

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Joint Application of)
Evergy Kansas Central, Inc. and Evergy) Docket No. 23-EKCE-668-ACA
Kansas South, Inc. for Approval of its Annual)
Energy Cost Correction Adjustment (“ACA”))
Factor.)

**NOTICE OF FILING OF STAFF’S
REPORT AND RECOMMENDATION (PUBLIC)**

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively), and files its Report and Recommendation regarding the Application of the Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. (“Evergy”) requesting approval of its annual Energy Cost Adjustment (“ACA”). Because the Staff Report and Recommendation contains confidential commercial information pertaining to Evergy’s practices to procure fuel and purchased power, as well as its participation in the Southwest Power Pool Integrated Marketplace, Staff has elected to file both a confidential and a public version of the Report and Recommendation in accordance with K.S.A 66-1220a.

Staff has thoroughly investigated Evergy’s Application, supporting testimony, and exhibits. Staff recommends that the Commission approve Evergy’s ACA factor of \$0.004993 per kWh to recover \$97,865,616 of under-recovered fuel and purchased power expenses from retail customers during the ACA period. Staff will continue to monitor Evergy’s performance and participation in the Integrated Marketplace and will provide periodic updates to the Commission regarding this issue as often as desired.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Carly R. Masenthin

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**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

FROM: Daniel Buller, Regulatory Auditor
Jaren Dolsky, Rate Analyst
Chad Unrein, Chief of Accounting and Financial Analysis
Katie Figgs, Managing Auditor
Andria Jackson, Deputy Chief of Accounting and Financial Analysis
Justin Grady, Deputy Director of Utilities
Jeff McClanahan, Director of Utilities

DATE: March 27, 2025

SUBJECT: Docket No. 23-EKCE-668-ACA: In the Matter of the Joint Application of Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. for Approval of their Annual Energy Cost Correction Adjustment Factor

EXECUTIVE SUMMARY:

On March 20, 2023, Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. f/k/a Westar Energy, Inc. and Kansas Gas and Electric Company (collectively, referred to as “Evergy Central”) filed a Joint Application (“Application”) for approval of its respective ACA factors under the Retail Energy Cost Adjustment (“RECA”) clause. In its Application, Evergy Central requests approval to recover \$97,865,616 from its Annual Correction Adjustment (“ACA”) filing, which results in an ACA factor of \$0.004993 per kWh to be collected from Kansas customers. Staff conducted an audit of ACA costs, as described below and recommends approval of Evergy Central’s request.

BACKGROUND:

As discussed, Evergy Central filed an Application requesting approval of its ACA factors for its RECA year ending December 31, 2022. Accompanying the Application were the testimonies of Elizabeth Herrington and Jessica Tucker. Ms. Herrington explains the calculations and assumptions underlying the requested ACA factor. Exhibit A summarizes the actual energy costs incurred and all components of the RECA incurred by Evergy Central during the ACA period

beginning January 1, 2022, through December 31, 2022. Exhibit A also shows the over/under recovery of energy costs and the calculation of the ACA factor of \$0.00493 per kWh for the period January 1, 2022, through December 31, 2022, to be reflected in the Evergy Central RECA commencing with the first billing cycle in April 2023.

Evergy Central witness Elizabeth Herrington filed confidential testimony and exhibits that detailed the calculation of the ACA factor and the total ACA recovery of ** [REDACTED] **in the filing.¹ Confidential Exhibit A included the calculation of the ACA factor and total ACA costs. Confidential Exhibit B included the monthly components of the ACA costs that were summarized in Exhibit A. Evergy Central witness Jessica Tucker provides testimony describing Evergy Central's fuel supply and generation planning practices during the year 2022. Ms. Tucker also discusses Evergy Central's cost of resources for the year 2022 compared to 2021 and how the Southwest Power Pool ("SPP") Integrated Marketplace ("IM") impacted Evergy Central's cost of serving its customers.

