

PUBLIC

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

**DIRECT TESTIMONY OF
JAMES MEITNER
ON BEHALF OF**

**EVERGY KANSAS CENTRAL, INC.
AND EVERGY KANSAS METRO, INC.**

**IN THE MATTER OF EVERGY KANSAS CENTRAL, INC.’S AND EVERGY KANSAS
METRO, INC.’S REQUEST FOR AUTHORITY TO IMPLEMENT PROPOSED
FORWARD NATURAL GAS AND POWER HEDGING POLICY AND TO PERMIT
ALL COSTS AND BENEFITS TO FLOW THROUGH RETAIL ENERGY COST
ADJUSTMENT TARIFF**

DOCKET NO. 23-EKCE-____ - ____

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

2 A: My name is James Meitner. My business address is 818 South Kansas Avenue, Topeka,
3 Kansas 66612.

4 **Q: On whose behalf are you testifying?**

5 A: I am testifying on behalf of Evergy Kansas Central, Inc. (“EKC”) and Evergy Kansas
6 Metro, Inc. (“EKM” and collectively, “Evergy”) in this proceeding.

1 **Q: What is your role and responsibilities with Evergy?**

2 A: I am the Director of Market Operations and my responsibilities include the oversight of
3 market operations for the Evergy jurisdictions. This includes generation system operations,
4 real time trading, day ahead planning, and natural gas buying.

5 **Q: Please describe your education, experience, and employment history relevant to your**
6 **role with Evergy.**

7 A: I graduated from Washburn University in 2004 with a BBA in Finance and Economics. I
8 graduated from Baker University in 2009 with a Masters in Business Administration. I
9 began my utility career with Westar Energy, Inc. in 2004. I have held several positions at
10 Westar Energy, Inc. and Evergy, Inc., in power marketing including Trading, TCR
11 Manager, and Manager of Real-Time Operations.

12 **Q: What is the purpose of your testimony?**

13 A: The purpose of my testimony is to support and explain Evergy's request to establish a
14 Hedge Program related to fuel and purchase power transactions for the benefit of Evergy's
15 retail customers.

16 **Q: Please provide an overview of Evergy's proposed approach to managing its Hedge**
17 **Program.**

18 A: The fundamental approach of this plan would be as follows: No later than ** [REDACTED] ** months
19 ahead of the operational month, the forecasted on-peak, off-peak, and around the clock net
20 position of each jurisdiction will forecasted and published. ** [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 [REDACTED] ** These transactions would occur
7 between ** [REDACTED] ** months prior to the operational start month. Multiple chronological
8 months may be combined into seasons/quarters for transaction purposes. The combined
9 months' net short positions will be averaged (weighted averaged) together to determine
10 position. Hedging net settlement absolute values are anticipated to be less than 5% of the
11 jurisdictional actual annual total fuel and purchased power costs.

12 **Q: How will hedging decisions be made?**

13 A: Eversource will utilize ** [REDACTED] ** to derive jurisdictional net positions for future periods.
14 ** [REDACTED] ** is an electric production cost model that incorporates details in generating
15 unit operating characteristics, transmission grid topology constraints, and market system
16 operations to generate nodal or locational marginal prices (LMP) and unit generation
17 volumes on an hourly basis. Using the modeled outputs, Eversource can calculate an hourly
18 load weighted average LMP for each operating company. Additionally, the
19 ** [REDACTED] ** hourly generation output is compared against an hourly load demand to
20 model how much each of Eversource's jurisdictions are expected to over- or under-producing
21 electricity relative to their forecasted demand. The Net Position Report aggregates the
22 hourly output data from ** [REDACTED] ** to calculate the LMP-weighted average net
23 position, in MW per hour, of each company on an annual, monthly, and on/off-peak basis

1 for the study period. Negative values on these Net Position Reports represent a “short”
2 position and positive values represent a “long” position. When considering appropriate
3 forward transactions, it is important to understand the LMP-weighted position by
4 jurisdiction and by month/period, given variation in each jurisdiction’s generating fleet and
5 in market conditions across the year. Anytime a jurisdiction has a net short position greater
6 than ****[REDACTED]**** for a month/period, a fuel & purchase power hedging opportunity
7 would apply.

