

Public Version

Exhibit No.:

Issue: Financial Ability and Resources

Witness: John M. Grace

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Evergy Missouri West

Case No.: EA-2024-0292

Date Testimony Prepared: May 19, 2025

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: EA-2024-0292**

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN M. GRACE**

**ON BEHALF OF**

**EVERGY MISSOURI WEST**

**Kansas City, Missouri**

**May 2025**

**Table of Contents**

I.     INTRODUCTION ..... 1

II.    FINANCIAL ABILITY..... 2

III.   PROJECT TAX CREDITS..... 4

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN M. GRACE**

**Case No. EA-2024-0292**

1    **I.    INTRODUCTION**

2    **Q:    Please state your name and business address.**

3    A:    My name is John M. Grace. My business address is 818 S. Kansas Avenue, Topeka,  
4        Kansas.

5    **Q:    Are you the same John M. Grace who filed Direct testimony in this docket on October**  
6        **25, 2024?**

7    A:    Yes.

8    **Q:    Who are you testifying for?**

9    A:    I am testifying on behalf of Evergy Missouri West, Inc. d/b/a Evergy Missouri West  
10       (“Evergy Missouri West,” “EMW,” “Evergy,” or “the Company”).

11   **Q:    What is the purpose of your Surrebuttal testimony?**

12   A:    The purpose of my Surrebuttal testimony is to respond to the Missouri Public Service  
13       Commission Staff (“Staff”) and their testimony set forth in the Staff Report &  
14       Recommendation (“Staff Rec.”) and Staff witness J Luebbert’s Rebuttal. Specifically, I  
15       respond as to the following: (1) Evergy Missouri West has the financial ability to acquire  
16       the Sunflower Sky Solar Project, LLC (“Sunflower Sky”) and Foxtrot Solar Energy LLC  
17       (“Foxtrot”) (collectively, the “Projects”), as well as the financial ability to construct, install,  
18       own, operate, manage, maintain, and control the Projects; including a discussion of the

1 recent downgrade of Missouri West’s credit ratings by Moody’s; and (2) explain how the  
2 Projects can take advantage of valuable tax credits and renewable attributes for the benefit  
3 of Evergy Missouri West customers.

4 **II. FINANCIAL ABILITY**

5 **Q: Does Evergy Missouri West agree with Staff’s Recommendation on page 18 that**  
6 **“EMW has the financial ability to purchase, operate, manage, maintain, and control”**  
7 **Sunflower Sky and Foxtrot?**

8 A: Yes. The Company has the financial ability to purchase, operate, manage, maintain, and  
9 control the Projects. See J. Grace Direct at 3; Staff Rec. at 18; see generally J Luebbert  
10 Rebuttal at 3.

11 **Q: Does the recent downgrade to Evergy Missouri West’s credit ratings by Moody’s**  
12 **change EMW’s financial ability to purchase, operate, manage, maintain, and control**  
13 **Sunflower Sky and Foxtrot?**

14 A: No, EMW has the ability to finance the purchase, construction, or operation of these  
15 projects. EMW has investment grade ratings from both Standard and Poor’s and Moody’s,  
16 and both agencies now have EMW on Stable Outlook.

17 **Q: What are Evergy Missouri West’s current credit ratings?**

18 A: Table 1 below reflects EMW’s current credit ratings.

19 Table 1

Rating	Standard & Poor's	Moody's
Outlook	Stable	Stable
Corporate Credit Rating	BBB+	Baa3
Senior Secured Debt	A	Baa1
Commercial Paper	A-2	P-3

20

1     **Q:     What were Moody’s reasons for EMW’s downgrade?**

2     A:     Moody’s cites much of the same information that led to initially placing EMW on negative  
3             outlook in May 2024. “The downgrade of MO West's ratings reflects persistently weak  
4             credit metrics that are not likely to improve due to elevated capital expenditures, higher  
5             debt issuance, and the lack of timely cost recovery mechanisms to improve cash flow  
6             generation.”<sup>1</sup>

7             Moody’s continues with the following statements referencing the delay of  
8             recovering 2021 winter storm URI costs until 2024 and lack of timely cost recovery  
9             mechanisms in comparison to utilities in other states:

10            “MO West’s financial profile initially deteriorated in 2021 from the effects of  
11            higher fuel and purchased power costs due to Winter Storm Uri, which was then  
12            compounded by a combination of higher capital expenditures and lagging growth of its  
13            cash flow generation over the past few years.”<sup>2</sup>

14            “MO West’s vertically integrated utility operations are located fully in Missouri,  
15            under the purview of the Missouri Public Service Commission (MPSC), a regulatory  
16            environment that is showing signs of improvement after a sometimes-unpredictable  
17            history. We view the passage of the state’s Senate Bill 4 (SB4) in April 2025 as a positive  
18            development. Among other things, the bill permits forward test years for gas and water  
19            utilities' rate case filings and an inclusion of construction work-in-progress (CWIP) in rate  
20            base for the construction of new natural gas plants, which will improve the timeliness of  
21            the utility's cash flow generation. The establishment of new riders and cost trackers is

---

<sup>1</sup> “Rating Action: Moody’s Ratings downgrades Evergy Missouri West to Baa3; outlook stable” at 1, Moody’s Investors Service, Inc. (April 29, 2025). See Confidential Schedule JMG-3.