SPP Audit Process

SPP implemented the IM in 2014.² The IM is a regional day-ahead energy and operating reserve market featuring the following major functions:

- Day-ahead energy and operating reserve markets;
- Day-ahead and intra-day Reliability Unit Commitment processes;
- Real-time Balancing Market ("RTBM");
- Price-based, co-optimized energy and operating reserve procurement;
- Market-based congestion management processes including Auction Revenue Rights (ARRs) and Transmission Congestion Rights ("TCRs");
- Multi-Day Reliability assessment to manage the commitment of long-start resources; and
- Market Monitoring and Mitigation with an internal Market Monitoring Unit.³

With the implementation of the IM, Evergy Central sells energy and operating reserves produced from its Company-owned generating resources to SPP in the Day-Ahead ("DA") Market and RTBM and purchases the energy and operating reserves needed to serve its native load obligations on a daily basis. Revenues and expenses from the IM are recorded in FERC accounts allowed to be recovered under Evergy Central's RECA tariff; therefore, Staff reviews Evergy Central's participation in the SPP IM as part of the ACA audit. Staff continues to monitor and review Evergy Central's monthly market activity and performs a yearly review of controls, procedures, and performance as part of the annual ACA audit.

ANALYSIS:

Traditional Fuel and Purchased Power Review

¹ See the Confidential Testimony of Elizabeth Herrington and Exhibit A workpapers for a breakdown of the individual cost components of Evergy Central's total ACA costs of \$97.8 million, pp. 2 - 4.

² See FERC, *Order on Compliance Filing*, January 29, 2014, Docket Nos. ER12-1179 and ER13-1173; http://elibrary.ferc.gov/idmws/file_list.asp?accession_num=20140129-3063.

³ *Southwest Power Pool, Inc.*, 141 FERC ¶ 61,048 (2012) (October 2012 Order).

Staff solicited monthly information from Evergy Central through formal discovery requests, requesting documentation supporting Evergy Central's Application and Exhibit A attached to the testimony of Elizabeth Herrington. Staff performed the majority of its audit in-house using the information gathered through this process. Once the desk audit was complete, Staff met with Evergy Central at their corporate office in Topeka, Kansas. This meeting allowed Staff to further question Evergy Central about information provided in its response to Staff's data requests and to review Evergy Central's coal and transportation contract rates. Staff would note that Evergy Central's personnel were open and forthcoming when answering Staff's questions and provided the requested supporting documentation. Staff audited Evergy Central's actual fuel costs for the following months: April, May, August, and September of 2022. For these months, Staff conducted an audit of the Application that consisted of:

- Verifying the accuracy of the monthly settlement computations by ensuring the actual cost adjustment computed by Evergy Central reflects the actual over/under-recoveries and the actual sales to Kansas jurisdictional customers;
- Ascertaining that the actual fuel, purchased power, and emission costs recovered through the RECA are actual costs supported by vendor invoices and general ledger entries;
- Verifying that sample costs reviewed are just and reasonable; and
- Verifying that the RECA factor used to calculate the customer's bill agrees with the calculation that the company files with the Commission.

For the traditional fuel and cost of service review of the ACA audit, Staff found no material irregularities in the information provided.

SPP Integrated Marketplace Review

As referenced in the Background Section, Staff's ACA audit includes the review of Evergy Central's participation in the SPP IM. Staff issued formal discovery requests to document Evergy Central's processes and procedures involving its day-to-day operations within the SPP IM.

Staff's audit of Evergy Central's participation in the SPP IM included the following objectives:

1. Review Evergy Central's process and control procedures to validate the accuracy of SPP invoices and statements.
2. Examine Evergy Central's management of market performance and operational risk within the SPP IM.
3. For the months being audited in this year's ACA audit, evaluate whether Evergy Central has accurately accounted for its SPP IM revenue and costs pursuant to the provisions of the current RECA tariff.
4. Examine Evergy Central's all-in RECA cost calculation and determine whether Evergy Central's participation in the SPP IM is providing benefits to Kansas ratepayers.

Analyze the market performance of Evergy Central's coal units and review trends in the volume of self-committed MWhs and number of hours Evergy Central's coal units were self-committed in the SPP IM.

Market Processes & Control Procedures

In examining Evergy Central's control procedures around the verification of its SPP IM billing statements, Staff issued formal discovery requests based on its SPP audit findings and review of fuel and purchase power expenses in last year's ACA Report.⁴

As part of Staff's review of the ACA, Staff issued discovery to Evergy Central to review its software applications for interacting with the SPP IM and explain the application's functionality. In its response, Evergy Central stated,

There were no changes to the software applications used to interact with the SPP Integrated Marketplace (SPP IM). Evergy Kansas Central still uses the Power Costs, Inc. (PCI) system for calculating and submitting generation offers and demand bids to the SPP IM.⁵

In prior audits, Evergy Central provided Staff with its Power Marketing Flow Charts and Power Accounting Standard and Procedures that documented Evergy Central's processes, procedures, and controls encompassing all SPP IM activities. Staff examined Evergy Central's workflows and control procedures for DA and RTBM activities, verification of meter data, shadow settlement, verification of SPP settlement statements, and recording SPP IM activity to its general ledger. In its shadow settlement, Evergy Central uses its own meter data to independently calculate its SPP IM activity, which is checked against the settlement statements produced by SPP. The SPP settlement statements contain a net position for each operating day that contains the daily revenues and purchases transacted by Evergy Central in the SPP IM. If the shadow settlement calculation deviates from the SPP invoice, Evergy Central reviews the internal settlement calculations and meter data, and if necessary, files a dispute in the SPP marketplace portal.

