

**STAFF REPORT ON THE PRUDENCE REVIEW OF COSTS
RELATED TO THE QUARTERLY COST ADJUSTMENT
FOR THE STEAM HEAT OPERATIONS OF
EVERGY MISSOURI WEST, INC. d/b/a EVERGY MISSOURI WEST**

January 1, 2022 through December 31, 2022

FILE NO. HO-2023-0357

Executive Summary

The Missouri Public Service Commission (“Commission”) first authorized a Quarterly Cost Adjustment (“QCA”) for Evergy Missouri West, Inc., d/b/a Evergy Missouri West (“Evergy”) in Case No. HR-2005-0450. Since then, the Commission has approved the continuation of Evergy’s QCA, with modifications, in its Report and Orders issued in Evergy’s subsequent general rate cases, Case Nos. HR-2009-0092, HR-2010-0028, and HR-2018-0231.¹

Evergy’s QCA rider included in its tariff, under P.S.C. MO. No. 1, 1st Revised Sheet Nos. 6.8 and 6.9, provides a two-step approach regarding prudence reviews related to the implementation of the QCA. In Step One, Staff reviews Evergy’s operations to ascertain that Evergy and customer interests are aligned as intended and that no significant level of imprudent costs is apparent. In considering the Step One results, Staff may proceed to Step Two, which is a full prudence review. In this case, Staff’s initial review was inconclusive and therefore a full Step Two prudence review is necessary. This is Staff’s first prudence review of Evergy’s QCA since its implementation, and this prudence review covers the period of January 1, 2022 through December 31, 2022. Specifically, Staff analyzed items affecting Evergy’s total fuel costs, particularly coal.

Staff analyzed a variety of items in examining whether Evergy prudently incurred the fuel costs associated with its QCA tariff sheets. Based on its review, Staff identified no evidence of imprudence by Evergy for the period of January 1, 2022, through December 31, 2022.

¹ Case No. HR-2018-0231 was approved with accompanying tariff sheets effective on January 1, 2020.

Prudence Standard

In making its recommendation to the Commission, Staff must determine if the utility acted imprudently, and if this imprudence resulted in harm to the utility's customers. This determination is based upon the information available to the utility and under the circumstances at the time, when the decision was made or action was taken. Staff's responsibility is to determine how a reasonable person would have performed the tasks that confronted a company. The determination is not based on hindsight or information that was not available at the time.

General Description of Evergy's QCA

Evergy's QCA rider requires that Evergy file rate adjustments quarterly to reflect the actual fuel costs above or below a base amount set in the rate case order for its previous rate case, Case No. HR-2018-0231. Any adjustments the Commission orders arising from a QCA prudence review shall be placed in a reconciliation account for collection in the quarterly rate adjustment filing unless a separate refund is ordered by the Commission.

Table 1 identifies Evergy's Commission-approved QCA tariff sheets, which were applicable for service provided by Evergy to its customers during the period of January 1, 2022 through December 31, 2022:

Table 1
Evergy's Commission-approved QCA tariff sheets
January 1, 2022 through December 31, 2022

2nd Revised Sheet No. 6.6
1st Revised Sheet No. 6.7
1st Revised Sheet No. 6.8
1st Revised Sheet No. 6.9
50th Revised Sheet No. 6.10
51st Revised Sheet No. 6.10
52nd Revised Sheet No. 6.10
53rd Revised Sheet No. 6.10

Staff Review and Reconciliation of FERC Accounts

Evergy provides its monthly General Ledger to the Commission as ongoing surveillance data in their surveillance reports. The transactions and totals for each Federal Energy Regulatory Commission (“FERC”) account by month and year from the General Ledger are included in these reports and were reviewed for the review period. In addition to verifying that the total dollar amounts from these two accounting sources are equal, Staff reviewed expense and revenue transactions to identify any unusual dollar amounts, improperly categorized amounts, or categories of cost or revenue which are not allowed in the QCA.

Using the Data Request (“DR”) responses, Staff reviewed the FERC account related to Evergy’s increase in Fuel Costs: Coal as it relates to the QCA for this review period. The FERC account subject for this QCA review is 501 Fuel.

Staff’s Investigation

In evaluating prudence, Staff reviews whether a reasonable person making the same decision would find both the information the decision-maker relied on and the process the decision-maker employed to be reasonable based on the circumstances at the time the decision was made, i.e., without the benefit of hindsight. If either the information relied upon or the decision-making process employed was imprudent, then Staff examines whether the imprudent decision caused any harm to customers. Only if an imprudent decision resulted in harm to Evergy’s customers, will Staff recommend a disallowance. However, if an imprudent decision did not result in harm to Evergy’s customers, then Staff may further evaluate the decision-making process, and may recommend changes to the company’s business practice going forward.

On January 17th, 2023, Evergy filed a Tariff Revision request for its QCA rate in Case No. HT-2022-0284. Included in the filing were company workpapers that showed a significant increase in the Fuel Costs: Coal category for the fourth quarter of 2022. The Company noted this was due to results from a coal pile survey conducted in the fall. Due to the unexplained and significant increase in fuel burn expense for the fourth quarter of 2022, Staff initiated a prudence review.

Staff requested and received information in Data Requests stating Evergy ** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] ² [REDACTED]

[REDACTED] ³ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] ⁴ **

Staff found the Company’s response to the initial DR, and the responses to DRs seeking clarification to be insufficient to explain the additional burn expense. Staff was concerned with the Company’s representation that consolidating the existing coal inventory would result in a reduction of the coal present. In a meeting held with the company on July 18th, 2023, Evergy ** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] ⁵ ** These explanations and results satisfactorily explain why there was an increase in Fuel Costs: Coal in the fourth quarter, because the Company’s explanation of the second coal pile survey and that survey’s results resolved Staff’s concerns.

² Data Request No. 0002 Response.
³ Data Request No. 0002.3 Response.
⁴ Data Request No. 0002.1 Response.
⁵ See Data Request No. 0010 Response for both the spring and fall coal pile survey results.

Conclusion

While the coal burn expense account increased in the fourth quarter of 2022, the actual usage of the coal seemingly occurred prior to the fall of 2022. As the QCA is updated on a quarterly basis, Staff allowed the company to receive reimbursement in the fourth quarter 2022 QCA, with the understanding the usage seemingly occurred prior to said time. Staff found no indication that Evergy acted imprudently regarding the Fuel Costs: Coal expenses for the review period.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Prudence Review of the)
Steam Operations of Evergy Missouri, West,) File No. HO-2023-0357
Inc. d/b/a Evergy Missouri West)

AFFIDAVIT OF MELANIE CLARK

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW MELANIE CLARK and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation*, in memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.




MELANIE CLARK

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 2nd day of August 2023.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070



Notary Public