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Witness/Type of Exhibit:	Mantle/Surrebuttal
Sponsoring Party:	Public Counsel
Case No.:	ER-2024-0189

SURREBUTTAL TESTIMONY

OF

LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

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

CASE NO. ER-2024-0189

September 10, 2024

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SURREBUTTAL TESTIMONY

OF

LENA M. MANTLE, P.E.

EVERGY MISSOURI WEST, INC.
FILE NO. ER-2024-0189

Q. Please state your name.

A. My name is Lena M. Mantle.

Q. Are you the same Lena M. Mantle that filed direct and rebuttal testimony in this case?

A. Yes, I am.

PURPOSE OF TESTIMONY

Q. What witnesses' testimony are you responding to in this surrebuttal testimony?

A. Regarding the appropriate fuel adjustment clause ("FAC") incentive mechanism, I respond to the rebuttal testimonies of Every Missouri West, Inc.'s ("Evergy West") witnesses Darrin R. Ives and Kevin D. Gunn. I also respond to the rebuttal testimony of Staff witness Brooke Mastrogiannis.

Regarding Evergy West's request to include the costs of transmission for Evergy West's Crossroads Energy Center ("Crossroads") located in Clarksdale, Mississippi for recovery from customers, I respond to the rebuttal testimonies of Evergy West witnesses Linda J. Nunn, Darrin R. Ives, and Cody VanderVelde.

Q. What recommendations to the Commission have you previously made in your direct and rebuttal testimonies in this case regarding Evergy West's FAC?

A. Regarding Evergy West's FAC, I made the following recommendations in my direct and rebuttal testimonies respectively:

1. The Commission should modify the sharing mechanism in Evergy West's FAC from 95% customers/5% Evergy West ("95/5") to 75% customers/25% Evergy West ("75/25");[1] and
2. The Commission approve Evergy West's base factor adjusted for OPC's positions:
   A. No hedging costs/gains, SPP admin costs, or Crossroads transmission costs be included;
   B. The miscellaneous charges and revenues in FERC account 447 as proposed by Staff witness Karen Lyons with Transmission Congestion Rights ("TCR") and Auction Revenue Rights ("ARR") as proposed by OPC witness Angela Schaben in her rebuttal testimony be included instead of the amounts proposed by Evergy West; and
   C. The denominator of the base factor should be the normalized net system input consistent with the billing determinants used to set rates in this case.[2]

Q. Do you make any changes to these recommendations or add any recommendations regarding the sharing mechanism of Evergy West's FAC in this testimony?

A. No. I do not.

[1] Direct testimony, page 1.
[2] Rebuttal testimony, page 2. For the remainder of this testimony, footnotes with page numbers refer to rebuttal testimony unless otherwise noted.

Q. What recommendations to the Commission have you previously made in your direct and rebuttal testimonies in this case regarding Evergy West's request to include the transmission costs of Crossroads for cost recovery from customers?

A. Regarding Evergy West's request to include the transmission costs of Crossroads for cost recovery from customers, I made the following recommendations in my direct and rebuttal testimonies:

1. The Commission should continue the rate base treatment of the Crossroads plant as ordered in case no. ER-2012-0175 and not include in revenue requirement or the FAC any part of the cost of transmitting electricity from Crossroads to Evergy West's customers in Missouri;[3]
2. The Commission remain silent regarding the renewal of Evergy West's contract with Entergy for firm transmission that allows the energy provided by Crossroads to reach the Southwest Power Pool ("SPP"); and
3. The Commission make it clear to Evergy West that it would be imprudent for Evergy West to remove Crossroads from service for Every West's customers and advise future Commissions to not allow the recovery of costs above what Evergy West would have incurred if Crossroads, without the cost of transmission, would have continued to be a generation asset for the rest of the life of the plant.[4]

Q. Do you have any changes to these recommendations in this surrebuttal testimony?

A. No. These recommendations remain the same.

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[3] Direct testimony, page 1.
[4] Rebuttal testimony, page 2.

Q. Do you have any additional recommendations in this testimony?

A. I do not have a new recommendation in this testimony but will elaborate on one point from my prior recommendation. From my review of Evergy West's workpapers[5] for this testimony, Evergy West calculated the Net Present Value Revenue Requirement ("NPVRR") increase from the current treatment of Crossroads and to the cost of new generation as calculated by Evergy West would be $304.7 million. If Evergy West does not renew the Crossroads transmission contract, this should be the floor of the imprudence amount recommended to future Commissions.

75/25 FAC SHARING MECHANISM

Evergy West's Notice of Intent to File for a CCN

Q. Does Evergy West's September 3, 2024, notice regarding its intent to file an application for a certificate of Convenience and Necessity ("CCN")[6] demonstrate Evergy West's is now committed to hedging market costs with reliable power?

A. No. Evergy West's notice that it filed does not demonstrate a commitment to reliable power for its customers. Evergy West provided very little information about what it will be asking for in its CCN case. The only information provided in the filing is that Evergy West is intending to ask for two natural electrical production facilities. Its preferred resource plan has the addition of a half of a combined cycle plant in 2029 and a half of another combined cycle plant in 2030. It could be these two plants, but the filing gives no indication. There is no indication of the capacity of the two plants. The timing of the plant is unknown.

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[5] Direct workpaper "CONF_Crossroads Workpaper_VandeVelde.xls"

[6] EA-2025-0075, *In the Matter of the Application of Evergy Missouri West, Inc. d/b/a Evergy Missouri West for Permission and Approval of a Certificate of Public Convenience and Necessity For Natural Gas Electrical Production Facilities*.

Q. Does this filing change your position regarding Evergy West's reliance on the SPP energy market?

A. No, it does not. Evergy West has shared that there is no capacity available for purchase. This means that this new capacity will have to be built and not available in the near future thus not alleviating Evergy West's reliance on the SPP for electricity to meet its customers' needs.

<u>An Opportunity for Evergy West</u>

Q. Evergy witnesses Ives and Gunn believe a 75/25 sharing mechanism would be punitive.[7] Do you agree with this assessment?

A. No. a 75/25 sharing mechanism would not and should not be viewed as an effort to punish Evergy West. Instead, it should be seen as an opportunity for the company.

Q. How is it an opportunity?

A. Mr. Ives and Mr. Gunn are looking at the glass as half empty. They are assuming that costs will only increase, and a 75/25 mechanism would require Evergy West to pay 25% of that increase while the current 95/5 mechanism would only require it pay 5% of the increased costs.

However, that same glass is also half full. The 75/25 mechanism as proposed would be symmetrical. If Evergy West improved the efficiency and cost effectiveness of its fuel and purchased power procurement activities resulting in lower fuel and purchased power costs, then Evergy West would only be required to return 75% of the savings to customers and would get to retain 25% of the savings. This would result in Evergy West actually recovering more than the cost that it incurred thus giving it the opportunity to increase its earnings.

[7] Ives Rebuttal testimony, pages 4, 19, 21, and 23; Gunn rebuttal testimony, pages 2 and 10. Unless otherwise specified, all page numbers in the footnotes to this testimony refer to the rebuttal testimony of the identified witness.

Q. Would a 75/25 mechanism mean that Evergy West would only get to recover 75% of the net FAC costs it incurred??

A. No. Even if actual costs were 50% higher than what was included in permanent rates, with a 75/25 sharing mechanism, Evergy West would recover over 90% of its costs.

Q. Would you please explain this further?

A. Normalized FAC costs and revenues are included in the revenue requirement used to set base rates for investor-owned electric utilities in Missouri.[8] Customers are billed this normalized FAC amount regardless of the actual amount of FAC costs incurred. The FAC tracks the difference between the FAC costs included in revenue requirement and what is actually incurred. It is this difference that determines the FAC rate charged customers. With the 95/5 sharing mechanism, Evergy Wests bills its customers for 95% of that difference or gives 95% back to customers. Likewise, if the sharing mechanism is changed to 75/25, Evergy West would bill its customers 75% of any costs over what it collects in base rates but would only have to return 75% of any savings. With either of these mechanisms, if the actual FAC cost is below the FAC cost included in base rates, Evergy West would be allowed to keep some of that savings.

The graph below provides a visual representation of the percentage of cost recovery for the 95/5 sharing mechanism and the 75/25 sharing mechanism, given a range of deviations from the base costs included in permanent rates.

[8] 20 CSR 4240-20.090(1)(C) and (D).