In Staff's evaluation, Evergy Central has robust control procedures in place to verify the accuracy of SPP's settlement statements and a defined process for submitting and monitoring billing disputes with SPP. The control procedures and documented workflows ensure that Evergy Central's transactions with the SPP IM are accurately booked to its general ledger.

Market Performance and Operational Risk

Staff issued formal discovery requests to evaluate Evergy Central's market performance and management of operational risks in the SPP IM. In response, Evergy Central provided a detailed overview of its generation bidding practices, processes for evaluating incremental sales opportunities, forecasting techniques for day-ahead load, and hedging strategies for congestion cost management. At a high-level, Staff outlines Evergy Central's process, procedures, and risk management tools that are responsible for driving its SPP IM revenues and costs. Evergy Central's marketing strategies are complex and highly confidential due to its operation in a competitive wholesale energy market. Staff can provide Evergy Central's market data and risk management documents for the Commission review should the need arise.

⁴ See Staff's Report & Recommendation in Docket No. 22-EKCE-447-ACA (Docket 22-447).

⁵ See Evergy Central's response to KCC Data Request No. 25: Software Vendors.

Through discovery, Staff requested Evergy Central provide a narrative on the market opportunities for bilateral contracts and detail any bilateral transactions it executed in 2022. Bilateral contracts are for the purchase or sale of power directly executed between parties outside of the centralized power pool or power exchange. Historically, Staff has seen a decline in bilateral contracts since the implementation of the SPP IM.

In its confidential response to KCC Data Request No. 26, Evergy Central explained:

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As a part of the audit, Staff examined Evergy Central's practices for developing and updating fuel costs and variable operating and maintenance costs associated with developing its resource offers. Evergy Central calculates and tracks the profitability on all units daily for both DA and RTBM. Evergy Central summarizes market activity in a daily and monthly report containing a profit and loss analysis and revenue deficiencies by unit.

In its confidential response to KCC Data Request No. 29, Evergy Central discussed its market procedures for monitoring and tracking the market performance and provided an excel worksheet detailing its performance tracking analysis for its units. In the response, Evergy Central discussed one of its performance metrics:

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Evergy Central employs forecasting software for managing its day-ahead generation offers and load for its retail customers, which limits the risk of deviations from the DA market activity and actual operating results in real-time. The DA market is financially binding on the market participant, so large deviations in market activity increases the customer exposure to the more volatile RTBM pricing. In response to discovery, Evergy Central discussed its general strategy for forecasting its day-ahead load and the software solution employed in forecasting as follows:

⁶ See Evergy Central's confidential response to KCC Data Request No. 26: Bilateral Transactions.

⁷ See Evergy Central's confidential response to KCC Data Request No. 29: Profitability of DA & RT Sales.

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In each ACA audit, Staff issues formal discovery to evaluate Evergy Central's hedging strategies and procedures for managing congestion costs in the SPP IM. Evergy Central maintains a portfolio of ARR and TCRs to hedge congestion costs that it incurs in serving retail customers within the SPP IM.⁹ In its confidential response to KCC Data Request No. 27, Evergy Central discussed its strategy on self-converting its ARRs to TCRs.

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In its confidential response to KCC Data Request No. 28, Evergy Central provided a year-over-year analysis of congestion costs and revenues generated by its TCR portfolio.

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⁸ See Evergy Central's confidential response to KCC Data Request No. 32: DA Market Load.

⁹ ARRs and TCRs are congestion management products that allow market participants to hedge their exposure to Marginal Congestion Costs in the IM. ARRs are allocated to entities with firm transmission rights on the transmission system, for example, a vertically integrated, investor-owned utility that uses its Network Integrated Transmission Service (NITS) to serve its retail load. An ARR entitles the holder to a share of revenues generated in an applicable TCR auction, or the ARR may be converted into a TCR. A TCR allows a holder to be compensated or charged for congestion between two settlement locations in the DA. ARRs (indirectly) and TCRs (directly) derive their value based on the difference between the congestion price at the source settlement location less the congestion price at the sink settlement location multiplied by the awarded MW quantity over the specific path.

