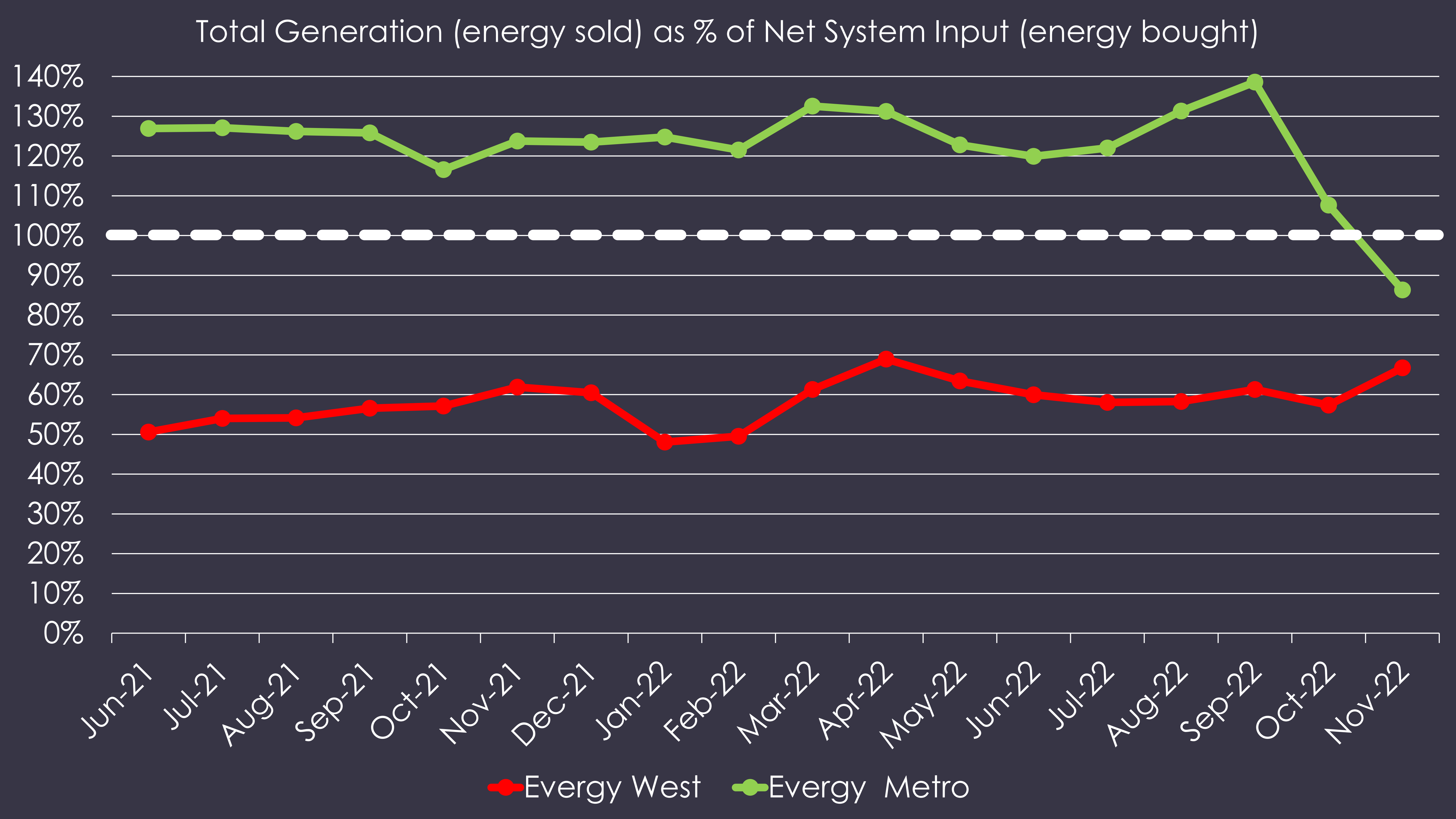
Nov-22
Evergy Metro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