Graph 1
Cost Recovery through Symmetrical Sharing Mechanisms

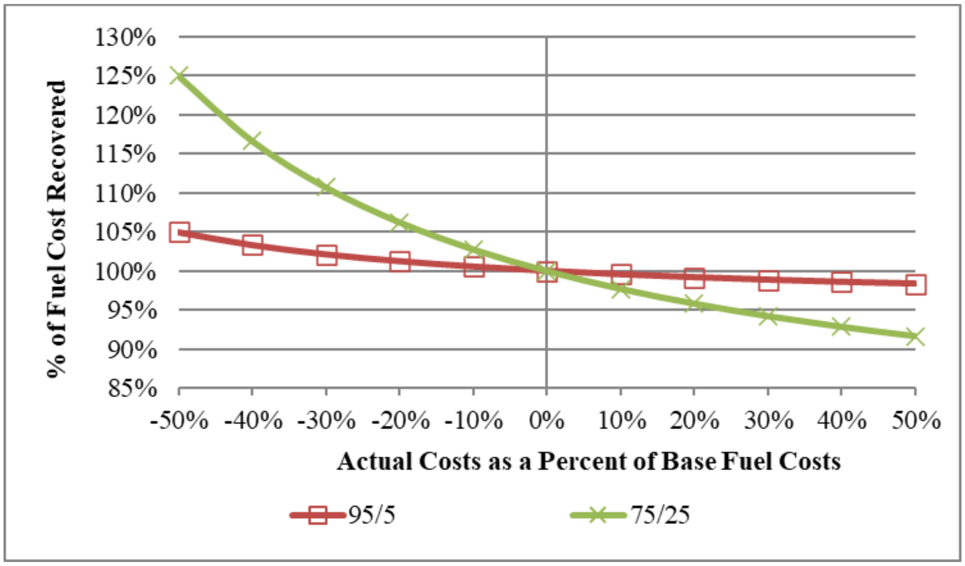

Table 1
Total Cost Recovery

Sharing Mechanism	Change in Fuel and Purchased Power Costs from Base										
	-50%	-40%	-30%	-20%	-10%	0%	10%	20%	30%	40%	50%
95/5	105%	103%	102%	101%	101%	100%	100%	99%	99%	99%	98%
75/25	125%	117%	111%	106%	103%	100%	98%	96%	94%	93%	92%

This graph shows, and the table reports, that if the actual costs were 20% below the costs in permanent rates (shown at -20%), Evergy West would get to recover 106% of the cost that it incurred with the 75/25 sharing mechanism but only 101% with the 95/5 sharing mechanism. The change to the 75/25 sharing mechanism would allow them to keep 5% more than the 95/5 sharing mechanism. If it reduced costs by 50%, then it would get to recover 125% of the cost it incurred with the 75/25 sharing mechanism which is 20% more than the 105% it would get to recover with the 95/5 sharing mechanism.

Q. Mr. Gunn asserts that "[e]xcessive risks can shake investor confidence and deter investment in the utility and its customers."[9] Would a 75/25 sharing mechanism put excessive risk on Evergy West?

A. No. As shown above, when costs increase 20%, Evergy West would still be able to recover 96% of the fuel and purchased power costs it incurred. If the costs increase 50%, with a 75/25 sharing mechanism Evergy West would still recover 92% of the costs. Mr. Ives and Mr. Gunn are focusing on this possibility of not recovering 6% of the costs[10] instead of focusing on the opportunity to recover 20% more than what it incurs if it reduces costs by 50%.[11]

Q. Could an increased opportunity to recover more than fuel and purchased power costs incurred increase investor confidence and investment in Evergy West?

A. It seems to me that it could.

Q. Are fuel and purchased power expenses volatile and beyond the control of the utility as expressed by Mr. Gunn?[12]

A. Not completely. While it is true that the spot market prices of natural gas, oil, uranium, and coal are beyond the control of the utility, utilities can enter into contracts for delivery of some amounts of these fuels at a predetermined price to mitigate the volatility of purchasing these fuels on their respective spot market. In addition, utilities may enter into financial hedges to further mitigate volatility. When done correctly, hedging can provide stability and savings, but if done incorrectly, it can result in unnecessary costs.[13]

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[9] Page 10.
[10] The difference between what Evergy West would recover given a 95/5 sharing mechanism (98%) and what it would recover given a 75/5 sharing mechanism (92%).
[11] The difference between what Evergy West would retain given a 95/5 sharing mechanism (5%) and what it would retain given a 75/5 sharing mechanism (25%).
[12] Page 5.
[13] See the direct and surrebuttal testimonies of OPC witness John S. Riley for OPC's position regarding Evergy West's hedging practices.

However, Evergy West's business is not providing natural gas, oil, uranium, or coal to its customers. Evergy West is in the business of providing electricity to customers. It makes decisions regarding the conversion of these fuels to electricity within the confines of legislative mandates and restrictions. Evergy West decides what type of generation plant to build and when to build it. Evergy West determines what fuel will be used to generate electricity. Evergy West decides whether or not to retire and not to replace. Evergy West decides to rely on electricity purchased on the market without having electricity to sell back into the market to generate revenues to offset these costs. These are long- and short-term decisions that are made by Evergy West that impact the risk of volatile markets. Having an FAC with a 95/5 sharing mechanism moves all but a very small amount of the risks associated with these decisions and the cost of fuel to the customers.[14] A 75/25 sharing mechanism would move a small portion of that risk back to the decision maker – Evergy West.[15]

An analogy can be made to staying warm in the winter. We live where the temperature can be bitter cold in the winter. No one has control over the day-to-day fluctuations in outside temperatures. Yet we do have choices we can make that help us stay warm in the winter. We make long-term decisions about the level of insulation in our homes and how we are going to heat our home. We make shorter term decisions about what coats to buy and clothes to have available. We make even shorter-term decisions about what temperature to set the thermostat in our homes at. We can prepare and, as a result, stay warm even in the bitterest cold despite not having control over the outside temperature.

Evergy West does not have control over fuel prices. However, it does have control over many decisions that it makes, long- and short-term, that effects the volatility and cost to the customer. This is where a sharing mechanism can

[14] See Table 1 above. Costs can increase 50% and Evergy West would still recover 98% of the costs.
[15] Even with a sharing mechanism of 75/25, when costs increase 50% Evergy West would recover 92% of the costs.

influence the cost to the consumer. The less risk regarding cost that is assumed by Evergy West, the greater the potential for a moral hazard. The Rocky Mountain Institute, in its handbook for utility regulators, *Strategies for Encouraging Good Fuel-Cost Management,*[16] states it this way:

> FACs create a situation that economists refer to as "moral hazard," which exists when one party makes the decisions while another bears the risk of those decisions. By insulating the utility from the risks of poor fuel-cost management decisions — and also not rewarding the utility for making good decisions — a FAC gives it little incentive to work hard to reduce fuel costs. By transforming fuel costs from a major business expense to a side consideration, FACs enable poor fuel-cost management decisions that undermine affordability and perpetuate utility reliance on carbon-intensive fuel-based generation resources.

An FAC with a 95/5 sharing mechanism creates a moral hazard potential since the utility will still recover over 98% of its fuel and purchased power costs when they increase as much as 50% above the normalized costs included in the base. A 95/5 sharing mechanism moves FAC costs from a major business expense to a side consideration with very little impact on Evergy West.

A 75/25 sharing mechanism lessens the moral hazard potential while still assuring Evergy West of substantial cost recovery of 92% when costs increase 50% above the base. Changing the sharing mechanism to 75/25 increases both the cost risk to Evergy West but also provides greater reward for good decisions that increase the efficiency and cost-effectiveness of converting the fuel, over which it has no control over the cost, to the commodity its customers rely on it for - electricity.

[16] Attached as Schedule LMM-S-1.

<u>Evergy West is Not a "Normal" Utility</u>

Q. Both Evergy West and the Staff point out that a 75/25 incentive mechanism is not within the industry norms.[17] Is this a reason to not change the incentive mechanism to a 75/25 sharing mechanism?

A. No. Evergy West does not operate within industry norms therefore it is illogical to restrict its FAC to the industry norm. I discussed at great length in my direct and rebuttal testimonies how Evergy West's decisions to rely on the energy market has transferred substantial risk to its customers so I will not expand on that again in this testimony. No witness has provided an example of even one electric utility that exposes its customers as much to the risk of the energy market as Evergy West does. These decisions put Evergy West outside the industry norms for meeting customers' load requirements in states that have vertically integrated electric utilities.

When Evergy West's generation resource choices place it with the other "normal" utilities that do not rely on the market to substantially meet its customers' needs, then it will be more appropriate to compare its FAC to industry norms.

Q. Staff's witness Mastrogiannis provided testimony that showed the Empire District Electric Company d/b/a Liberty Utilities ("Liberty") had a prudence period where its short-term energy costs were greater than its off-system sales revenue.[18] Does this signify that Liberty is also outside the industry norm?