¹⁰ See Evergy Central's confidential response to KCC Data Request No. 27: ARR Conversion.

[REDACTED]

Additionally, Evergy Central provided a breakdown of its TCR portfolio between different product categories and detailed the hedged value of the product in comparison to its congestion costs:

[REDACTED]

Evergy Central actively manages its TCR Portfolio by pursuing monthly TCR auctions to fill in gaps in congestion cost exposure. Additionally, Evergy Central manages and maintains its Long-term Congestion Rights (LTCR) positions year-to-year. The following confidential analysis discussed the impact of Evergy Central monthly TCR purchases and LTCRs:

[REDACTED]

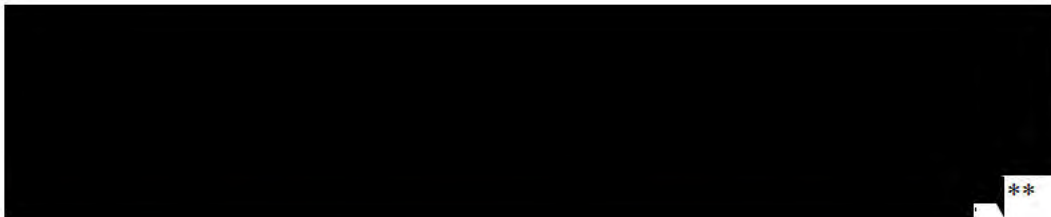
Finally, Evergy Central discussed its software packages for managing its TCR portfolio throughout 2022 as follows:

[REDACTED]

¹¹ See Evergy Central's confidential response to KCC Data Request No. 28: TCR Portfolio.

¹² See *Id.*

¹³ See *Id.*



Staff reviewed Evergy Central's policies for managing its operational and market risks in the SPP IM. Evergy Central maintains and routinely updates its Risk Management of Energy Trading and Marketing Principles, Policies, & Procedures and approves Trading Authorization Limits for employees involved in the sales and procurement of power and natural gas. While the details of Evergy Central's strategies are confidential, Evergy Central has defined policies to mitigate the risks of operating in the SPP IM.

Based on Staff's review, Evergy Central has the processes and procedures in place to evaluate the market performance of its units and manages the operating risks in the SPP IM. The strategies Evergy Central employed in managing its congestion exposure appears to have been successful, as its ARR/TCR/LTCR portfolio produced revenues of ** [REDACTED] ** or a hedge of ** [REDACTED] ** of its realized day-ahead congestion costs in the ACA period.¹⁵ In Staff's review of market performance and risk mitigation, Staff finds that Evergy Central has diligently managed the risks and profitability associated with the IM and is taking the steps necessary to be successful in the SPP IM.

ACA Audit of Revenues and Costs

Staff implemented a monthly review process to monitor the IM activity of the three vertically integrated, investor-owned electric utilities in the State of Kansas. Each utility is required to submit a Monthly Activity Report to the KCC's Utility Division that details the utilities' operations in the SPP IM.¹⁶ The Monthly Activity Report summarizes the utilities' monthly market data by SPP IM charge type, which provides Staff a summary-level view of how each utility is faring in the marketplace. Staff can view the number of MWhs of day-ahead or real-time asset energy Evergy Central sold into the IM and for what total dollar amount. Likewise, the report summarizes what energy and operating reserve products Evergy Central purchased from the IM for the month, the MWhs associated, and the net dollar impact of those products. Not only do these monthly reports provide Staff the ability to monitor how Kansas electric utilities are performing in the IM monthly, but the reports also serve as a useful audit tool during the ACA audit. These reports provide the foundation for reconciling the monthly IM charges from SPP settlement statements and invoices to the journal entries recorded in the Company's general ledger, and ultimately back to the Company's ACA Application to true-up over/under recovery of actual costs.

¹⁴ See *Id.*

¹⁵ See *Id.*

¹⁶ The monthly reporting requirements were approved by the Commission for Evergy Central in Docket No. 14-WSEE-208 TAR (14-208 Docket). See items 15 and 16 in Attachment A of the Order Approving Tariff Revisions issued on February 25, 2014, in the 14-208 Docket.