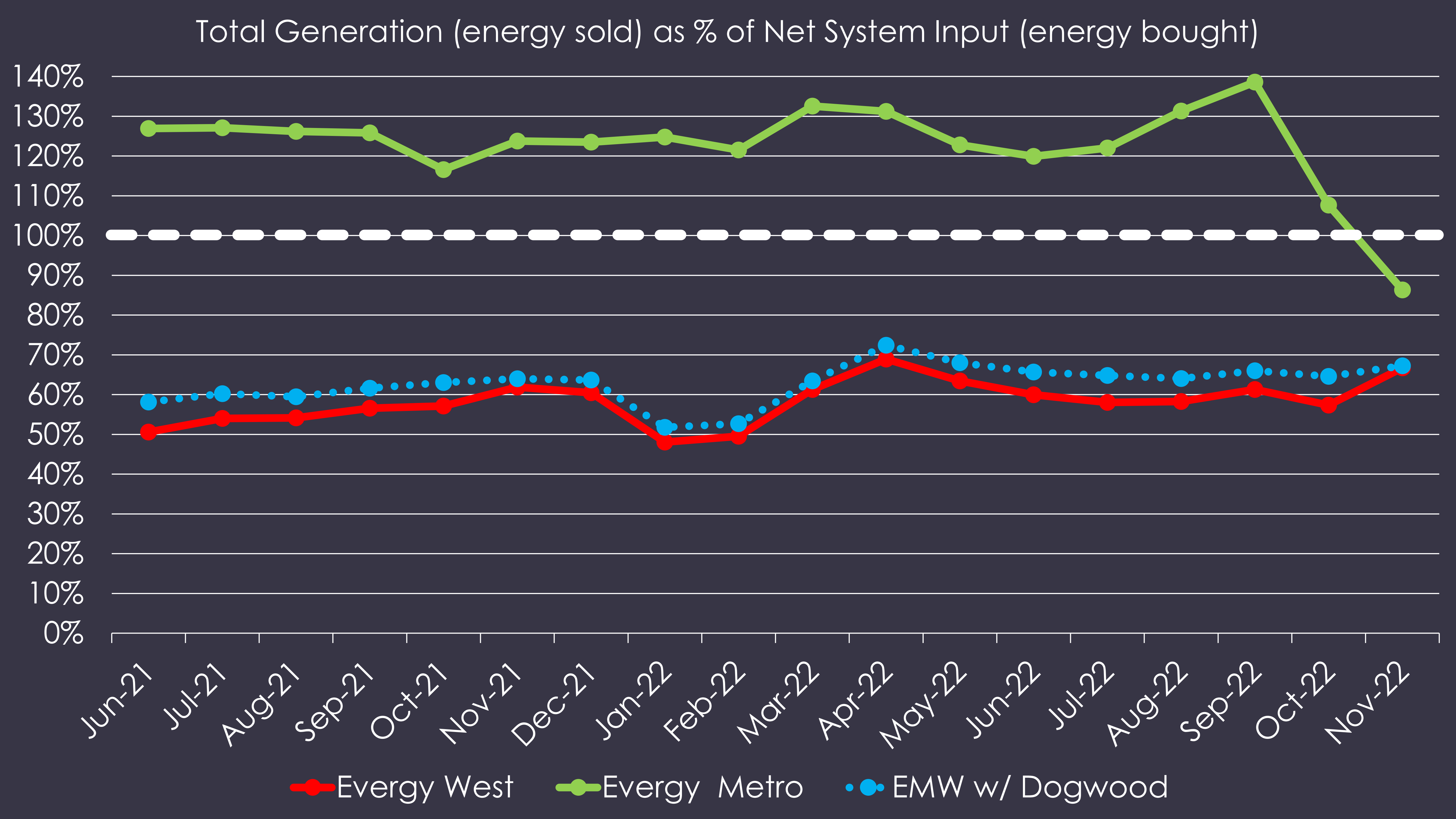
Evergy West
Evergy Metro