A. No.

Q. Would you explain why?

A. First, the data that Ms. Mastrogiannis provided is not comparable to the data that I provided in my direct testimony for Evergy West. The non-firm short term energy

[17] Staff witness Mastrogiannis rebuttal, page 12; Evergy West witness Gunn, page 2 – 3; Evergy West witness Ives, pages 20 – 21.
[18] Page 8.

costs and off-system sales revenues provided in Ms. Mastrogiannis' table for prudence case no. EO-2021-0281 contains the costs for Strom Uri that were determined to be extraordinary.[19] I have duplicated the table from page 8 of Ms. Mastrogiannis' rebuttal testimony below with a column that shows the amounts for this prudence period with the extraordinary costs removed.

Table 2
Liberty's Energy Market Margin

FAC Prudence Case No.	Actual Margin	Margin w/o Storm Uri
EO-2018-0244	$14,781,374	$14,781,374
EO-2020-0059	$13,351,380	$13,351,380
EO-2021-0281	($66,978,252)	($9,306,791)
EO-2023-0087	$20,424,065	$20,424,065
Total	($18,421,433)	$39,250,029

A comparison of these margins to the margins of the last four prudence reviews of Liberty, Evergy West, Evergy Metro and Ameren Missouri reveals the differences between the margins of the four utilities.

[19] The prudence time period for case no. EO-2021-0281 was September 1, 2019 through February 28, 2021.

Table 3
Market Margins of Missouri Investor-Owned Utilities

Prudence Period[20]	Liberty	Evergy West	Evergy Metro	Ameren Missouri
1	$14,781,374	($130,412,043)	$81,993,279	$67,610,336
2	13,351,380	(177,300,895)	114,862,977	47,426,181
3	(9,306,791)	(140,111,690)	98,534,153	172,182,584
4	20,424,065	(299,775,720)	169,852,295	236,488,572
Total	$39,250,029	($747,600,348)	$465,242,704	$523,707,673

As shown in this table, Liberty's margin for one prudence period was negative. Evergy West's margin was negative all four prudence periods. In addition, the magnitude of the negative margin is vastly different. Looking over these last four prudence periods, Liberty is not similar to Evergy West over the last four prudence periods other than in the extreme of Storm Uri, they both incurred extraordinary costs.

Q. Why did you include margins for Evergy Metro and Ameren Missouri[21] in this table?

A. To give a complete picture of the market margin for all of Missouri investor-owned electric utilities. It is easy to see from this table how outside the "norm" Evergy West is from the other utilities. Evergy Metro and Ameren Missouri supply more energy into the market than they purchase. Liberty does not rely on the market for energy but takes advantage of the market when it is needed. In total, over its last

[20] Prudence period cases:

	Liberty	Evergy West	Evergy Metro	Ameren Missouri
1	EO-2018-0244	EO-2019-0067	EO-2019-0068	EO-2019-0257
2	EO-2020-0059	EO-2020-0262	EO-2020-0263	EO-2021-0060
3	EO-2021-0281	EO-2022-0065	EO-2022-0064	EO-2022-0236
4	EO-2023-0087	EO-2023-0277	EO-2023-0276	EO-2024-0053

[21] Not normalized for Storm Uri impacts. Every Metro and Ameren Missouri provided more energy into the markets than they used during Storm Uri.

four prudence periods, Liberty has generated more revenues from the market than costs.

Evergy West's customers are exposed to a greater level of energy market risk than other investor-owned electric utility in the State of Missouri. The 95/5 sharing mechanism in the FACs of Evergy Metro, Liberty, and Ameren Missouri does not expose their customers to as much risk as a 95/5 sharing mechanism does for Evergy West because they have chosen to hedge that risk with cost-effective generation. A 75/25 sharing mechanism would move some of the risk from customers that have no control over the fuel and purchased power costs and provide an opportunity for Evergy West to increase its earnings.

<u>Sharing Mechanism Is A Tool Not A Weapon</u>

Q. What is your response to Mr. Gunn's characterization of your recommendation for a change from the 95/5 sharing mechanism as weaponizing the FAC?[22]

A. The Missouri General Assembly included in Section 386.266.1 RSMo. a provision that allows the Commission to include an incentive mechanism in Evergy West's FAC that is designed "to improve the efficiency and cost-effectiveness of [Evergy West's] fuel and purchased-power procurement activities." It does not prescribe what the incentive mechanism should be nor does it say that, once established, the sharing mechanism can never be changed.

I would characterize the sharing mechanism, not as a weapon, but as a tool. The 95/5 sharing mechanism for Evergy West is akin to using a screwdriver made for eyeglasses to tighten the screw in a gate hinge. It is simply too small to have an effect. A larger screwdriver may look like a weapon, but it is really just the right tool for the job.

[22] Page 11.

If the sharing mechanism is changed to 75/25 and Evergy West finds ways to improve the efficiency and cost-effectiveness of its fuel and purchased power procurement activities, then this mechanism will provide Evergy West with a higher return. If the SPP energy market prices jump, then this sharing mechanism would reduce Evergy West's return giving it an incentive to hedge this market.

Likewise, approving the sharing mechanism would give Evergy West the opportunity to earn not just a sufficient return, but a higher return thus incentivizing it to become more efficient and cost-effective in its fuel and purchased power activities.

Q. Would this change shake investors' confidence and deter investment in Evergy West as opined by Mr. Gunn?[23]

A. What shakes investors' confidence and deter investment in Evergy West is subjective. The Commission has never changed the sharing mechanism before so the impact is unknown. Investment decisions are complex and have many interacting, interdependent aspects.

However, the Commission should not obfuscate to financial rating agencies its responsibilities of assuring safe and adequate service at just and reasonable rates for Missouri citizens. The reason investors invest is to make the most money with the smallest risk not to provide safe and adequate electricity service at just and reasonable rates, yet it is only the latter that the Commission is legally obligated to ensure.

[23] Page 10.

<u>History of Requests to Change the FAC Sharing Mechanism</u>

Q. Mr. Gunn states that your requests for changing the 95/5 sharing mechanism have been dismissed by the Commission in Evergy's recent rate cases.[24] Is he correct?

A. No. The last Evergy West case that the Commission issued a decision in regarding a change in Evergy West's FAC sharing mechanism was four rate cases ago in case no. ER-2012-0175. The order was effective over a decade ago on January 9, 2013. Since this order was issued, Evergy West's dependence on others for energy for its customers has increased from 22%[25] in 2013 to 56% in Evergy West's last resource plan.[26] The big change that enabled Evergy West to rely on electricity that others generate was the SPP integrated hourly energy market that began on March 1, 2014, fourteen months <u>after</u> that Commission decision.

In addition, since that Commission decision in case no. ER-2012-0175, Evergy West has been found imprudent once by this Commission in FAC prudency audit cases and has entered into settlements in two other Staff prudent audit cases returning money to its customers[27] as Staff witness Mastrogiannis describes in her rebuttal testimony.[28]

Q. Are the Ameren Missouri rate cases, ER-2011-0028, ER-2012-0166, and ER-2014-0258, Mr. Gunn referenced in his testimony relevant to this case?

A. No for several reasons.

First and foremost, these were Ameren Missouri cases, not Evergy West or its predecessor rate cases. Ameren Missouri is a different utility than Evergy West.

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[24] Page 9.
[25] Case no. EO-2013-0538, *In the Matter of the 2013 KCP&L Greater Missouri Operations Company Annual IRP Update Report,* 2013 Annual Update, Tables 1 and 2.
[26] EO-2024-0154*, In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's 2024 Triennial Compliance Filing Pursuant to 20 CSR 4240-22*, Volume 1 - Evergy Missouri West Executive Summary, Tables 1 and 2.
[27] There was no admission of imprudence with these settlements.
[28] Page 7.

Ameren Missouri operates differently from Evergy West. Ameren Missouri has historically been able to hedge against energy market costs by being long on capacity and energy, unlike Evergy West.

Mr. Gunn's testimony regarding OPC's position in these cases is also incorrect. In case no. ER-2012-0166, OPC did not take a position regarding the sharing mechanism of Ameren Missouri's FAC. In the third of these cases, ER-2014-0258, Mr. Gunn failed to point out that, while the OPC did file to change the sharing mechanism to 90/10 sharing, OPC and Ameren Missouri entered into a Stipulation and Agreement that the sharing mechanism remain 95/5.[29] It was Staff that took this issue to the Commission for its decision. The *Report and Order* in that case became effective on May 12, 2015, nearly a decade ago.

