Exhibit No.:	
Issue(s):	*Fuel Supply Plan, Hedging*
Witness:	*Krishna L. Poudel*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Rebuttal Testimony*
Case No.:	*ER-2026-0143*
Date Testimony Prepared:	*August 11, 2026*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYIS DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

KRISHNA L. POUDEL

EVERGY METRO, INC. d/b/a EVERGY MISSOURI METRO

CASE NO. ER-2026-0143

Jefferson City, Missouri
August 2026

** Denotes Confidential Information **

REBUTTAL TESTIMONY

OF

KRISHNA L. POUDEL

EVERGY METRO, INC. d/b/a EVERGY MISSOURI METRO

CASE NO. ER-2026-0143

Q. Please state your name and business address.

A. My name is Krishna L. Poudel, and my business address is P.O. Box 360, Jefferson City, MO, 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission ("Commission") as an Economist in the Energy Resources Department in the Industrial Analysis Division.

Q. Please describe your educational and work background.

A. I received a Ph.D. in Applied Economics from the University of Missouri – Columbia. I received a master's degree in Agricultural Economics from Tribhuvan University, Nepal. In September 2016, I began working for the Missouri Department of Natural Resources as an Economist. I worked for the Commission as an Economist in May 2019 through March 2024. I left Commission in March 2024 and worked for the New Jersey Department of Labor and Work Force Development as a Research Economist until October 2026. I joined the Commission again in May 2026 as an Economist.

Q. Have you previously testified in proceedings before the Commission?

A. Yes. Please refer to my attached Schedule KP-r1.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of this rebuttal testimony is to support and improve the fuel supply mechanism such as hedging in the FAC for Evergy Metro, Inc., d/b/a Evergy Missouri Metro ("EMM"). My rebuttal testimony also responds to some tariff language in Linda J. Nunn's direct testimony and theoretical foundation that would be a path forward for EMM in the near future.

Q. Are you talking about a fuel hedging strategy specifically?

A. Yes, I am.

Q. What does hedging mean?

A. Hedging is a financial strategy to mitigate an associated market risk on investment. It is essentially a risk management tool that helps investors, companies, or individuals protect their business from adverse events that could lead to revenue losses. Likely examples are energy inputs (fossil fuels and their derivatives), stock market and any other commodities etc.

An example of hedging is vehicle insurance that covers repair costs in an accident. A hedge offsets financial losses in investment or assets portfolio. If an adverse event occurs and an investment is hedged, the event's impact is reduced. Hedging in finance can be represented mathematically through risk management models, derivative pricing equations, and hedge ratio estimation. Amongst them, Binomial Model and Self-Financing Strategies[1] and Hedge Ratio Estimation[2] are more applicable and easier to understand. These frameworks allow investors and firms to quantify and offset potential losses from adverse price movements.

Q. How is the hedging principle relevant in utility sectors?

A. In general, utilities prefer hedging fuel (inputs) or product (electricity) under uncertain and volatile market conditions. Energy hedging is a risk management strategy that allows energy suppliers, consumers, and investors to stabilize costs and revenues despite fluctuating energy prices. It involves pre-purchasing energy or using financial contracts to reduce exposure to sudden price changes. By hedging, companies can plan budgets more accurately, secure profit margins, and avoid unexpected cost spikes caused by market volatility.

Q. Are there any definitive hedging instruments and strategies in utility management?

A. There is no prescriptive one. There are several instruments and utilities may choose based on their financial condition and supply side dynamics. Utilities can use a

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[1] In discrete-time models, hedging can be found by solving a system of equations for a self-financing portfolio (x, y) such that:

$$x_1 + y_1 S_u = \text{Payoff in up state}, x_1 + y_1 S_d = \text{Payoff in down state}$$

where S_u, S_d are up/down stock prices. The solution gives the exact hedge ratio and initial investment.

[2] Hedge ratios can be estimated via regression or factor models:

- Linear regression: $\beta = \text{Cov}(P, F)/\text{Var}(F)$, where P is portfolio returns and F is factor returns.
- Regularization techniques: Minimize variance of hedged Profit and Loss (P&L) and hedge ratio size, incorporating hedging costs.
- Common factor analysis: Map variables into factors and set hedge ratios to eliminate exposure to those factors.

variety of financial and physical tools to hedge energy costs such as Future Contract, Swaps, Option, Collars, Physical Hedging etc.

Q. What are the benefits of hedging energy fuel?

A. Some of the benefits are:

1. Cost Stability: Protects businesses from sudden price spikes, enabling predictable budgeting that ensures financial stability.

2. Profit Margin Protection: Ensures energy costs do not erode profitability and hence smooth rate impacts on the customers.

3. Portfolio Risk Management: Structured process of reducing uncertainty in future energy prices by securing price protection today. Investment funds and energy products mitigate market volatility to safeguard returns.

Q. Are there any past Staff positions or Commission orders on hedging?

A. Yes, there is. In Evergy Missouri West's ("EMW") last general rate case, Commission approved the *Unanimous Stipulation and Agreement,*[3] which allowed EMW to hedge up to 25% of its forecasted physical natural gas for the months of June-August and December-February, and EMW would enter into those hedges 1-4 months ahead of time. The signatories also agreed that the 25% level could be re-evaluated in the next rate case. In this case EMM has a proposed natural gas fuel supply plan that goes beyond what was approved in the last EMW rate case. EMM will have flexibility to respond to market dynamics/pricing volatility quickly and with flexible hedge size.