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Feb-22
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Apr-22
May-22
Jun-22
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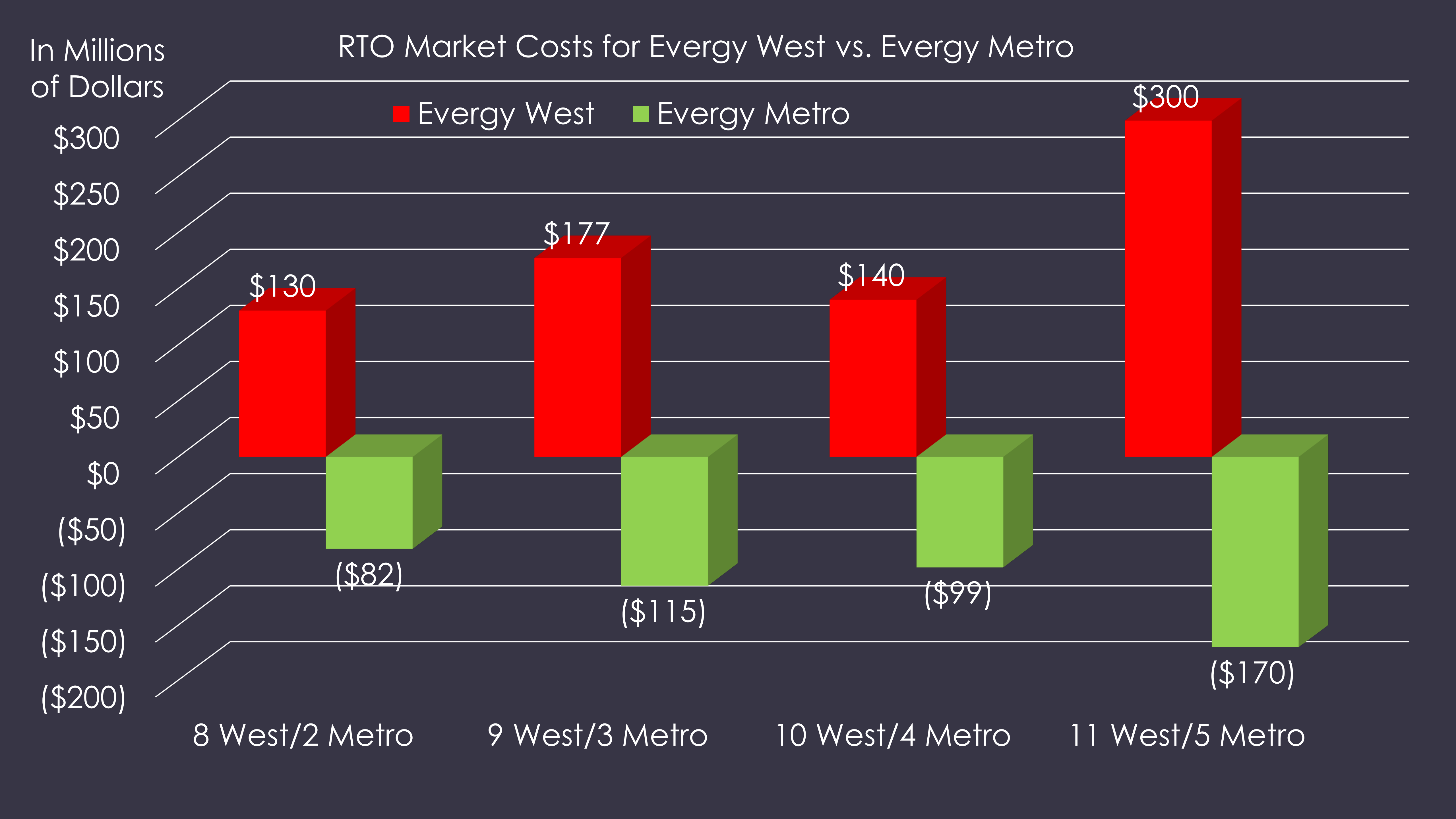
Evergy West
Evergy Metro
EMW w/ Dogwood