Over that decade Evergy West has not added reliable energy resources to its portfolio. Instead, it has become more reliant on intermittent wind resources and retired plants without comparable replacements. Ameren Missouri will soon retire one of its coal energy centers. However, it is not relying on the energy market for long to replace that energy resource. Ameren Missouri currently has a CCN case before the Commission[30] requesting it authorize the addition of an 800 MW multi-unit simple cycle natural gas electric generation facility. Unlike Evergy West that waited six years after the retirement of its Sibley plant, Ameren Missouri filed for this CCN before its coal plant had retired. This demonstrates Ameren Missouri's commitment to hedging the energy market with reliable generation even though it has an FAC in which energy market purchase power costs are flowed through to customers.

[29] ER-2014-0258, *Report and Order*, page 108.
[30] EA-2024-0237, *In the Matter of the Application of Union Electric Company d/b/a Ameren Missouri for Permission and Approval and Certificates of Public Convenience and Necessity Authorizing it to Construct a Simple Cycle Natural Gas Generation Facility.*

Q. Staff witness Mastrogiannis mentions that the Commission had not issued an order in Evergy West's prudence review case EO-2023-0277 at the time she wrote her rebuttal testimony.[31] Has the Commission issued an order in that case since rebuttal testimony was filed in this case?

A. Yes, the Commission issued its order in case no. EO-2023-0277 on August 7, 2024, the day after rebuttal testimony was filed in this case. In its order, the Commission found that Evergy West's FAC costs for the period of June 1, 2021 through November 30, 2022 were prudent.

Q. Then why should the Commission change the sharing mechanism in this case?

A. Section 386.266.1 RSMo. does not require a finding of imprudence to determine a sharing mechanism is needed or should be changed. Prudent does not necessarily mean cost-effective or efficient. There is a range of prudent decisions with some being more prudent and cost-effective than others. The Commission recognized this in its *Report and Order* in case no. EO-2023-0277 when it encouraged Evergy West and Evergy Metro to consider merging saying that "[t]his would give [Evergy West] customers greater access to [Evergy Metro's] generation capacity, and should thereby reduce FAC costs for [Evergy West] customers."[32] The Commission should further recognize in this case that efficiencies can be gained with the incentives offered with a 75/25 sharing mechanism in Evergy West's FAC.

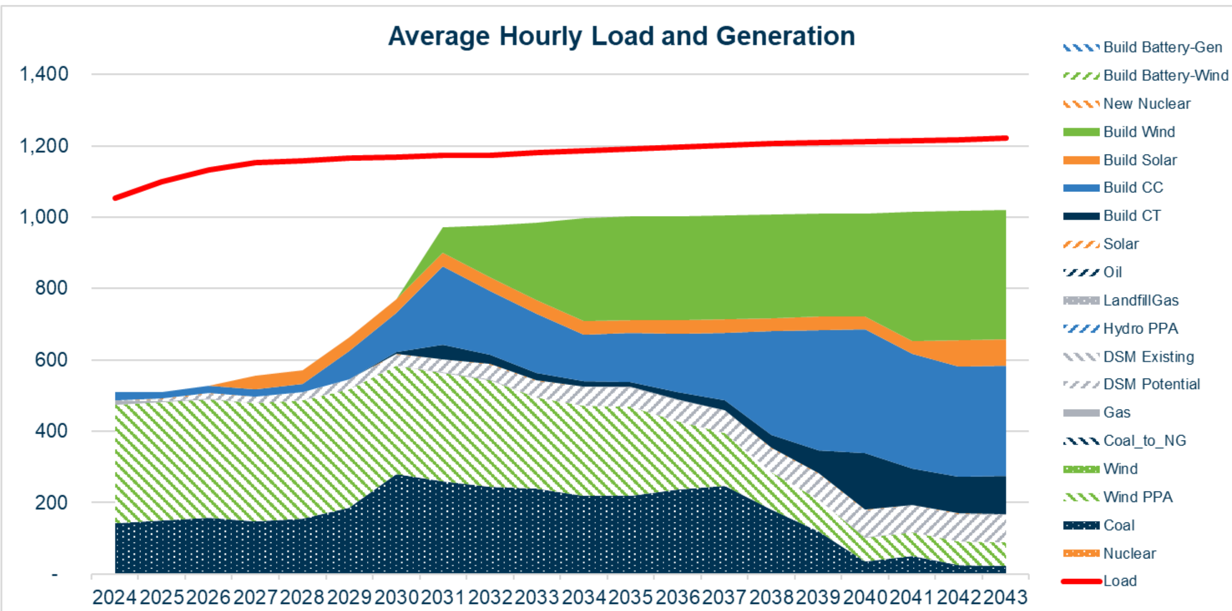
Q. What are other steps that Evergy West can take to be more cost-effective in its fuel cost and purchased power procurement?

A. There are many day-to-day steps Evergy West can take. However, perhaps the most long-lasting step it can take is to acquire more cost-effective, dispatchable generation resources that provide low-cost electricity to sell into the market. Graph

[31] Page 7.
[32] Page 14.

2 below shows the average hourly load[33] and generation[34] for each year of Evergy West's preferred plan as filed in case no. EO-2024-0154.[35]

Graph 2
Evergy West



What this graph shows is that even with the addition of a portion of the Dogwood combined cycle plant,[36] Evergy West does not plan to have enough generation to meet its customers' energy load in any year throughout the 20-year planning horizon. The difference between the line on the top (average hourly load) and average hourly generation shaded areas below is the amount of energy that Evergy West will not be able to provide with its own resources. This is perhaps the biggest risk in Evergy West's preferred plan. Not only is there a risk in the price but there is also a risk in whether or not other SPP members will have generation to sell into the market for Evergy West to purchase.

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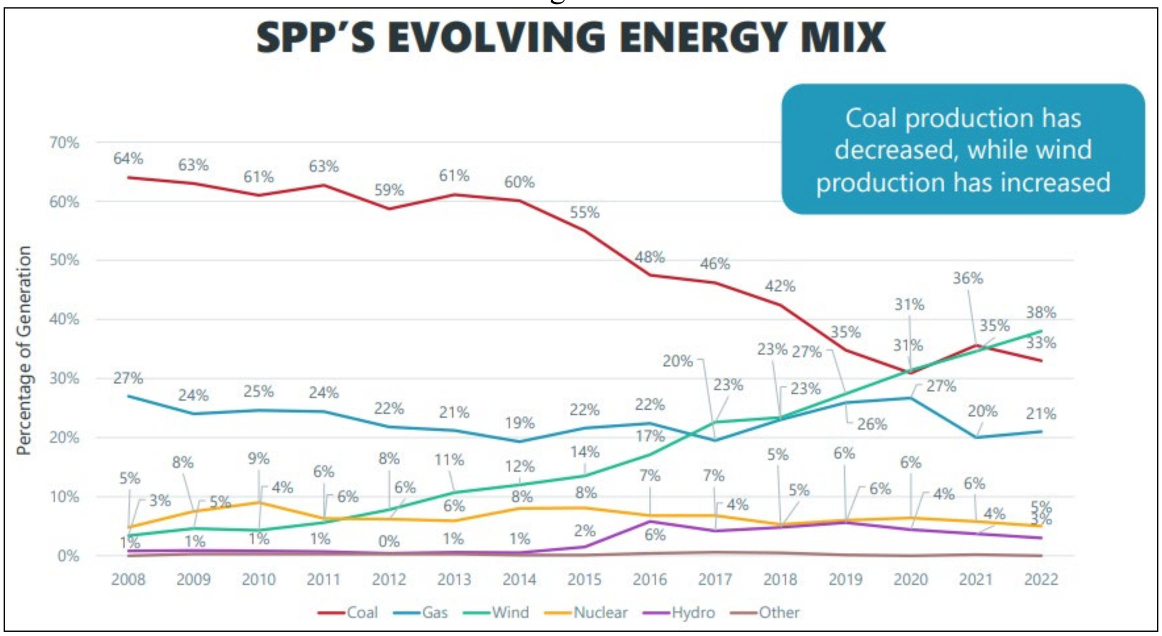
[33] Sum of the hourly loads divided by the number of hours in the year (MWh/hr).
[34] Sum of the hourly generation divided by the number of hours in the year (MWh/hr).
[35] From Evergy West workpaper "MET CAAB Plan."
[36] The energy provided by Dogwood is shown as "Build CC" in this graph.

Q. Why do you believe that there may not be electricity for Evergy West to purchase in the future?

A. The following three figures were included in the SPP's presentation[37] at the Commission's recent Power MO Resource Adequacy Summit.

Figure 1



[37] https://psc.mo.gov/CMSInternetData/ConsumerInformation/SPP.pdf, slides 8, 12, and 13.