8 **Q: What corporate oversight will be implemented to support the Program?**

9 A: Power Marketing will administer and manage the hedging program on a daily basis.
10 Responsibilities associated with administering and managing the program will be:
11 forecasting monthly net positions ****[REDACTED]**** months forward utilizing ****[REDACTED]****,
12 determining if hedging opportunities exist, monitoring natural gas and power markets for
13 transaction opportunities, determining if transaction opportunities are at prevailing market
14 prices, transacting and documenting transactions, and tracking the performance of hedges.
15 The Risk Oversight Committee (ROC) will receive monthly updates on the performance
16 of the program. The ROC is made up of 7 members of the Evergy senior management
17 team. The purpose of the ROC is to provide guidance with respect to managing the
18 Company’s energy trading risks. The ROC will ensure there is a risk management program
19 within Evergy, Inc. to identify, manage, and monitor risks. The ROC ensures energy
20 trading activities and strategies are aligned within the Company’s risk appetite and
21 tolerance. The Risk Management Policy is approved by the ROC and is within the risk
22 tolerance and delegation of authority established by the Evergy Board of Directors. The
23 Risk Management Policy is attached hereto as Confidential Exhibit JM-1.

1 **Q: How would you summarize the proposed risk management approach in the Program?**

2 A: This program intends to reduce the open exposure to price volatility caused by net short
3 positions. When a jurisdiction has an unhedged short net position, all floating price
4 exposure is experienced at the day of liquidation, typically in the form of spot fuel prices
5 for generation or purchased power from the market. This program strives to diversify or
6 distribute that price exposure across more periods of time. Given the fact that the program
7 only intends to hedge when the net position report forecasts an at or greater than **
8 short position, the volume of hedging is expected to be low. Furthermore, the intent
9 of the program is to hedge, at most and if availability exists, **
10 **

11 **Q: How will the hedging transactions be recorded within the general ledger?**

12 A: Hedging Transactions, as approved by the Commission in future ACA filings, shall be
13 included as a recoverable net expense or net revenue, recorded to Account 447, Account
14 547, Account 501, Account 518 or Account 555, as long as the transaction serves a
15 legitimate hedging purpose such as:

- 16 • In support of physical operations related to coal, fuel oil, natural gas, or nuclear;
- 17 • In anticipation of significant deviations in load or weather forecast; or
- 18 • Other situations in which the primary purpose of entering into the physical or financial
19 transaction is to reduce the open price exposure risk to Evergy Kansas ratepayers.

20 **Q: How will the hedging transactions be included in rates?**

21 A: Evergy expects to recover these transactions through the Retail Energy Cost Adjustment
22 (“RECA”) tariff for Central and Energy Cost Adjustment (“ECA”) tariff for Kansas Metro.

23 **Q: What is the purpose of the RECA and ECA tariffs?**

1 A: The RECA was established in Docket No. 05-WSEE-981-RTS. The ECA was established
2 in Docket No. 07-KCPE-905-RTS. The purpose of these tariffs is to recover the net amount
3 of allowable fuel, purchased power, emission and transmission costs less off-system sales
4 revenues.

5 **Q: Are changes required to the RECA and ECA tariffs at this time?**

6 A: No, the Company believes that based on how the hedging transactions will be recorded, as
7 discussed above, as well as the accounts contained within the existing tariff language for
8 inclusion in the RECA/ECA calculations, that such hedging activity is covered within the
9 current tariff language.

10 **Q: In the event changes are required through this Docket and based on review and**
11 **discussion with KCC Staff, how does the Company propose to revise the tariffs?**

12 A: Evergy is proposing certain revisions to its RECA and ECA tariffs in the Kansas rate cases
13 filed on April 25, 2023. Through review and discussions with Staff and other parties during
14 the general rate case process, suggested updates or revisions relating to the Hedge Program
15 could be included at that time.

16 **Q: Does this conclude your testimony?**

17 A: Yes.

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

James P. Meitner, being duly sworn upon his oath deposes and states that he is the Director, Market Operations, for Evergy, Inc., that he has read and is familiar with the foregoing Direct Testimony, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.

James P. Meitner
James P. Meitner

Subscribed and sworn to before me this 25th day of May, 2023.

Leslie R. Wines
Notary Public

My Appointment Expires: May 30, 2026



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Risk Management Policy

January 1, 2023



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Table of Contents