In addition to the Monthly Activity Report detailing IM energy and operating reserve activity, Staff also receives a monthly report from each Kansas-jurisdictional electric utility, detailing any virtual transactions¹⁷ undertaken in the SPP day-ahead market (Monthly Virtual Transaction Report). These reports are reviewed by Staff to ensure that only virtual transactions with a legitimate hedging basis are recovered from Kansas ratepayers.

As part of Staff's review of Evergy Central's participation in the SPP IM, Evergy Central provided Staff with a reconciliation worksheet that documented and verified its market activity for the audited months. This worksheet reconciled the Monthly Activity Report to the weekly SPP settlement statements and tied the monthly activity to Evergy Central's transactions recorded in its general ledger. Staff tied each settlement invoice to the reconciliation spreadsheet and verified that the net energy sales and load purchases tied to the Monthly Activity Report. In its review of Evergy Central's revenue and costs, Staff determined that the SPP settlement statements and the Monthly Activity Reports were accurately reported on Evergy Central's general ledger. Finally, Staff verified that the data provided tied back to Evergy Central's ACA Application for the sample months audited.

Analysis of All-in Fuel Cost

In each ACA audit, Staff presents a Kansas all-in fuel or total RECA cost calculation for Evergy Central. The calculation includes production fuel costs, purchased power expense, and emission allowances, less costs to achieve non-requirements and total non-fuel differences, which is then apportioned by the delivered MWh to Evergy Central's requirements customers. Staff has used this metric as a performance-tracking tool to guide discovery requests and determine underlying trends or cost drivers that impact market performance. Outside factors, such as SPP wholesale energy prices, market costs for fuels, and customers' demand for energy, can drive changes in the total RECA costs that are passed on to Evergy Central's ratepayers. For the 2022 ACA year, Evergy Central's RECA eligible costs totaled \$556,446,678 which represented a year-over-year increase of \$74,268,291 or 13.3%.¹⁸ During this period, Evergy Central's total kilowatt-hours (kWh) delivered was 19,600,896,283 kWh or an increase of 116.4 million kWh or 0.6%. The total Kansas fuel and purchased power per kWh totaled \$0.02839 in 2022, which represented a year-over-year increase in the cost per kWh of 12.8%.¹⁹

Through discovery, Staff requested that Evergy Central provide an analysis of the cost drivers for the 2022 ACA. Staff will summarize Evergy Central's confidential response to KCC Data Request No. 39 and incorporate a year-over-year comparison of costs included in Evergy Central's ACA Application.

* [REDACTED]

¹⁷ Virtual transactions are DA market instruments that settle financially and have no physical energy backing. These transactions are a proposal by a Market Participant to buy or sell energy at a specified price, Settlement Location and period of time in the DA market and settles at the Settlement Location and period of time at the market price in the RTBM.

¹⁸ Calculated using Evergy Central's Annual RECA Monthly Update, included in Exhibit B of the testimonies of Elizabeth Harrington in the 23-668 Docket and 22-447 Docket.

¹⁹ See *Id.*

[REDACTED]

[REDACTED]

[REDACTED]

** [REDACTED]

[REDACTED]

[REDACTED]

SPP Market Impact

The analysis provided by Evergy Central on year-over-year impacts to the ACA fuel costs are consistent with the analysis presented in the SPP Market Monitoring Unit's (MMU) Annual SPP State of the Market Report for 2022. In the Report, the MMU acknowledged the impact in natural gas prices on the wholesale energy markets in 2022. The MMU calculated that the average gas price indexed at the Panhandle Eastern hub averaged \$5.83/MMBtu in 2022, which was up 70% from the \$3.44/MMBtu in 2021.²⁰ The SPP wholesale energy prices are tied to changes in the regional fuel costs, with natural gas generation setting the marginal energy price in high demand market periods. With increase in natural gas prices, SPP average day-ahead market price increased to \$48/MWh in 2022, an increase of 80% year-over-year from \$27/MWh in 2021.²¹ Similar to the day-ahead market, SPP's real-time market prices averaged \$43/MWh, resulting in a year-over-year increase of 75% from \$25/MWh in 2021.²²

The MMU's report continued to address the impacts of increasing wind generation, make-whole payments, and negative pricing intervals in its report for 2022. The MMU noted that wind generation continues to play an increasing role in SPP's markets, but it has also produced challenges, including variability and uncertainty of supply, out-of-market actions to ensure system reliability, higher make-whole payments, and increased negative prices.