Figure 2

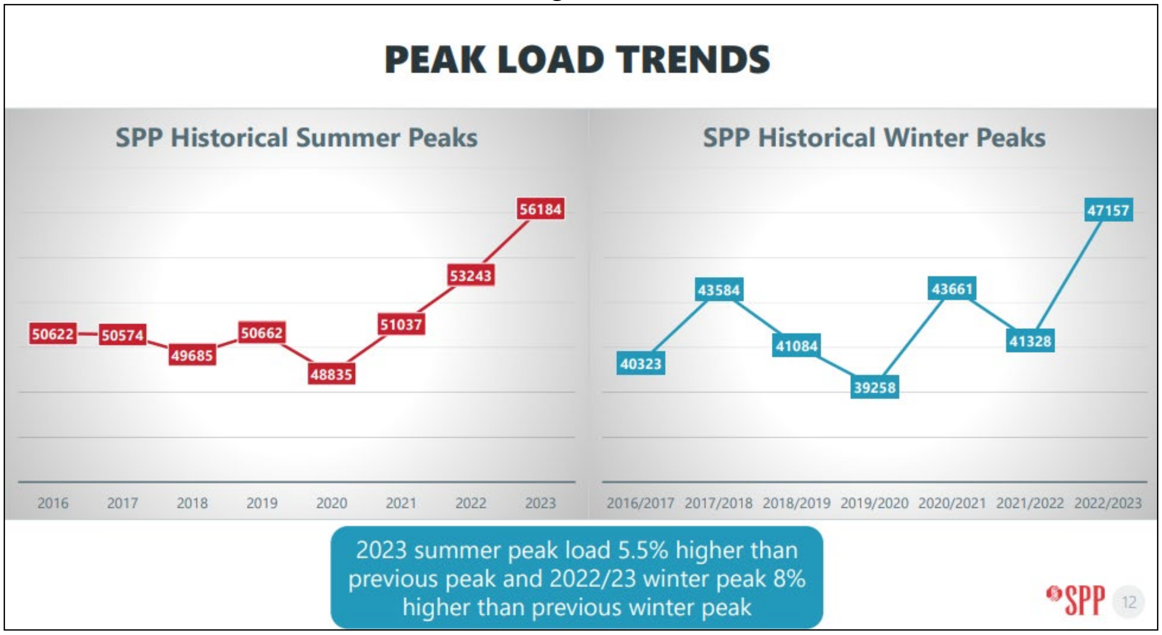
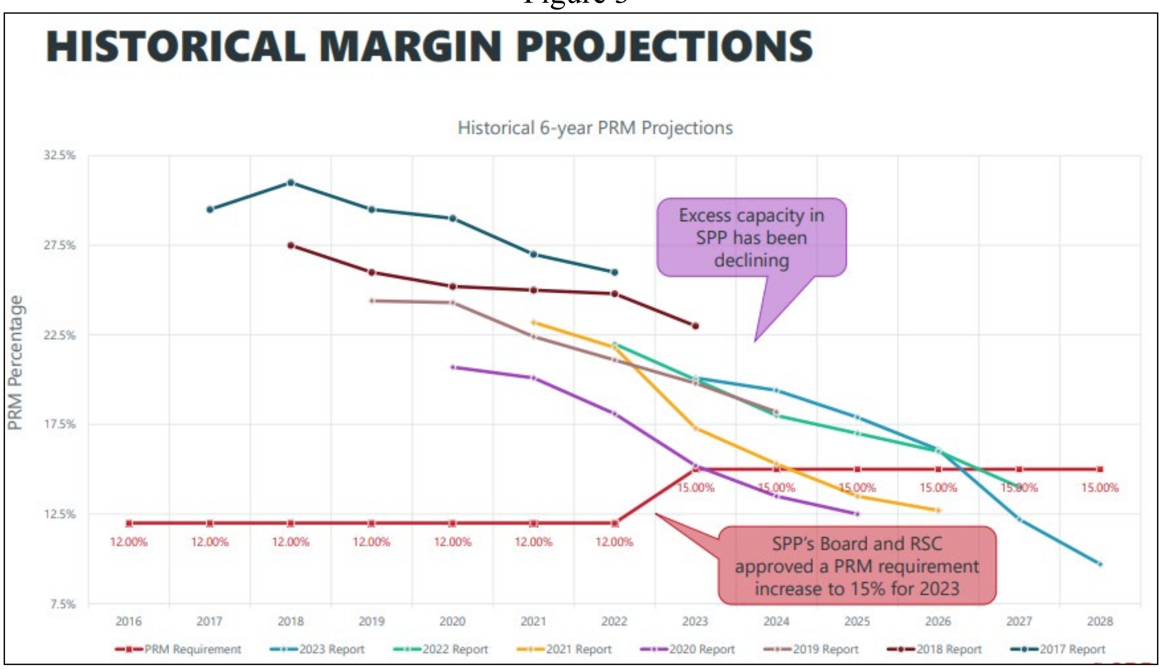


Figure 3

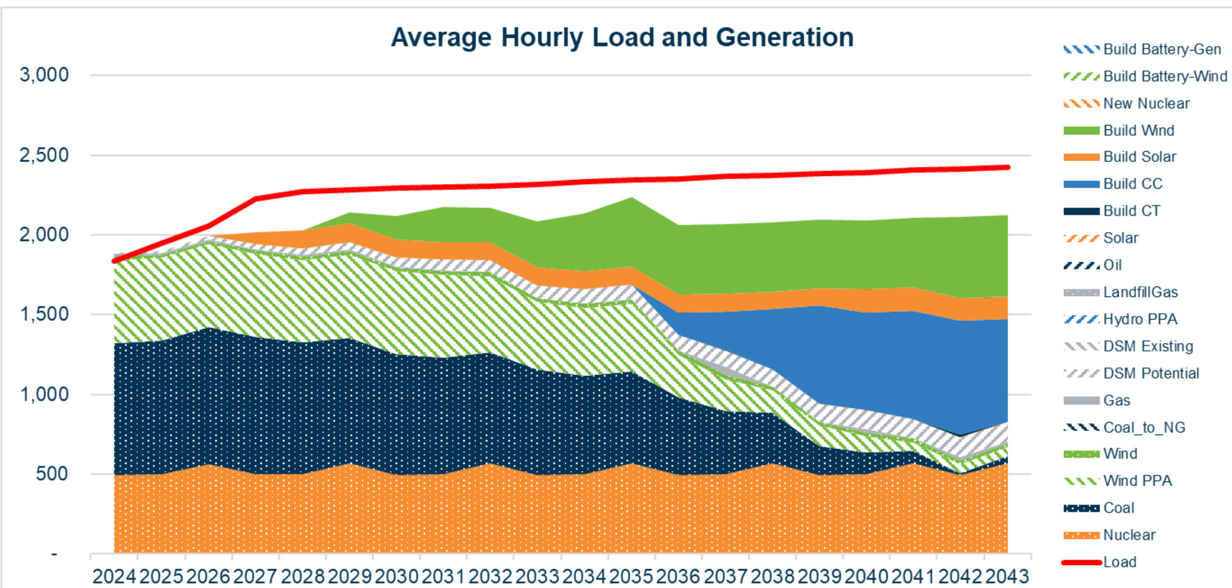


These slides show a rapidly decreasing amount of dispatchable generation with an increasing amount of intermittent generation, an increase in both summer and winter peaks which all contribute to the decrease in planning reserve margins for the SPP. A decrease in planning margin equates to less available generation.

Q. Would the combined utilities of Evergy West and Evergy Metro be able to meet the energy needs of their combined customers?

