

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2023-0245, Tariff Tracking No. JE-2023-0139

FROM: Cynthia M. Tandy, Lead Senior Utility Regulatory Auditor

DATE: /s/ Cynthia M. Tandy / 03-01-2023 /s/ Casi Aslin / 03-01-2023
Energy Resources Department / Date Staff Counsel's Office / Date

SUBJECT: Staff Recommendation for Tariff Sheet Filed to Change Rates Related to Evergy Metro, Inc., d/b/a Evergy Missouri Metro's Fuel Adjustment Clause Pursuant to the Commission's *Report and Order* and *Order Regarding Compliance Tariff Sheets* in Case No. ER-2018-0145.

DATE: March 1, 2023

On January 31, 2023, Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro"), filed with the Missouri Public Service Commission ("Commission") one tariff sheet, P.S.C. MO. No. 7 9th Revised Sheet No. 50.31, bearing a proposed effective date of April 1, 2023, and cancelling P.S.C. MO. No. 7 8th Revised Sheet No. 50.31. The Commission assigned the new tariff sheet Tariff Tracking No. JE-2023-0139 and ordered Staff to file its recommendation by March 2, 2023. In this tariff sheet, Evergy Missouri Metro proposes to revise its Fuel Adjustment Rates ("FARs") of its Fuel Adjustment Clause ("FAC") for Accumulation Period 15 ("AP15"). AP15 was July 1, 2022 through December 31, 2022. Staff recommends that the Commission approve 9th Revised Sheet No. 50.31 Canceling 8th Revised Sheet No. 50.31, and change the FAR.

Evergy Missouri Metro's January 31, 2023 filing includes the testimony of Evergy Missouri Metro witness Lisa A. Starkebaum, Manager – Regulatory Affairs at Evergy Missouri Metro, and associated work papers. Evergy Missouri Metro's calculation of its Fuel and Purchased Power Adjustment ("FPA") is \$7,879,669, as shown on line 11 of proposed 9th Revised Sheet No. 50.31. This FPA divided by the estimated retail sales of 8,848,005,035 kWh (line 12) results in a FAR of \$.00089 per kWh (line 13). This proposed AP15 FAR of \$.00089 per kWh is \$.00087 more than the AP14 FAR of \$.00002/kWh on line 13 of 8th Revised Sheet No. 50.31.

Included in AP15, Ms. Starkebaum explains in her testimony that in the Company's fourth FAC prudence review, Case No. EO-2022-0064, the Commission approved¹ the Non-Unanimous Partial Stipulation and Agreement², where the Company agreed, with no admission of imprudence, to a one-time FAC Prudence Adjustment of \$703,825 for 2017 vintage expired RECs, plus interest of \$28,134³.

¹ The Commission's *Order Approving Stipulation and Agreement*, filed on September 14, 2022.

² *Non-Unanimous Partial Stipulation and Agreement*, filed on July 25, 2022.

³ Ms. Starkebaum's testimony on page 6, lines 1-6.

Calculation of Total Company Fuel and Purchased Power Difference

Eversource Missouri Metro's work papers for AP15 contain data and calculations for ANEC of \$156,985,768 (line 1), and Net Base Energy Cost ("B")⁴ of \$140,118,423 (line 2). For this filing, B equals sales of 8,365,278,998 kWh for July 2022 through December 2022 (line 2.2), multiplied by the Base Factor ("BF") of \$0.01675 per kWh (line 2.1). The difference between ANEC and Net Base Energy Cost is \$16,867,345 and this is the amount on line 3, Total Fuel and Purchased Power Difference.

The Accumulation Periods, Recovery Periods, and other specifications of Eversource Missouri Metro's FAC are set out in its tariff sheets designated Original Sheet Nos. 50.21 through 50.31.

Calculation of FPA Amount

Eversource Missouri Metro's work papers and proposed 9th Revised Sheet No. 50.31 show the FPA amount of \$7,879,669 on line 11 is the sum of:

1. 95% of the difference between the ANEC and the Net Base Energy Cost for AP15, which is \$9,267,249 (line 7);
2. The true-up amount for Recovery Period 12 ("RP12") of (\$278,946)⁵ (line 8);
3. The interest amount of (\$404,809) (line 9), which includes all interest for RP12 (including the Prudence Adjustment's interest) and AP15⁶; and,
4. The Prudence Adjustment amount of (\$703,825) (line 10).