This is a Longstanding Problem

- Evergy West has not been able to meet its customer’s load since before 2008
- At that time, Evergy West only had enough generation resources to meet 74% of its customers needs
- Evergy West now estimates it can only generate 62% of what was needed


RTO Market Costs for Evergy West vs. Evergy Metro
In Millions of Dollars
Evergy West
Evergy Metro
$300
$250
$200
$150
$100
$50
$0
($50)
($100)
($150)
($200)
$130
($82)
$177
($115)
$140
($99)
$300
($170)
8 West/2 Metro
9 West/3 Metro
10 West/4 Metro
11 West/5 Metro

Summary

- Evergy West was imprudent because it did not seek to maintain enough generation to regularly meet or exceed the electric load required to serve its customers
- This imprudence has exposed its customers to high market volatility resulting in high energy costs


Evergy West's Witnesses
Support the OPC's Position

What Evergy West's own Witnesses Say:

Energy prices in the wholesale market can be volatile and increase the risk of high costs for power purchases to meet load. For energy, these volatile periods are observed in extreme Winter cold periods and in heat waves in the Summer. **The reduction in reliance on spot market purchases to meet customer needs increases value to customers through mitigating risk of higher costs.**

– John Reed, Chairman and Chief Executive Officer of Concentric Energy Advisors, Inc.

Direct Testimony, EA-2023-0291, pg. 7 lns. 19 – 23

What Evergy West's own Witnesses Say:

[T]he forecasted reserve balance in the 2023 IRP is an indication of a current and ongoing energy need for EMW customers. . . . This need for energy can, and has, been met by the wholesale energy market, but **this dependence on the energy market can create risk if it is covering a large portion of customer needs for the long-term**.

– Kayla Messamore, Evergy Vice President of Strategy and Long-Term Planning

Direct Testimony, EA-2023-0291, pg. 11 ln. 16 – pg. 12 ln. 3

What Evergy West's own Witnesses Say:

Market purchases can play an important role in a prudent resource mix, but **<u>on their own are not a plan but rather are akin to playing Lotto with customers energy supply</u>**.

– Darrin Ives, Evergy Vice President of Regulatory Affairs

Direct Testimony, EO-2023-0277, pg. 14 lns. 14 – 16

There is no Hindsight to this Case

- The OPC is relying only on what Evergy West knew long before the prudence period:
  - That the Company couldn’t cover its load (known since 2008)
  - That RTO energy markets can be volatile (known since markets were created)

Calculating Imprudence

The math behind the OPC's disallowance

The Impact of this Case in Real Dollars

- Net Base Energy Cost (what is included in general rates) = $306,660,121
- Actual Net Energy Costs (what was actually incurred) = $510,291,308
- Difference (what passes through the FAC) = $203,631,187
  - After sharing mechanism and jurisdictional factors = $193,042,150

The Critical Questions

- What would customers have needed to pay if Evergy West had acted differently?

<u>This leads to the second question:</u>

- What should Evergy West have done differently?