A. No, they would not. According to the preferred plan of Evergy Metro detailed in its triennial resource plan filing, case no. EO-2024-0153, Evergy Metro will not have the energy it needs to meet its customers' needs as soon as 2025. This is shown in Graph 3 below.[38]

Graph 3
Evergy Metro



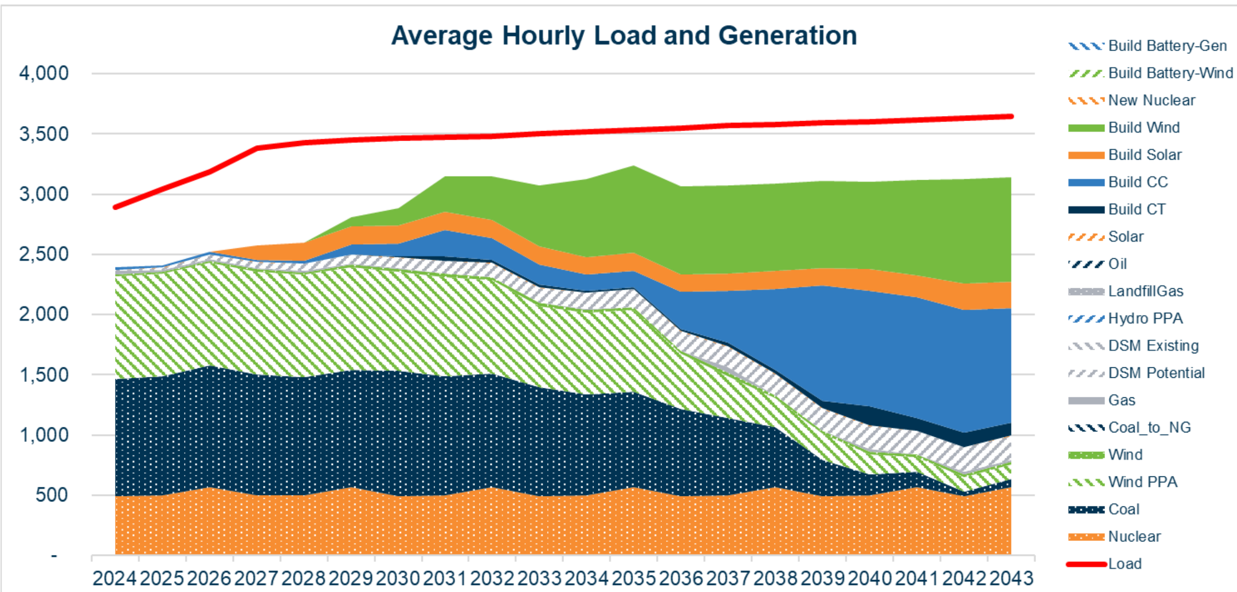
What this graph shows is that Evergy Metro projects it too will no longer be able to generate more energy than its customers need beginning in 2025 and that it plans

[38] Evergy Metro workpaper "MET CAAB Plan." Average load is the sum of the hourly loads divided by the number of hours in the year (MWh/hr). Average generation is the sum of the hourly generation divided by the number of hours in the year (MWh/hr).

on relying on the energy market to meet a portion of its customers' energy needs through the rest of the 20-year planning horizon.

Graph 4 below is the combined average load and generation of the two utilities preferred resource plans.

Graph 4
Evergy West and Evergy Metro



These two utilities combined will be relying on purchasing almost 10% to 24% of their customers' energy needs annually over the next 20 years.

Q. If combining the utilities will not enable Evergy West to meet its needs, then what actions can Evergy West take to meet its customers' needs?

A. The way to reduce this risk is to build or acquire generation. The problem is that there is little out there to acquire and it takes time to build.

Q. Since it takes time to build generation resources and there is nothing to acquire, would the 75/25 sharing mechanism be a penalty until more generation can be built?

A. No. Energy market prices could go down as they have since 2022.[39] If that does occur, then Evergy West would, in recognition of it being allocated more of the risk of the market, get to keep 25% of the savings from lower market prices. Evergy West's decisions to rely on market power have increased the risk of volatile prices. Customers have no say in the amount of market risk Evergy West is asking the Commission to put on its customers. Evergy West should assume more of that risk.

Because Evergy West will be assuming more of the risk of market procurement of energy, it will also receive a greater reward for any efficiencies it can achieve. The increased risk being placed on Evergy West will be relieved as it adds cost-effective generation. As Evergy West is able to receive payments from the SPP for this generation, then Evergy West's risk and the risks to the customers of market volatility will be reduced.

Q. What is your response to Mr. Ives' assertion that OPC's relentless repetition regarding Evergy West's lack of generation is distracting and inefficient?[40]

A. Given the Commission's recent Power Mo Resource Adequacy Summit, OPC's call for Evergy West to reduce its reliance on the SPP energy market is right on target. Given SPP's 2024 Resource Adequacy Report that there will be no excess capacity in 2027,[41] it seems that any party that is claiming more generation is not needed is attempting to distract the Commission's attention from its lack of resources. No excess capacity and higher demand means higher energy prices. NERC's long-term reliability risk assessment of the SPP's reliability as "elevated"

[39] See rebuttal testimony of Evergy witness Foo, page 4.
[40] Page 20.
[41] https://www.spp.org/documents/71804/2024%20spp%20june%20resource%20adequacy%20report.pdf, page 2.

supports OPC's position.[42] Staff too is concerned with the risk to customers given Evergy West's resource decisions shifting away from dispatchable thermal resources to renewable, non-dispatchable generation.[43]

What Mr. Ives characterized as being distracting and inefficient, the Commission has expressed appreciation for. In its on July 18, 2024, Agenda discussion of case no. EO-2023-0277,[44] all the Commissioners expressed concern with Evergy West's lack of resources to meet its customers' needs. Commissioner Holsman ended his comments with the statement:

> To OPC's credit, I thought in the hearing, you know, the suggestion that there could be harm is real. The disallowance in my mind doesn't reflect that there was harm, um, from a cost perspective, but I think that OPC bringing this, you know, to the forefront and requiring this conversation will hopefully then drive the resource adequacy Summit, summit to get us a little further down a path that we won't be here in the future because something has changed. And I think that is what OPC is saying, is that we have been going along this route and nothing has changed and we have been kind of, you know, gambling a little bit that we are not going to get caught up in a, you know, price issue. And so we should take this opportunity to get on a path where we don't have this risk in the future.

To which Chair Hahn replied, "Absolutely."

Chair Hahn also commented at the Commission's Agenda meeting that she was appreciative of OPC for bringing the issue of Evergy West's resource adequacy to the Commission.[45]

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[42] https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC_LTRA_2023.pdf, page 6.
[43] Case no. EO-2024-0154, *In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's 2024 Triennial Compliance Filing Pursuant to 20 CSR 4240-22*, Staff Report, pages 16 - 17.
[44] https://psc.mo.gov/VideoDetail.aspx?Id=6743, beginning at minute 41.
[45] https://psc.mo.gov/VideoDetail.aspx?Id=6758, minute 32

Q. Are you aware of any issue the Commission has ruled on that Evergy West has relentlessly requested a reversal of after a Commission order?

A. There are many such issues. The most obvious in this case is Evergy West's request for Crossroads transmission costs to be included in its revenue requirement. The Commission has issued not one, but two orders[46] that it was imprudent to build a plant so far away and disallowed the inclusion of this cost in Evergy West's revenue requirement. Yet Evergy West in the next two general rate cases, nos. ER-2016-0156 and ER-2018-0146, asked for Crossroads transmission costs to be included in its revenue requirement and Evergy West's FAC so that customers would not only pay for transmission costs but also 95% of any increases. Case no. ER-2022-0130 is the only general rate increase case filed by Evergy West since the Commission ordered no cost recovery of Crossroads transmission costs that Evergy West has not asked for the costs to be included.

In the current case, Evergy West has taken its request for Crossroads transmission requests to be included in its revenue requirement to a new level by threatening the Commission that if Crossroads transmission costs are not included in revenue requirement, it will take actions that will increase customers' bills even more.[47]

Evergy West has been persistent too in requesting SPP administrative costs be included in its FAC despite the Commission's order in case no. ER-2014-0370 that these fees are not directly linked to fuel and purchased power costs.[48] It has also been persistent in asking for cost trackers too. These are just the few issues that I am aware of that Evergy West has been persistent in requesting.

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[46] Case nos. ER-2010-0356 and ER-2012-0175.
[47] My response to Evergy West's rebuttal testimony regarding its request for Crossroads is provided later in this testimony.
[48] See surrebuttal testimony of OPC witness Angela Schaben.

<u>Other Jurisdictions</u>

Q. Staff witness Mastrogiannis asserts in response to your direct testimony that data from other jurisdictions provide information on the effectiveness of the 95/5 sharing mechanism for Evergy West.[49] Do you agree with Ms. Mastrogiannis that incentive mechanisms of other jurisdictions provide the Commission information on the appropriate sharing mechanism to induce Evergy West to act more efficiently and increase cost-effectiveness of its fuel and purchased power procurement activities?

A. No. My direct testimony that she was responding to was that there is only one data point regarding the impact of a sharing mechanism available <u>for Evergy West</u> and that one data point is a sharing mechanism of 95/5. Therefore, we do not have information on how a change in the sharing mechanism would affect Evergy West's fuel and purchased power procurement activities. We simply know the results regarding the actions of Evergy West to one sharing mechanism: 95/5. We know that the sharing mechanism has not induced Evergy West to hedge its purchased power costs with generation resources that can meet its customers' energy requirements. We also know that not having dispatchable generation greatly impacted the FAC costs Evergy West incurred during Storm Uri; costs that its customers will be paying for over the next 15 years.