The MMU found that the combined day-ahead and reliability unit commitment make-whole payments totaled just over \$465 million in 2022.²³ For comparison purposes, day-ahead make-whole payments totaled \$978 million, with 93% of all make-whole payments occurring in February, while real-time make-whole payments totaled \$354 million, with 67% occurring in February. Due to the abnormal impacts of make-whole payments resulting from the impact of winter storm Uri, the MMU removed the impact of make-whole payments occurring in February of 2021 from its year-over-year analysis. Day-ahead make-whole payments totaled \$173 million in 2022, which was an increase of 130% from \$75 million in 2021. Reliability unit commitment make-whole payments totaled \$292 million in 2022, up 152% from \$116 million in 2021.

The increase in make-whole payments can be attributed to higher gas prices overall for 2022. An additional driver for the increase in reliability unit commitment make-whole payments was for manual capacity commitments in the real-time market to meet ramping needs. The increase in capacity commitments was primarily caused by two factors. First, the increase in generation outages reduced the availability of capacity to meet uncertainty of both supply and demand. Second, the higher level of wind penetration on the system has increased the overall level of uncertainty in the market.

²⁰ See the SPP Annual State of the Market Report for 2022, p. 131. In the analysis, the MMU noted that its calculation of the Panhandle Eastern average index price of \$3.44/MMBtu excluded the impact of Winter Storm Uri in February. With the impacts of Winter Storm Uri, Panhandle Eastern average index price totaled \$4.96/MMBtu in 2021.

²¹ See *id.*, p. 133. The MMU removed the impact of Winter Storm Uri in its calculation of the average day-ahead market price of \$27/MWh in 2021. With the impacts of Winter Storm Uri, SPP average day-ahead market price was \$63/MWh in 2021.

²² See *id.* The MMU removed the impact of Winter Storm Uri in its calculation of the average real-time market price of \$25/MWh in 2021. With the impacts of Winter Storm Uri, SPP average day-ahead market price was \$37/MWh in 2021.

²³ See *id.*, p. 7.

The MMU noted its concerns with the impact of negative pricing intervals in the SPP day-ahead and real-time markets in its State of the Market Reports, primarily driven by wind resources output when the SPP IM demand for energy is low. The MMU noted that wind generation has accounted for 92% of capacity additions over the last three years. In 2022, wind generation as a percentage of total generation represented 38% of SPP's total generation production, compared to 35% percent of total generation production in 2021.²⁴ With the increase in wind generation, the frequency of SPP's negative pricing remain a concern for the MMU.²⁵ The day-ahead market resulted in a slight decrease in negative pricing intervals from 7.7% in 2021 to 7.1% of all market intervals in 2022.²⁶ The RTBM market experienced an increase in negative pricing intervals from 14.8% in 2021 to 15.2% of all market intervals in 2022.²⁷

Calculation of SPP IM Benefit for Evergy Central

Beyond the fuel cost analysis presented in the prior section, Staff issued formal discovery requests to Evergy Central to analyze the impact of Evergy Central's participation in the SPP IM. The data provided Evergy Central allowed Staff to examine the marketplace benefit ratepayers received from Evergy Central's participation in the SPP IM in 2022. Staff relied on SPP's calculation of a regional marketplace benefit of the SPP IM, and Evergy Central's modeled analysis of the SPP IM market benefits produced from the consolidation of SPP into a single balancing authority. According to SPP's analysis in the 2022 Member Value Statement, the Integrated Market provided a net regional benefit of \$2.3 billion as a result of its energy and operating reserve markets in 2022, and roughly \$7.96 billion in regional benefits from its inception in 2014²⁸. This information suggests that Evergy Central's participation in the SPP IM has produced some benefits to Kansas ratepayers in 2022.

In its confidential response to KCC Discovery Request No. 35, Evergy Central provided a modeled benefit of their participation in the SPP IM. Evergy's model compared the locational marginal price and the change in cost to serve native load in two scenarios: one in which Evergy utilities operate within the SPP IM with SPP acting as the Central Balancing Authority, and another in which Evergy utilities operate as stand-alone Balancing Authorities outside of the SPP IM.

Evergy Central examined the estimated Kansas ratepayer benefit produced by the consolidation of the SPP IM into a single balancing authority versus the costs it would have incurred to serve customers with its own generation. While this is not inclusive of every benefit the SPP IM provides, the modeled benefit simulated an important function of the SPP IM in accessing wholesale purchase power over serving customers entirely with company-owned generating resources. As a result of the model, Evergy Central estimated that Kansas customers received a ** [REDACTED] ** benefit by serving customers through SPP's consolidated balancing authority versus serving load with native Evergy Central generating resources. Staff would note that Evergy

²⁴ See *id.*, p. 5.