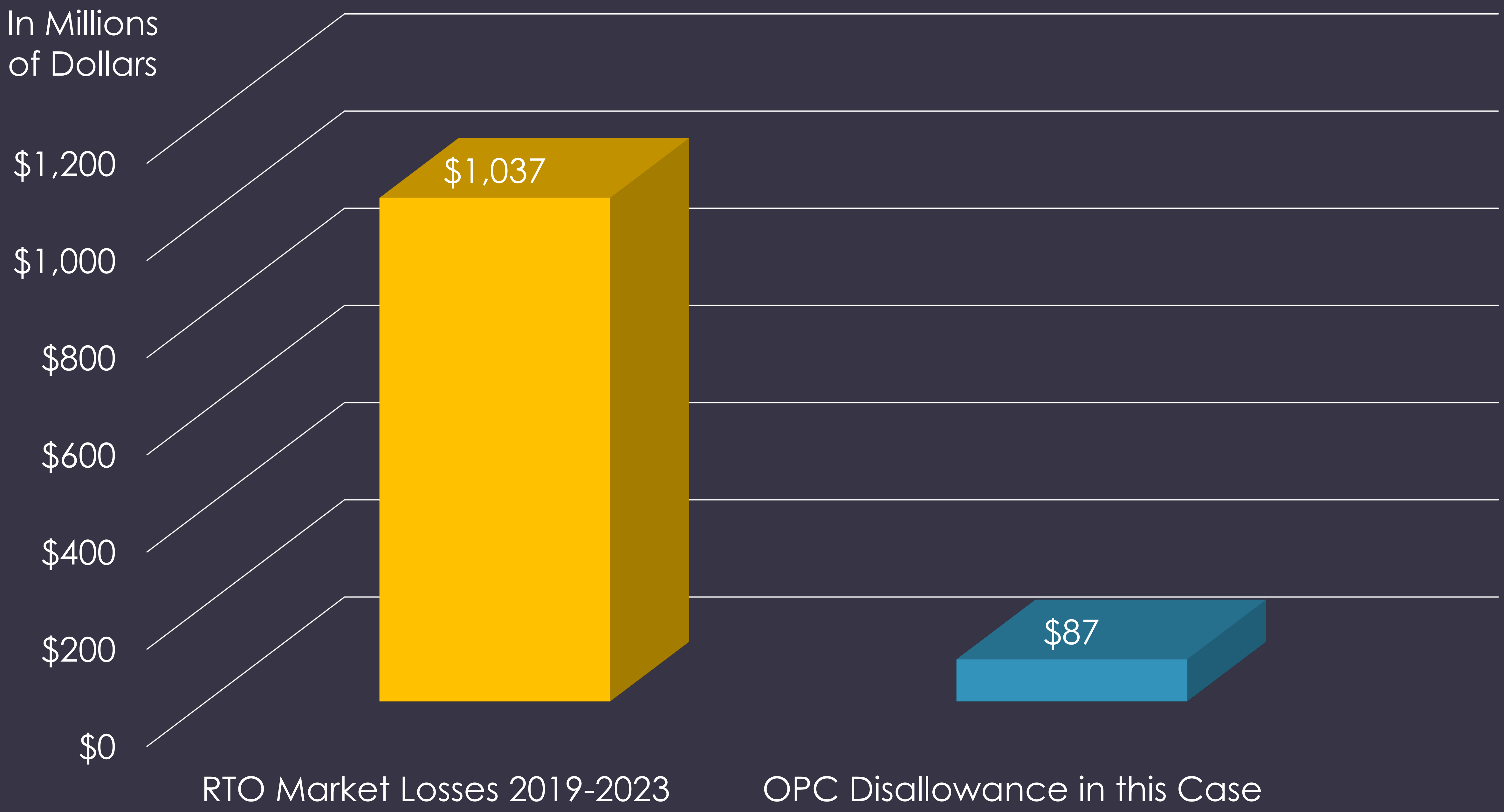
Considering Evergy West's IRP

- Every IRP filed by Evergy West after it was acquired shows the same thing:
  - Operating Evergy West and Evergy Metro as a "combined utility" is the plan with the lowest net present value revenue requirement
- Is this how Evergy West actually operates?
  - No

What the OPC did

- The OPC modeled what Evergy West would have paid if it had been combined with Evergy Metro
  - Evergy West customers would have paid $164 million less in decreased energy costs during the prudence period
  - Evergy West customers would have paid $78 million more in increased capital costs during the prudence period
- The OPC's final recommended disallowance is the difference of these two: $86,376,294