Q. Should the fact that only a few of the FACs of these other jurisdictions have a sharing mechanism inform this Commission regarding the sharing mechanism of Evergy West?

A. No. Neither Staff witness Mastrogiannis, nor Evergy Witnesses Ives and Gunn provide the Commission any details regarding the various FAC mechanisms of other states. They do not provide any information regarding whether or not the FAC of other jurisdictions is statutory or if a sharing mechanism is even allowed

[49] Page 10.

by statute as it is in Missouri. Ms. Mastrogiannis provides the sources of her information as the document that I have attached as Schedule LMM-S-1 and the FAC Primer Report published by the PSS Finance Lab *Can We Share the Cost of Fuel?*[50] Neither of these reports provide detailed information regarding the authority or history of the FACs in each jurisdiction that has incentive mechanisms or if the jurisdictions that do not have a sharing mechanism even have the authority to include a sharing mechanism in their FACs.

Our Commission has been given a tool by the Missouri General Assembly. The fact that many other jurisdictions were not given this tool is not a reason for this Commission to set it aside and not use this tool to its full advantage for both the utility and its customers.

<u>Changes to the Design of Evergy West's FAC Mechanism</u>

Q. Would you summarize the reasons Mr. Ives provides that he believes necessitates a change to the design of Evergy West's FAC? [51]

A. Mr. Ives lists a number of what he perceives as problems with the current FAC mechanism. It seems that most could be summed up in that Missouri's FAC is different from FACs in other jurisdictions in the United States that Mr. Ives would prefer; the bill line item of Evergy West's FAC does not provide direct fuel signals; and having an FAC that is the difference between an amount set in permanent rates, and what actually occurs creates an opportunity for manipulation.

Q. Do you see a need for the Commission to consider doing away with the rebasing of fuel and purchased power costs and revenues in Evergy West's FAC?

A. No, I do not.

[50] https://www.pssfinancelab.com/post/can-we-share-the-cost-of-fuel, attached to this testimony as LMM-S-2. Note that my FAC whitepaper, *Electric Utility Fuel Adjustment Clause in Missouri: History and Application*, is cited as the source regarding Missouri's FACs in both of these reports.
[51] Pages 22-23.

Q. Is being different from other jurisdictions a reason to change the FAC mechanism of Missouri electric utilities?

A. No. Missouri's FACs should be designed to meet Section 386.266 RSMo. It should include the design requirements and the customer protections provided for in this section. Missouri was late in the game regarding a fuel adjustment clause. Our General Assembly had many examples of how an FAC could be implemented and how they should be operated. It recognized the potential moral hazard of the electric utility being able to recover all of its fuel and purchased power costs through an FAC and included the ability for the Commission to include an incentive mechanism.

Q. Do you agree with Mr. Ives that the FAC mechanism does not send direct fuel price signals?

A. Yes. However, the purpose of an FAC is not to send fuel price signals.[52] The purpose of an FAC is to reduce the electric utility's risk of not recovering fuel and purchased power costs.

An FAC cannot provide timely price signals. Energy market prices change every five minutes and fluctuate across the day. The prices on any given day vary from the day before. Evergy West does not know the costs incurred until the end of the calendar month and then needs another calendar month to be able to provide the change in fuel and purchased power costs to the Commission. Even if the Commission could approve a change to the charge in a week, it is not applied to customers' bills until the next billing cycle which could be up to four weeks later.

If the Commission wants to send price signals to customers, it should not look to the FAC to accomplish that purpose.

[52] For additional discussion, see pages 10 – 11 of the whitepaper *Electric Utility Fuel Adjustment Clause in Missouri: History and Application* attached to my direct testimony as Schedule LMM-D-2.

Q. Does the current design allow for manipulation of permanent rates as Mr. Ives asserts?

A. Yes, it does. As I explained in my rebuttal testimony, I believe that Evergy West has used the current design to manipulate its rate increases in the past and is manipulating its normalized fuel amounts in this case to keep the rate increase in this case to a minimum knowing that it can recover 95% of the difference between a low normalized cost and the actual cost through its FAC.

Q. Is your recommendation of a 75/25 sharing mechanism such a manipulation attempt as Mr. Ives seems to be implying?[53]

A. No. Since over 70% of the costs in Evergy West's FAC base estimates are for net purchased power costs, volatility and price increases in the energy market compose the greatest risk in these costs. This is a direct result of Evergy West's resource planning decisions in the past to rely on the energy market instead of acquiring dispatchable generation resources. The current 95/5 sharing puts almost all of that risk on its customers.

If the sharing mechanism was changed to 75/25, customers would still take on 75% of the risk but Evergy West would assume 25% of the risk. Thus, any actions that would result in a reduction of risk would provide a real benefit for Evergy West.

Q. Would addressing FAC costs outside of base rates through the fuel clause mechanism as Mr. Ives proposes alleviate his concerns?

A. No. Section 386.266 requires the FAC to be an <u>adjustment</u> mechanism. As I stated earlier, no FAC mechanism could provide a timely price signal. At the very least it would be conveying the price from three months prior. Manipulation would still occur as parties disagree over what costs should be included as a fuel cost and what costs should not.

[53] Pages 22 – 23.

However, if the Commission determined that it should consider changing the design of the mechanism, OPC will work with the Staff and the utilities on redesigning the mechanism.

Summary of FAC Surrebuttal

Q. Would you summarize your surrebuttal regarding Evergy West's FAC?

A. The General Assembly allowed the Commission to include an incentive mechanism in the FACs it approved for the electric utilities. Section 386.266.1 RSMo. does not dictate the design of the incentive nor does it require the incentive to remain constant once established.[54] The 75/25 sharing mechanism that I have recommended is not a punishment but a balancing of the risk between Evergy West, that has the ability to lower the risk, and the customers who have no control. A 75/25 sharing mechanism provides an opportunity for Evergy West to recover a meaningful amount more than the costs when costs drop.

The Commission should recognize that this utility, by not acquiring generation and retiring generation without any resource that can provide the same electricity generating abilities, increased the risks associated with the volatile energy markets it is then dependent upon. Changing the sharing to 75/25, transfers some of that risk to Evergy West along with an opportunity for reward and puts less risk on customers who are at the whim of the energy market and the decisions of Evergy West's management to hedge, or in this case not hedge, that market.

CROSSROAD TRANSMISSION COSTS ARE STILL IMPRUDENT

Q. First, is it your understanding that Evergy West has changed its position regarding Crossroads costs in this case?

A. Yes. In her rebuttal testimony, Evergy West witness Linda J. Nunn, states:

> The Company agrees that the Crossroads transmission is not for purchased power or off-systems sales and should therefore be

[54] However, it cannot change between rate cases as the FAC can only change in a general rate proceeding. Section 386.266.5 RSMo.

> excluded from the FAC base calculation, but I do not agree that Crossroads should be excluded from recovery in base rates.[55]

Q. Do you agree with this new position?

A. No. Crossroads transmission costs are imprudent and should not be recovered from customers in base rates or through Evergy West's FAC.

Q. Mr. Ives asks the Commission to "acknowledge that the Company is the only party that has considered the current and future needs of EMW customers in formulating its analysis and recommendation for the treatment and recovery of Crossroads and its required transmission path prospectively."[56] Should the Commission make this acknowledgement?

A. Absolutely not. OPC is very aware of the need for capacity and energy for Evergy West's customers as Mr. Ives later admits in his rebuttal testimony.[57] Motivating Evergy West to meet the needs of its customers in a less risky manner than relying on the energy market is the driving reason for my testimonies in this case. In contrast, Mr. Ives is most interested in increasing the earnings of Evergy West at the detriment to Evergy West's customers.

Evergy West's renewed request for Crossroad's transmission costs demonstrates Evergy West's complete disregard for its customers; viewing the customers' only value as a never-ending source of more funds for Evergy management to use as it sees fit. Not only has Evergy West's management pushed the risk of market energy on its customers with the early retirement of Sibley without any generation to replace it, but now it is holding the capacity of an efficient peaking plant hostage. The required ransom: a Commission decision in this case to overturn previous Commissions' determination of imprudence resulting in the

[55] Page 3.
[56] Page 24.
[57] Page 29.

disallowance of transmission costs to the tune of over $16 million from Evergy West's customers.