Calculation of FAR

The proposed FAR of \$0.00089 per kWh (line 13), is equal to the FPA amount of \$7,879,669 divided by the estimated recovery period retail net system input ("NSI") of 8,848,005,035 kWh (line 12). This proposed FAR would be in effect for Recovery Period 15, which is Eversource Missouri Metro's billing months of April 2023 through March 2024.

⁴ B = Base Factor multiplied by the accumulation period sales reflected on lines 2, 2.1, and 2.2 of 9th Revised Sheet No. 50.31.

⁵ See Staff Recommendation in File No. EO-2023-0244.

⁶ Interest is defined on Eversource Missouri Metro, P.S.C.MO. No. 7, Original Sheet No. 50.28 as: Interest applicable to (i) the difference between Missouri Retail ANEC and B for all kWh of energy supplied during an AP until those costs have been recovered; (ii) refunds due to prudence reviews ("P"), if any; and (iii) all under- or over-recovery balances created through operation of this FAC, as determined in the true-up filings ("T") provided for herein. Interest shall be calculated monthly at a rate equal to the weighted average interest paid on the Company's short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

Voltage Level FARs

Because of differences in line losses for transmission, substation, primary and secondary voltage service levels,⁷ lines 15, 19, 23, and 27 reflect different FARs for service taken at transmission, substation, primary, and secondary voltage service levels, respectively.

The proposed FARs for transmission, substation, primary, and secondary service voltage levels are on lines 17, 21, 25, and 29. They are the sum of the current period FARs and Evergy Missouri Metro’s prior period FARs.

Listed below are Evergy Missouri Metro’s proposed AP15 FARs, the current AP14 FARs, and the difference between them for Transmission, Substation, Primary, and Secondary voltage service.

| Proposed and Current Annual Fuel Adjustment Rates \$ per kWh | | | |
|---|---------------------------------|--------------------------------|--------------------|
| Service | Proposed AP15 Annual FAR | Current AP14 Annual FAR | Difference |
| Transmission | \$0.00092 | (\$0.00333) | \$0.00425 Increase |
| Substation | \$0.00092 | (\$0.00334) | \$0.00426 Increase |
| Primary | \$0.00094 | (\$0.00342) | \$0.00436 Increase |
| Secondary | \$0.00096 | (\$0.00349) | \$0.00445 Increase |

Based on a monthly usage of 1,000 kWh per month, the proposed change to the secondary FAR would result in an increase of the FAR of a typical Evergy Missouri Metro residential customer’s bill⁸ by \$4.45 per month, from (\$3.49) to \$.96.

Plant in Service Accounting (“PISA”) Deferrals Permitted Under Section 393.1400, RSMo, and Limitations on Rate Modifications Permitted Under Section 393.1655, RSMo

Evergy Missouri Metro stated in its tariff filing letter,

In Case No. EO-2019-0047, the Company elected to make the plant in service accounting (“PISA”) deferrals permitted under section 393.1400

⁷ The voltage adjustment factors (VAFs) for transmission, substation, primary and secondary voltage service levels are included on lines 30 through 33, respectively, of 9th Revised Sheet No. 50.31.

⁸ All residential customers take service at secondary voltage.

RSMo, effective January 1, 2019. The Company performed the PISA calculations to determine the impact, if any, of this semi-annual FAR filing on the Average Overall Rate and Class Average Overall Rate for the Large Power customer class as set forth in the rule under the provisions of section 393.1655 RSMo, rate cap limitations. As explained in direct testimony, there are no PISA adjustments impacting this FAR filing.

Based upon its FAR filing, Eversource Missouri Metro is not required to have separate rates for Large Power Service customers and Non-Large Power Service customers, pursuant to Section 393.1655, RSMo. Nor is it required to have separate rates for customer classes. Staff agrees that the overall outcome of the Compound Annual Growth Rate (“CAGR”) calculation of the 13.6240% for the overall rate cap and 8.9312% for the class average overall rate cap in Eversource Missouri Metro’s work papers does not result in separate rates for Large Power customers and Non-Large Power customers.