Evergy West RTO Market Losses v. OPC Disallowance



The OPC’s Expert Witnesses

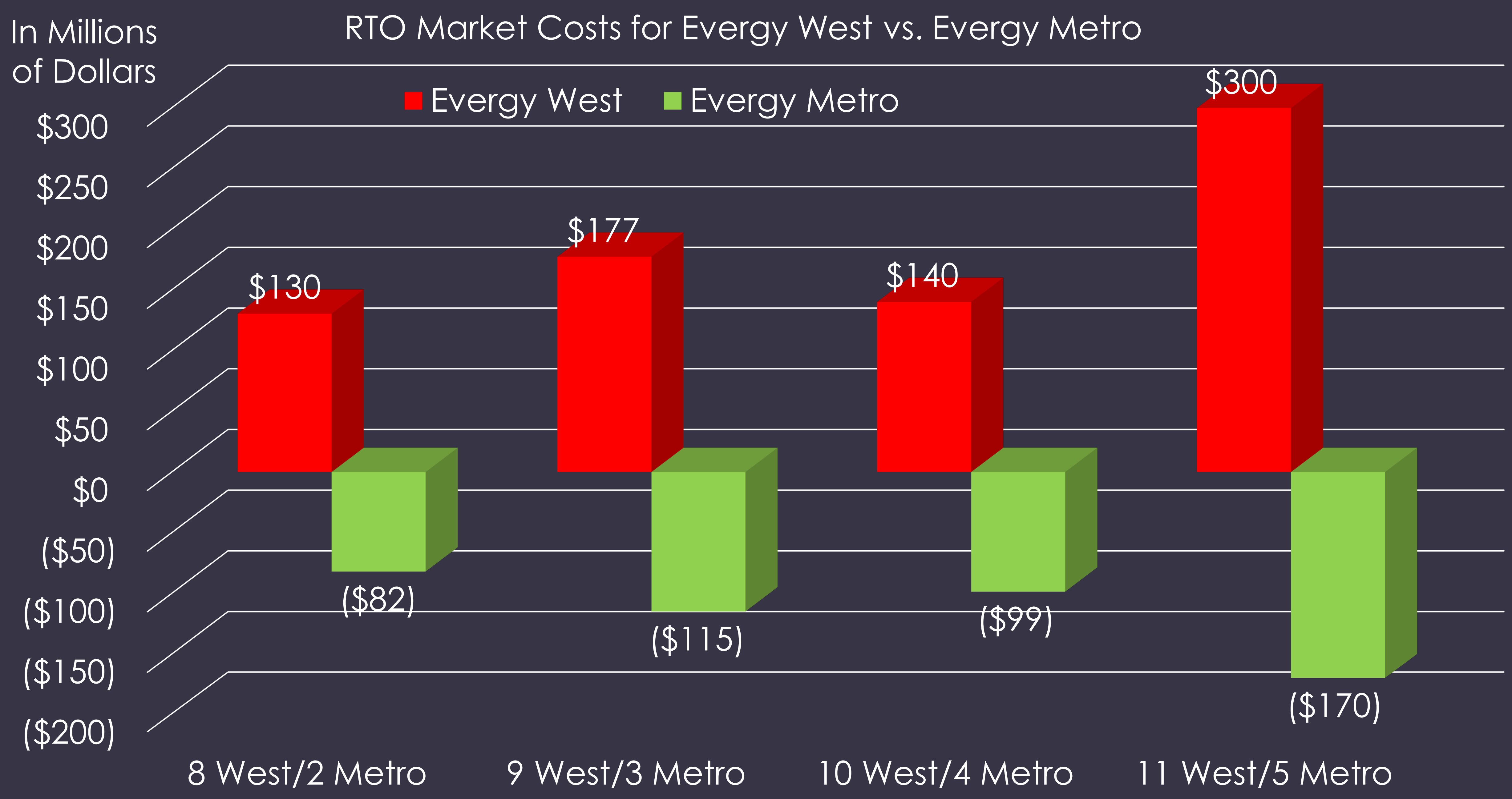
The people you will hear from today

Lena Mantle, PE – Senior Analyst

- Professional Engineer with over 40 years of experience working for both Commission Staff and OPC
- Heavily involved in drafting the Commission's rules regarding Electric Utility Resource Planning and author of a whitepaper on the subject
- Instrumental in the developing the Commission's FAC rules and author of a whitepaper on the subject

Dr. Geoff Marke – Chief Economist

- 15 years experience working in the private sector, the Missouri DOE, the Commission's Staff, and the OPC
- 5-year instructor at Michigan State's Institute of Public Utilities fundamentals course
- Presented professional work and opinions at NARUC, NASUCA, MO Bar, Rocky Mountain Institute, ACEEE, Renewable Energy Wildlife Institute, MO SEMA, US AID, CCIF, FRI, NCAP, and Kansas CEBC



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