²⁵ See *id.*, p. 10.

²⁶ See *id.*, p. 147.

²⁷ See *id.*, p. 148.

²⁸ See SPP's 2022 Member Value Statement

²⁹ See Evergy Central's confidential response to KCC Data Request No. 35: Estimated SPP IM Savings – Model/Simulation. Evergy Central's modeled benefit of the SPP IM includes revenues from its TCR/ARR portfolio.

Central's historical model run of its cost to serve retail customers with native system resources does not consider any access to purchase power in the SPP IM or any other regional wholesale energy market, relying entirely on native system resources to serve load from its next available least-cost generating asset. Inputs to the model include actual fuel prices, renewables output, and actual load. ARR and TCR revenue are then added to the results of the model.

Based on the available data from SPP, the modeled results performed by Evergy Central, and the decline in the overall cost to serve Evergy Central's load since 2014, Staff's analysis suggests that the SPP IM is benefitting Evergy Central's ratepayers.

Performance Review of Evergy Central's Coal Units

In the 19-380 Docket, Staff performed a comprehensive review of Evergy Central's operational strategies for managing the self-commitment of its coal units and evaluated the market performance of the units. Staff has incorporated a yearly performance review of Evergy Central's coal units in its yearly ACA audit of SPP market activity. As part of the discovery process, Staff issued a performance template requesting monthly market data for Evergy Central's coal units in 2022.

In the template, Staff requested confidential market data from Evergy Central on the operation of its coal units in the SPP IM. This template allowed Staff to evaluate Evergy Central's units by analyzing the total production margins or revenue generated by Evergy Central day-ahead energy and operating reserve market against the total production costs of Evergy Central's units. Staff analyzed the day-ahead energy margins of Evergy Central coal units while the units were self-committed in the SPP IM. This calculation relied on the self-committed volume of energy times the difference between the average day-ahead LMP at the unit's pricing node during the self-commitment period less the short-run production margins recoverable under the SPP mitigated offer guidelines. Mitigated offers are intended to capture the incremental production costs of a unit, including the appropriate application of opportunity costs, for the unit providing services in the SPP energy or operating reserve markets.³⁰ Market participants are required to submit a mitigated offer curve in accordance with the market protocols.³¹ The MMU actively evaluates the mitigated offers of market participants to determine if the production costs qualify for recovery. Finally, Staff analyzed year-over-year trends in Evergy Central's market activity including its energy margins, the volume of self-committed energy, and the number of hours the units were self-committed.

Evergy Central's Coal Generation Facilities

Staff has provided the following table of Evergy Central's coal generation facilities, its ownership interest in each facility, and the facilities nameplate capacity provided in its FERC Form 1 from 2021 and 2022.

³⁰ SPP's mitigated offer guidelines can be found in Appendix G of the Integrated Marketplace Protocols.

³¹ A market participant's offer may be mitigated when the market participant is found to have market power or when the offer exceeds SPP's conduct threshold and impact screening.

EVERGY CENTRAL: COAL GENERATION FACILITIES: Ownership Interest & Name Plate Capacity (MW)				
Generation Facility	Ownership	Ownership Percentage	2021	2022
Jeffrey Energy Center	Co-owned	92% ³²	1,987	1,987
LaCygne Station	Co-owned	50%	779	779
Lawrence Energy Center	Owned	100%	517	517
Data: FERC Form 1				

Performance Review and Self-Commitment Analysis of Evergy Central's Coal Units

For 2022, Staff aggregated the monthly market data provided in Evergy Central's confidential response to KCC Data Request No. 42. For prior year comparison data, Staff aggregated the monthly market activity derived from a supplemental workpaper provided in response to KCC Data Request No. 74 in the 22-EKCE-447-ACA (22-447) Docket. A breakdown of Evergy Central's monthly market data is contained in Schedule No. 1 through Schedule No. 4, which are attached in Confidential Appendix A to this Report. For each schedule, Staff has provided a comparative table and analysis of year-over-year trends in the self-commitment of Evergy Central's coal units.

Staff's performance review and self-commitment analysis will be considered confidential due to Evergy Central's responses containing market data for services rendered by its coal units in a competitive wholesale energy market.