<sup>2</sup> Id, at 1.

1 mostly legislatively driven and are implemented on a case-by-case basis. Although SB4 is  
2 a positive sign for the potential for more timely cost recovery in the state, we expect electric  
3 utilities will continue to use historical test years in future rate case proceedings since the  
4 use of forward test years are not available for them. As a result, Missouri's electric utilities  
5 have historically experienced substantial regulatory lag particularly during elevated  
6 investment periods. MO West's growth in its cash flow generation is constrained by the  
7 cost recovery lag associated with its growing capital expenditures. Due to the lack of timely  
8 and automatic investment and operating cost recovery mechanisms seen in other states,  
9 MO West's financial profile has been weaker than Baa2 rated peers.”<sup>3</sup>

10 **III. PROJECT TAX CREDITS**

11 **Q: Are there tax credits available for Sunflower Sky and Foxtrot?**

12 A: Yes. The Projects will qualify for either the investment tax credit (“ITC”) or production  
13 tax credits (“PTC”), albeit at different levels, which will reduce the cost to customers once  
14 reflected in retail rates. Foxtrot will qualify for either a 40% ITC or 110% PTC, since the  
15 project meets the requirements for the 10% Energy Community Bonus credit due to its  
16 proximity to the retired Asbury coal plant. Sunflower Sky will qualify for a 30% ITC or  
17 100% PTC.

18 **Q: Is Evergy Missouri West required to elect either the ITC or PTC for the Projects**  
19 **prior to the facilities being placed in-service?**

20 A: No. “The Company has until the tax year the project is placed in-service to elect either the  
21 investment tax credit or production tax credit treatment.” See Schedule JMG-2, Evergy  
22 Response to Staff Data Request (“DR”) No. 0043. Staff acknowledges that “EMW will

---

<sup>3</sup> Id, at 1-2.

1 have until the tax year the project is placed in-service to determine whether to utilize ITC  
2 or PTC.” See Staff Rec. at 40, Staff Witness Randall T. Jennings.

3 **Q: Does Evergy agree with Staff’s statement on page 40 that because of the**  
4 **“uncertainties of which tax credit will be utilized,” the Projects are not economically**  
5 **feasible?**

6 A: No. Although referenced on page 37 of Staff’s Recommendation, Staff ignores an essential  
7 detail of the Company’s response to DR No. 0043 provided on February 4, 2025, and  
8 Evergy witness John Carlson’s Direct Confidential Workpapers. In the DR, EMW explains  
9 that the Company’s analysis “indicated that electing production tax credits” for Sunflower  
10 Sky and Foxtrot “would be in the best interest of EMW[’s] customers.” See Schedule  
11 JMG-2. The Company updated Mr. Carlson’s workpapers and projected revenue  
12 requirements for Sunflower Sky and Foxtrot with the ITC and PTC in response to DR No.  
13 0053, which again concluded that electing the PTC will be in the best interest of Missouri  
14 West customers and the counties where the Projects are located. See Confidential Schedule  
15 JMG-4 Evergy Response to Staff DR No. 0053.

16 **Q: Should Evergy Missouri West’s deferral to elect either the ITC or PTC to when**  
17 **Sunflower Sky and Foxtrot are in-service affect Staff’s recommendation regarding**  
18 **economic feasibility?**

19 A: No. The 2024 IRP identified EMW’s need for 150 MWs of solar to fulfill capacity and  
20 energy needs of EMW’s customers. As noted in Mr. Carlson’s Direct testimony, Sunflower  
21 Sky and Foxtrot were the projects identified and selected through a competitive request for  
22 proposal (“RFP”) process including a quantitative and qualitative analysis to fill this need.  
23 As Mr. VandeVelde described in his Direct testimony, the 2024 IRP, with specific costs

1 and operating characteristics of Sunflower Sky and Foxtrot, produced EMW's Preferred  
2 Plan with the lowest net present value of revenue requirements ("NPVRR") for its  
3 customers. In addition, Sunflower Sky and Foxtrot are solar facilities that will generate  
4 electricity and peak summer conditions when demand and grid constraints are typically  
5 highest.