[3] Case No. ER-2024-0189

Q. Is EMM proposing to make any changes in the FAC tariff?

A. Yes, in Linda J. Nunn's direct testimony on page 4, lines 7 and 8, she added wording to include costs associated with EMM's natural gas fuel supply plan. Also, EMM sent an attachment in response to DR 329 entitled "Prospective New Generation Fuel Supply Plan" that was presented to Staff on December 22, 2025. Evergy states ** [redacted] **

The following confidential illustration supports the tariff language as well.

**

[redacted]

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Q. Does Staff agree with including fuel hedging language in the FAC tariff sheets?

A. Yes. With reference to a previous Evergy Missouri West Commission Order[4] and general practice in the energy resources market, this natural gas supply plan may have potential to mitigate the market risk of price volatility. However, Staff will continue to evaluate fuel supply plan strategies such hedging as a "cost stabilization, but not a profit maximization."

Q. What is the Staffs position regarding fuel hedging overall?

A. Staff does not oppose the proposed hedging language in the FAC tariff sheets to attempt to mitigate the market volatility. Hedging is a safeguard measure to mitigate risk. The primary risk is market volatility; however, it is not cost free. Hedging is an internal management strategy and is done as a risk mitigation measure to avoid spot market pricing exposure and provide budget consistency for forecasting purposes.

Q. Does Staff have any recommendations about hedging fuel resources for EMM?

A. Staff recommends the Commission order EMM to provide an annual report which includes the details of the proposed hedging plan with calculations/projections of hedge ratio, expected variability assumed in price structure of gas/electricity, including but not limited to a time-series projectile of a price symbol, especially during summer

[4] Case ER-2024-0189

peak and winter peak. This will enhance future energy resources acquisition strategies and improve utility's efficiency[5] performance.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

[5] **Effectiveness** and **efficiency** are often used together in business, but they focus on different aspects of performance. In short, effectiveness implies "doing the right thing" while efficiency implies "doing thing right way (optimal)". Effectiveness is necessary condition while efficiency is sufficient condition in business and economics.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Evergy Missouri Metro's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2026-0143

AFFIDAVIT OF KRISHNA POUDEL

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW KRISHNA POUDEL and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Krishna Poudel*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

K Poudel

KRISHNA POUDEL

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 7th day of August 2026.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2029
Commission Number: 12412070

D Suzie Mankin

Notary Public

Krishna L. Poudel, PhD

Education and Employment Background

I am an Economist of the Energy Resources Department, Industry Analysis Division of the Missouri Public Service Commission. I received a Ph.D. in Applied Economics from the University of Missouri – Columbia. I received master's degree in Agricultural Economics from Tribhuvan University, Nepal. In September 2016, I begun working for the Missouri Department of Natural Resources as an Economist. I worked for the Commission as an Economist in May 2019 through March 2024. I left Commission in March 2024 and worked for New Jersey Department of Labor and Work Force Development as a Research Economist until October 2026. Again, I joined the Commission on May 2026 as an Economist.

Krishna L. Poudel

Case Participation History

Case Number	Company	Issue	Exhibit
EO-2021-0021	Union Electric Company	IRP Update	Staff Report
ER-2019-0374	The Empire District Electric Company	LED street lighting	Rebuttal Testimony
EO-2020-0280	Evergy Metro	IRP Update	Staff Report
EO-2020-0281	Evergy Missouri West	IRP Update	Staff Report
ER-2020-0311	The Empire District Electric Company	Fuel Adjustment Clause	Staff report
EO-2020-0227	Evergy Metro and Evergy Missouri West	MEEIA Prudence Review	Staff Report
EO-2021-0021	Union Elecetric Company	Triennial compliance filing	Staff Report
EO-2021-0035	Evergy Metro	Triennial compliance filing	Staff report
EO-2021-0036	Evergy Missouri West	Triennial compliance filing	Staff Report
EO-2021-0416	Evergy Missouri West	MEEIA prudence review	Staff Report
EO-2021-0417	Evergy Metro	MEEIA prudence review	Staff Report
YH-2022-0218	Vicinity Energy	Hedging	Staff Report

HT-2022-0212	Vicinity Energy	Hedging and Production Adjustment Cost Clause	Staff Report
ER-2022-0129	Evergy MO Metro	Hedging	Rebuttal Testimony
ER-2022-0130	Evergy MO West	Hedging	Rebuttal Testimony
EO-2021-0331	The Empire District Electric Company	Triennial compliance filing	Staff Report
EA-2022-0234	NextEra Energy Transmission Southwest	Economic Impact	Staff Report
EA- 2022-0244	Huck Finn	Economic Impact	Staff Report
EA- 2022-0244	Huck Finn	IRP New Preferred plan	Staff Report
EO-2023-0087	The Empire District Electric Company	Hedging (Fuel risk management policy)	Staff Report
ER-2023-0184	Evergy MO West	DSIM	Staff report
ER-2023-0178	Union Electric Company	Rider Energy Efficiency Investment Charge	Staff Report
EA-2023-0017	GRAIN BELT EXPRESS LLC	Integrated Resource Planning	Rebuttal Testimony
ER-2023-0410	Evergy MO Metro	DSIM	Staff report
ER-2023-0411	Evergy MO West	DSIM	Staff Report