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³² Evergy Central's Kansas ownership in JEC is apportioned by 72% ownership from Evergy Central (KPL) with 8% of its ownership interest to Evergy's Non-Regulatory Operation, and 20% to Evergy South (KGE). The remaining 8% interest in JEC is held by Evergy Missouri Metro.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

³³ See Evergy Central's Confidential Response to KCC Data Request No. 39.

³⁴ See the 2022 SPP Annual State of the Market Report, p.133.

³⁵ See Evergy Central's Confidential Response to KCC Data Request No. 42.

³⁶ See Evergy Central's Confidential Response to KCC Data Request No. 39.

³⁷ See *id.*

[REDACTED]

[REDACTED]

[REDACTED]

³⁸ See Appendix A: Schedule No. 2 for the monthly calculation of DA energy margins by coal unit.

³⁹ See Market Protocols of the SPP Integrated Market, Section 8.2.2.9: Mitigated Offer Development Guidelines.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁴⁰ See Evergy Central's response to KCC Data Request No. 74 in the 22-447 Docket.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**

Findings of the Self-Commitment Performance Analysis

⁴¹ See *Id.*, Schedule No. 4 for Staff's monthly calculation of Evergy Central's number of self-committed operating hours for each coal unit.

Staff's methodology of aggregating the monthly self-commitment data and examining the market performance of Evergy Central's coal units is consistent with the approach utilities use to manage their coal operations in the SPP IM. Due to the current limitations in SPP unit-commitment processes, electric utilities continue to rely on their own forecasting methodologies or forecasts published by SPP to determine if the projected revenue of a coal unit is likely to support the unit operations over the anticipated market window.

If projected revenues exceed the unit's short-run marginal cost, a contribution margin is produced, which contributes to the fixed operating and maintenance cost recovery of the unit. For this reason, the fixed operating and maintenance costs are considered "sunk costs" in the near-term. As stated in prior ACA reports, Staff believes a contribution margin analysis is an appropriate measure for evaluating the market performance of units and provides a threshold determination of whether Evergy Central's market strategies for the self-commitment of its coal units are providing value to ratepayers.

In aggregate, Evergy Central's marketing strategies have produced contribution margins at its coal units that help support the fixed cost recovery of the assets. When self-committed, Evergy Central's coal units produced positive margins through most operating months and limited margin losses during 2022. Based on Staff's performance audit, Evergy Central's market strategies appear to be successful in generating a contribution margin; and therefore, Staff is not recommending any disallowances in the 2022 ACA. As detailed in the report, Evergy Central actively evaluates its marketing strategies and unit commitment decisions to follow the SPP IM pricing signals, increasing its generation fleet production in response to increased wholesale energy prices and natural gas prices in the SPP region.

Evergy Central's increase in its volume of self-committed energy and number of self-committed operating hours were primarily driven by higher wholesale energy prices in the SPP IM, resulting from higher natural gas costs. Year-over-year, Evergy Central experienced increased utilization of its generation fleet, resulting increased generation revenue and fuel costs and lower purchase power costs. As a result of elevated fuel pricing, the total all-in ACA costs delivered to Kansas customers was \$0.02839 per kWh, which represented a 12.8% increase year-over-year.⁴²

RECOMMENDATION:

As described above, Staff's audit: 1) verified the accuracy of the monthly settlement computations by ensuring the ACA factor calculated by Evergy Central reflects the actual over/under-recoveries and the actual kWh sales to Kansas jurisdictional customers; 2) ensured that the actual fuel, purchased power, and emissions costs recovered through the ECA are actual costs supported by vendor invoices and general ledger entries; 3) verified that sample costs reviewed are just and reasonable; and 4) verified that the ECA factor used to calculate the customer's bill agrees with the calculation that the Company files with the Commission.

Staff found no material irregularities in the information provided by Evergy Central to support the audited sample months included in the Application. Therefore, for the reasons set forth herein,

⁴² See Confidential Exhibit A attached to the Testimony of Elizabeth Herrington ACA for Evergy Central's ACA cost calculation.

Staff recommends that the Commission conclude that Evergy Central's Application would result in a just and reasonable ACA factor of \$0.004993 per kWh to recover \$97,865,616. Staff recommends the Commission approve Evergy Central's Application as filed.

Staff will continue to monitor Evergy Central's performance and participation in the IM and will provide periodic updates to the Commission regarding this issue within Evergy Central's annual ACA updates, and as often as the Commission may require.

CERTIFICATE OF SERVICE

23-EKCE-668-ACA

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing was served via electronic service this 27th day of March, 2025, to the following:

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