6 **Q: Please summarize your testimony?**

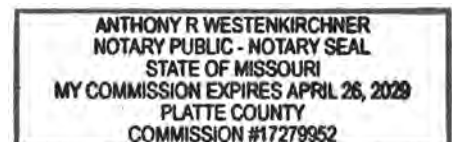
7 A: EMW has the financial ability to purchase, operate, manage, maintain, and control the  
8 Projects despite the recent downgrade by Moody's. EMW has investment grade credit  
9 ratings by both S&P and Moody's.

10 The Company not electing a final determination of which tax credits to utilize well  
11 in advance of the Projects being constructed does not make the Projects "economically  
12 unfeasible." As stated, the production tax credit will most likely be elected since they are  
13 anticipated to provide the most value and are in the best interests of both EMW's customers  
14 and the counties where the Projects are located.

15 **Q: Does that conclude your testimony?**

16 A: Yes, it does.







Evergy Missouri West  
Case Name: 2024 EMW CCN Sunflower Sky and Foxtrot  
Case Number: EA-2024-0292

Requestor - MPSC\_20250123

**Question:0043**

In his direct testimony on Page 10, Lines 14-20, Mr. Grace describes the economic evaluation modeling and states “the Company will be going through a more detained economic evaluation of which tax credit election, along with property tax and/or PILOT expense, is in the best interest of EMW customers and the communities where these projects are located.” Please provide a copy of this updated economic evaluation including any explanation that the choices made are the most prudent and cost efficient. If this analysis has not been conducted, please provide a detailed timeline when the analysis will be complete and provide the results to Staff as soon as possible thereafter. Data Request submitted by: Randall Jennings ([randall.jennings@psc.mo.gov](mailto:randall.jennings@psc.mo.gov)).

**RESPONSE:** (do not edit or delete this line or anything above this)

**Confidentiality:** PUBLIC

**Statement:** Choose an item.

**Response:**

The Company has until the tax year the project is placed in-service to elect either the investment tax credit or production tax credit treatment.

The State of Missouri has not set out defined property tax treatment of solar facilities or indicated when the treatment will be decided which could have an impact on the total cost related to the Foxtrot Solar project for customers and for Jasper County, Missouri, where the facility will be located. Until the State of Missouri defines the property tax treatment, we have to assume the facility will be centrally assessed similar to other utility property, excluding wind resources which are assessed at the county level.

As provided in the Confidential workpapers to Company witness, Mr. Carlson’s, direct testimony (Foxtrot Solar\_CONFIDENTIAL\_LCOE\_10.21.24), our current analysis would indicate that electing production tax credits for Foxtrot would be in the best interests of EMW customers, which leaves room to negotiate a PILOT payment to the county. This is predicated on the assumption that the Foxtrot Solar facility will be centrally assessed, and any Missouri property taxes paid by Missouri West will be allocated to counties based on transmission line miles, which will not benefit Jasper County.



Also included in the Confidential workpapers to Mr. Carlson's, direct testimony (Sunflower Sky Solar\_CONFIDENTIAL\_LCOE\_10.23.2024 – Update for CCN\_2026 COD), would indicate that electing the production tax credits for Sunflower Sky would be in the best interest of EMW customers. Kansas offers a 10-year property tax exemption on renewable generation that EMW customers would benefit from, during which time a PILOT payment would be made to Wilson County.

**Information provided by:** John M. Grace; Sr. Dir. Corporate Planning and Financial Performance

**Attachment(s):**

**SCHEDULES JMG-3 THRU JMG-4  
CONTAIN CONFIDENTIAL  
INFORMATION  
NOT AVAILABLE TO THE PUBLIC.  
  
ORIGINALS FILED UNDER SEAL.**

**Evergy Metro, Inc. d/b/a Evergy Missouri Metro and  
Evergy Missouri West, Inc. d/b/a Evergy Missouri West**

Docket No.: EA-2024-0292

Date: May 19, 2025

CONFIDENTIAL INFORMATION

The following information is provided to the Missouri Public Service Commission under CONFIDENTIAL SEAL:

Document/Page	Reason for Confidentiality from List Below
Schedule JMG-3 and 4	3, 4, and 6

Rationale for the “confidential” designation pursuant to 20 CSR 4240-2.135 is documented below:

1. Customer-specific information;
2. Employee-sensitive personnel information;
3. Marketing analysis or other market-specific information relating to services offered in competition with others;
4. Marketing analysis or other market-specific information relating to goods or services purchased or acquired for use by a company in providing services to customers;
5. Reports, work papers, or other documentation related to work produced by internal or external auditors, consultants, or attorneys, except that total amounts billed by each external auditor, consultant, or attorney for services related to general rate proceedings shall always be public;
6. Strategies employed, to be employed, or under consideration in contract negotiations;
7. Relating to the security of a company's facilities; or
8. Concerning trade secrets, as defined in section 417.453, RSMo.
9. Other (specify) \_\_\_\_\_.

Should any party challenge the Company’s assertion of confidentiality with respect to the above information, the Company reserves the right to supplement the rationale contained herein with additional factual or legal information.