If the Commission allows the cost recovery of the Crossroads transmission costs in revenue requirement, customers will be required to pay higher rates. If the Commission does not allow Evergy West to recover these costs from its customers, then Evergy West says that it will not renew the contract and build new generation. Table 4 shows all the various scenarios and the NPVRR as calculated by Evergy witness Cody VanderVelde.[58]

Table 4
Comparison of Net Present Value Revenue Requirement (NPVRR)

Scenarios	NPVRR (millions)	Change in NPVRR
Crossroads current treatment	$61.5	
Crossroads with Transmission	$281.2	$219.7
New CTs	$366.2	$304.7

All three provide capacity for Evergy West. The two options that Evergy West is presenting to the Commission, Crossroad's transmission or new CTs, will increase costs to customers by over $219 million and $304 million over the next twenty years respectively.

Mr. Ives is proposing to the Commission that including the transmission costs in revenue requirements is benevolent of Evergy West, *i.e.* the scenario with the $281.2 million increase in NPVRR is the best choice for its customers.

Q. What do you recommend to the Commission?

A. My recommendations in my direct and rebuttal testimonies have not changed. With respect to the Crossroads Energy Center costs:

1. The Commission should continue the rate base treatment of the Crossroads plant as ordered in case no. ER-2012-0175 and not include in revenue

[58] Evergy West direct workpaper "CONF_Crossroads Workpaper_VanderVelde."

requirement or the FAC any part of the cost of transmitting electricity from Crossroads to Evergy West's customers in Missouri;

2. The Commission remain silent regarding the renewal of Evergy West's contract with Entergy for firm transmission that allows the energy provided by Crossroads to reach the Southwest Power Pool ("SPP"); and
3. The Commission make it clear to Evergy West that it would be imprudent for Evergy West to remove Crossroads from service for customers and advise future Commissions to not allow the recovery of costs above what Evergy West would have incurred if Crossroads, without the cost of transmission, would have continued to be a generation asset for the rest of the life of the plant.

Given the information provided in Table 4 above provided in Evergy West direct workpapers, the PVRR of that imprudence amount would be approximately $304.7 million.

Q. Should the Commission recognize the important role Crossroads will play in its resource adequacy plans moving forward as requested by Mr. Ives?[59]

A. There is no need to specifically recognize Crossroads over any of Evergy West's other generation resources. By including a return on the net plant and a depreciation rate in revenue requirement, the Commission will recognize the appropriate value of Crossroads.

[59] *Id.*

Q. Should the Commission acknowledge as requested by Mr. Ives, that Evergy West's analysis demonstrating and supporting inclusion of Crossroads in its asset portfolio is the only analysis advanced in this proceeding on this topic and is unrefuted?[60]

A. The Commission should acknowledge Evergy West's analysis by using the analysis to warn Evergy West of the potential size of an imprudence adjustment if Evergy West chooses to not renew the transmission contract and builds CTs to replace Crossroads capacity.

Q. Are resource adequacy concerns new for Evergy West?

A. No. Aquila, the predecessor to Evergy West struggled for years to meet its capacity reserve requirement just as Evergy West is struggling now. The difference is that Aquila depended upon short- and long-term bilateral contracts for both capacity and energy that specified known costs for both the capacity and energy. Evergy West depends on bilateral contracts for capacity and the day ahead SPP energy market at an unknown cost for energy.

As I stated in my rebuttal testimony, Evergy West management is different people than the management team of Aquila but both teams have neglected the needs of the customers by not building generation to meet its customers' needs.[61]

Q. Is Crossroads any more important to Evergy West's customers now than it was in 2011 when the Commission first determined that it was imprudent for customers to have to pay for transmission from a plant in Mississippi?

A. No. Evergy needed generation resources to meet its reserve margin requirements in 2011 just as it does now.

[60] *Id.*
[61] Page 8.

Q. Evergy West witness Cody VanderVelde argues that Crossroads transmission costs should be included in revenue requirement because Liberty's transmission costs for its Plum Point generation plant that is outside the SPP footprint is included in its revenue requirement. Is the Commission being inconsistent in including the transmission costs for Plum Point for cost recovery for Liberty and not Crossroads?

A. No.

Q. Would you explain why?

A. As I explained in my rebuttal testimony Evergy West's general rate case no. ER-2018-0145:

> **Q. At the end of his direct testimony for GMO, Mr. Rush testifies that the Commission has allowed The Empire District Electric Company to recover through its customer rates transmission costs related to its out-of-state Plum Point Power Plant generating asset as an example of where the Commission has allowed the recovery through rates of transmission costs for an out-of-state generating facility. What is your response?**
>
> A. Mr. Rush is correct that the Commission has allowed transmission costs for The Empire District Electric Company to receive energy from the Plum Point Power Plant ("Plum Point") in Arkansas. However, the circumstances there are vastly different than the circumstances here.
>
> Plum Point is a 720 MW supercritical, coal-fired, steam plant in Osceola, Arkansas, that became operational in 2010. It is located about 350 miles from Joplin. Empire owns 50 MW of Plum Point and has a long-term purchased-power agreement for another 50 MW. Empire's intention from the beginning when it joined in building Plum Point was to use the energy from the plant to serve its retail and wholesale customers. Empire expects to receive about ten percent of its customers' energy needs from Plum Point. Lastly, Empire does serve customers in the state of Arkansas.
>
> Crossroads is a natural gas combustion turbine facility that is over 500 miles from GMO's service territory. Aquila Merchant built Crossroads in a constrained location as a merchant plant to

> take advantage of a restructuring wholesale market. Aquila Merchant attempted to sell Crossroads in the early- to mid-2000's, but was unable to – even at a price below its book value. Before and after GMO acquired it, Crossroads was rarely used, and the Commission has stated in two previous general rate case orders that customers should not pay for the transmission costs of this plant. Nothing has changed that now makes it prudent for GMO's customers to pay these transmission costs.[62]

(Footnote omitted)

Nothing has changed since I wrote that testimony that now makes it prudent for Evergy West's customers to pay an even higher cost of transmission.

Q. Do you have a response to Mr. Ives assertion that the cost of Crossroads transmission will have reached $210 million by the end of the current transmission contracts?

A. In the Evergy West FAC prudence case no. EO-2019-0067, OPC argued that Evergy West imprudently entered into long-term purchased power agreements ("PPAs") with the Osborn and Rock Creek wind projects and at that point had cost the customers over $11 million more than the SPP revenues for the generation for the 18-month prudence period. Neither Evergy West nor Staff disagreed with OPC that these PPAs were costing customers more than the revenues they were receiving for energy generated.

In that case, Evergy West argued that even though these PPAs had not resulted in economic benefits as it projected they would, Evergy West was prudent in its resource planning decisions entering into these PPAs. The Commission agreed, stating in its *Report and Order*:

> The Commission will not replace the companies' primary supposition at the point of decision that the PPAs were being acquired in the context of a long term, twenty-year investment with

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[62] Page 13.

> a supposition that the investment was short term, and then apply a hindsight test and pronounce the investments imprudent[].[63]

Evergy West's customers have paid and are paying the cost of a risk Evergy West took in entering into these costly PPAs. Customers will continue to pay that cost for the duration of these contracts even though Evergy West's analysis before entering into the contracts was wrong.

Similarly, the decision to transfer Crossroads ownership to Evergy West was a management decision.[64] Evergy took a risk when it made the decision to transfer Aquila's Crossroads plant to Evergy West. The Commission, not once but twice, declared the transmission costs to be imprudent. Now in hindsight, Evergy West is asking this Commission to declare the transmission costs prudent and require customers to foot the bill for a decision that Evergy made that has not worked out well for Evergy shareholders.

What is good for the goose should be good for the gander. The Commission should not require customers to pay Crossroads transmission costs just because it did not turn out like Evergy West management expected.

Q. Would you summarize your surrebuttal testimony regarding Crossroads transmission costs?

A. The inclusion of Crossroads transmission costs is not a "benefit" to customers because it is less than the cost of building to replace Crossroads capacity. Customers are paying for an Evergy West management decision to enter into wind PPAs that was not an economic decision for customers. Customers should not have to pay for an Evergy West management decision that is uneconomic for shareholders. Likewise, Evergy West's customers should not have to pay the cost

[63] Page 26.
[64] As documented in case no. ER 2010-0356 in the Commission's *Report and Order* (page 94), Great Plains Energy ("GPE"), the predecessor of Evergy, made the decision to transfer ownership of Crossroads to KCP&L – Greater Missouri Operations Company (GMO"), the predecessor of Evergy West, after due diligence.

that Evergy West may incur for additional capacity should it not renew the transmission contract.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's Request for Authority to Implement A General Rate Increase for Electric Service	))))	Case No. ER-2024-0189

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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

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

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

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

Lena M Mantle

Lena M. Mantle
Senior Analyst

Subscribed and sworn to me this 9th day of September 2024.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121

Tiffany Hildebrand

Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2027.