Staff Review

Staff reviewed the proposed 9th Revised Sheet No. 50.31 filed on January 31, 2023, Ms. Starkebaum’s direct testimony and all the accompanying work papers, as well as Eversource Missouri Metro’s monthly information reports filed in compliance with 20 CSR 4240-20.090(5) for AP15. Staff verified that the actual fuel costs, net emissions allowances, purchased power costs and transmission costs, and renewable energy credit revenues match the fuel costs, net emissions allowances, purchased power costs, and transmission costs, and renewable energy credit revenues on line 1 of Eversource Missouri Metro’s proposed 9th Revised Sheet No. 50.31 filed on January 31, 2023, along with Ms. Starkebaum’s supporting work papers. Staff also reviewed Eversource Missouri Metro’s monthly interest rates that are applied to 95% of the jurisdictional monthly cumulative under/over-recovery of base fuel and purchased power costs and verified that the monthly interest rates and calculations of monthly interest amounts are correct.

Attachment A includes four charts summarizing Eversource Missouri Metro’s fifteen FAC rate adjustment filings. Chart 1 illustrates: (1) Eversource Missouri Metro’s ANEC, Net Base Energy Cost and under- (over-) recovery amounts for each accumulation period, and (2) that eleven accumulation periods have under-recovered amounts and four accumulation periods have over-recovered amounts. Chart 2 illustrates Eversource Missouri Metro’s FAC cumulative under-recovered amount at the end of each accumulation period, with the cumulative under-recovered amount through AP15 of approximately \$261 million. Chart 3 illustrates that for Eversource Missouri Metro’s accumulation periods one through fifteen, Eversource Missouri Metro under-recovered an average of 13% of its ANEC. Chart 4 illustrates Eversource Missouri Metro’s FAR by customer class for each of the 15 accumulation periods.

Staff Recommendation

Eversource Missouri Metro timely filed its 9th Revised Sheet No. 50.31 on January 31, 2023, and it complies with the Commission’s *Report and Order* and its *Order Regarding Compliance*

Tariff Sheets in Case No. ER-2018-0145, Commission Rule 20 CSR 4240-20.090 (Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements), and Eversource Missouri Metro's FAC in its tariff.

Commission Rule 20 CSR 4240-20.090(8)(H)⁹ provides in part:

(H) Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either—

1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs;

2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order; or

3. If it determines the adjustment to the FARs is not in accordance with the provisions of this rule, section 386.266, RSMo, and the FAC mechanism established in the electric utility's most recent general rate proceeding, reject the proposed rate sheets, suspend the timeline of the FAR adjustment filing, set a prehearing date, and order the parties to propose a procedural schedule. The commission may order the electric utility to file tariff sheet(s) to implement interim adjusted FARs to reflect any part of the proposed adjustment that is not in question;

Eversource Missouri Metro requests that its proposed 9th Revised Sheet No. 50.31, filed January 31, 2023, become effective on April 1, 2023. The Company filed the tariff sheet with 60 days' notice. Staff, therefore, recommends the Commission issue an order approving the following proposed revised tariff sheet become effective on April 1, 2023:

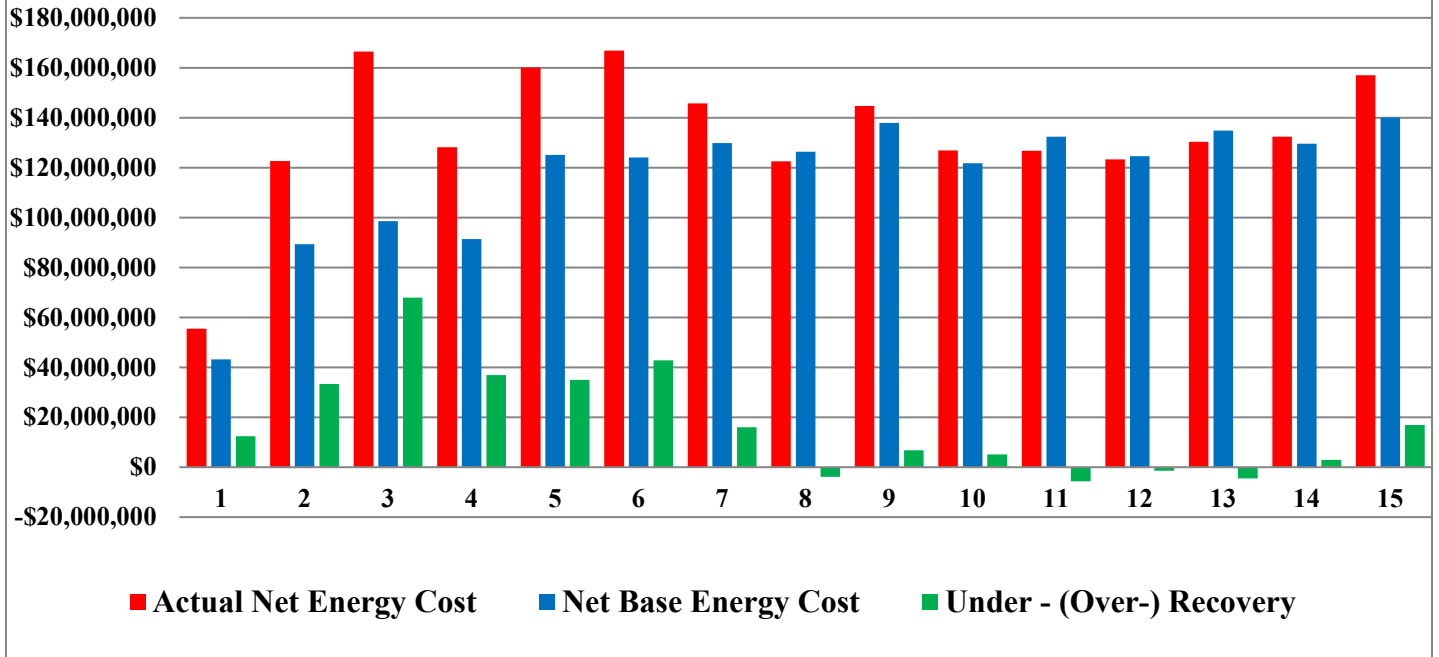
P.S.C. Mo. No. 7

9th Revised Sheet No. 50.31 Cancelling 8th Revised Sheet No. 50.31

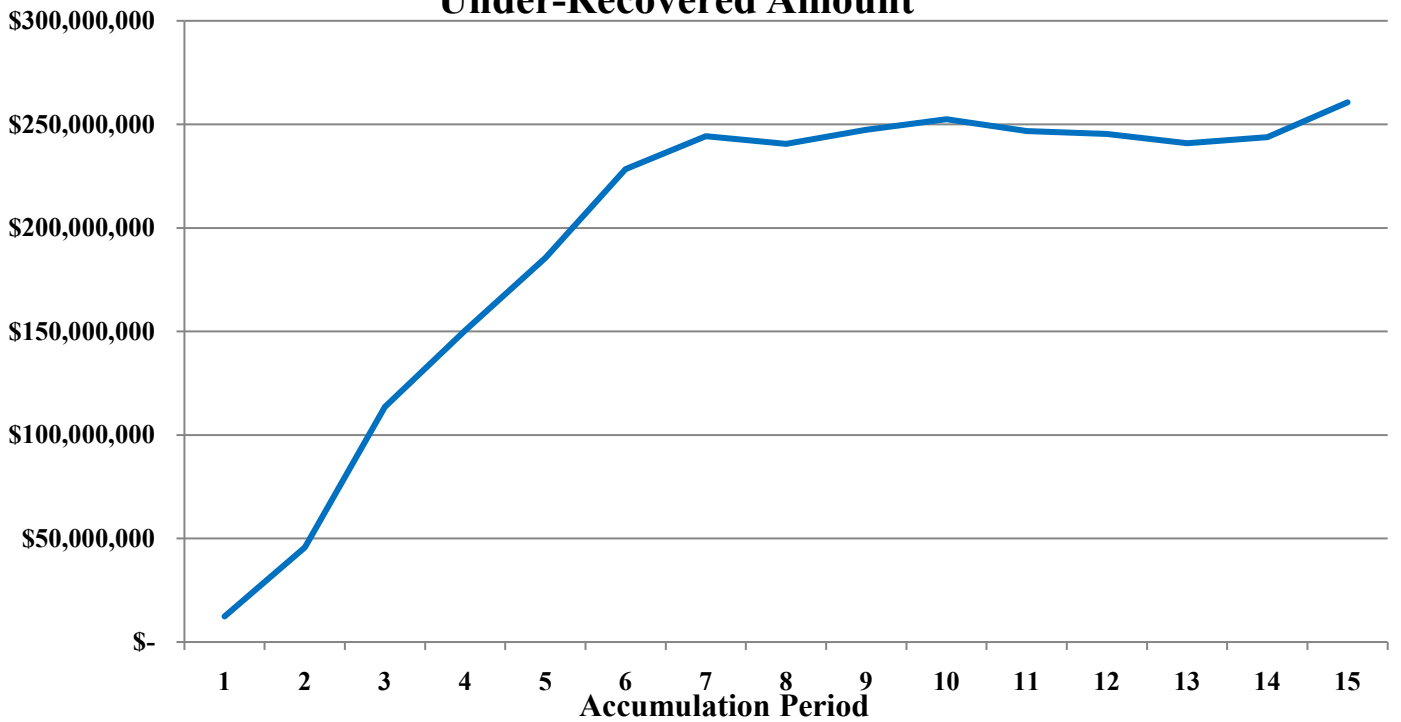
Staff verified that Eversource Missouri Metro is not delinquent on any assessment and filed its 2021 Annual Report. Eversource Missouri Metro is current on its submission of its Surveillance Monitoring reports, required by 20 CSR 4240-20.090(6), and its monthly reports, required by 20 CSR 4240-20.090(5). Except for Eversource Missouri Metro's RP12 true-up filing in File No. EO-2023-0244, Staff is not aware of any other matter before the Commission that affects or is affected by this filing. Staff's recommendation for approval of the Current Period FARs in this case is solely based on the accuracy of Eversource Missouri Metro's calculations and is not indicative of the prudence of the actual net energy costs incurred during AP15.

⁹ Effective January 30, 2019.

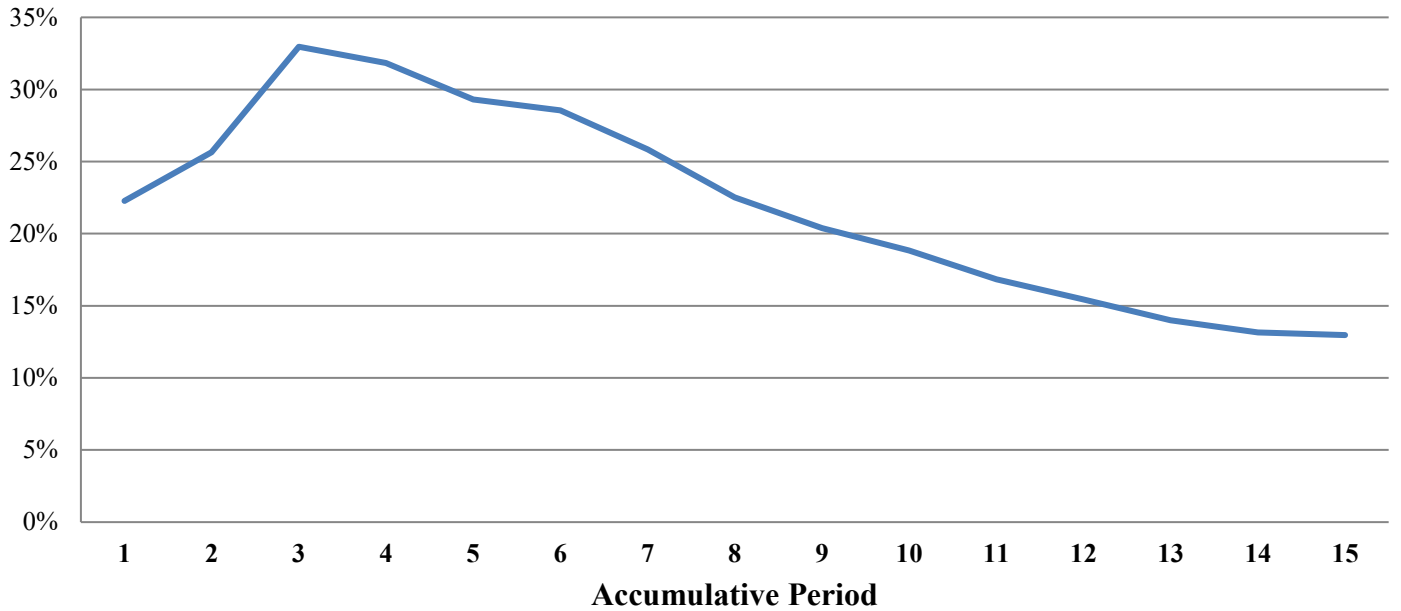
CHART 1: EVERGY MISSOURI METRO FAC COSTS



**Chart 2:
Evergy Missouri Metro FAC Cumulative
Under-Recovered Amount**



**Chart 3: Evergy Missouri Metro FAC
Annual Cumulative Under-Recovered Percent**



**CHART 4: EVERGY MO METRO FUEL
ADJUSTMENT RATES**

