

MEMORANDUM

To: File No. ER-2023-0210

From: Lena M. Mantle
Senior Analyst, Office of the Public Counsel

Re: Fuel and Purchased Power Costs of Evergy Missouri West, Inc. for its 31st Accumulation Period of June 2022 through November 2022

Date: February 6, 2023

On December 30, 2022, Evergy Missouri West, Inc. (“Evergy West”) filed with the Commission an interim tariff sheet to collect \$56,279,046 from its customers through its fuel adjustment clause (“FAC”) and requesting plant in-service accounting (“PISA”) treatment for \$47,898,201. The table below shows for the dates at the top of the column, the actual FAC costs incurred (Actual Net Energy Costs), the amount of costs that were recovered in base rates, the difference between the incurred costs and the costs recovered in the time period, and the amount of the difference to be billed customers after the application of a jurisdictional factor and the 95%/5% sharing ordered by the Commission.

Table 1
Comparison of FAC Costs

| | Tariff Sheet Line # | AP 29 6/21 - 11/21 | AP 30 12/21 - 5/22 | AP 29 & 30 6/21 - 5/22 | AP 31 6/22 - 11/22 |
|-----------------------------------------|---------------------|-----------------------|-----------------------|---------------------------|-----------------------|
| Accumulation Period Dates | | | | | |
| Actual Net Energy Costs (ANEC) | 1 | \$ 154,378,423 | \$ 142,587,458 | \$ 296,965,881 | \$ 213,325,427 |
| Cost Recovered thru Base Rates (B) | 2 | \$ 103,877,144 | \$ 96,513,978 | \$ 200,391,122 | \$ 106,268,999 |
| Difference (ANEC - B) | 3 | \$ 50,501,279 | \$ 46,073,480 | \$ 96,574,759 | \$ 107,056,428 |
| Cost to be Recovered (95%*((ANEC-B)*J)) | 7 | \$ 47,858,952 | \$ 43,690,267 | \$ 91,549,219 | \$ 101,492,930 |

As shown in this table, the cost to be recovered (tariff sheet line 7) from the six months of AP 31, \$101,492,930, is more than the combined costs to be recovered the 12 months of AP 29 and 30 of \$91,549,219. While the actual energy cost (tariff sheet line 1) of \$213,325,427 in AP 31 is less than the combined actual energy costs of AP 29 and 30 of \$296,965,881, the cost recovered in

base rates (tariff sheet line 2) in AP 31 is just a bit more than half of what was recovered in the previous two accumulation periods.

Calculation of Extra-Ordinary Cost Threshold

In its most recent Annual Report submitted to the Commission for calendar year 2021, Evergy West provided that its operation revenues were \$843,890,980 and its net operating income as \$125,261,635. (FERC Form No. 1, page 114)

The Uniform System of Accounts provides the following definition of extraordinary items:

Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future. (In determining significance, items should be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate. To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See accounts 434 and 435.)

Five percent of Evergy West's gross income in 2021 was \$42,194,549. Five percent of its 2021 net operating revenues was \$6,263,082.

The FAC cost from AP 31 to be recovered are extraordinary regardless of which of these incomes is used to determine whether or not an expense is extraordinary.

Determination of Non-Extraordinary Cost

Evergy West incurs costs in every accumulation period. However the FAC cost incurred in accumulation period 31 is greater than any other accumulation period with the exception of the accumulation period 28 that included the cost incurred during Storm Uri. Evergy West proposed a methodology of determining the non-extraordinary cost for February of that accumulation period as the three-year average of February costs from the prior three years. This average was the non-extraordinary cost used for February in accumulation period 28.

A non-extraordinary amount for accumulation period 31 can be similarly calculated. This calculation is shown in Table 2 below.

Table 2
Calculation of Non-Extraordinary Fuel

| Tariff Sheet Line # | Actual Net Energy Cost (ANEC) | Non-Extraordinary AP 31 | |
|---------------------|--------------------------------------------------|-------------------------|-----------------------|
| | | AP 25 | AP 27 |
| | | \$ 104,627,314 | |
| | | \$ 110,662,965 | |
| | | \$ 154,378,423 | |
| | | \$ 123,222,901 | |
| 1 | Actual Net Energy Cost (ANEC) | \$ 123,222,901 | \$ 213,325,427 |
| 2 | Net Base Energy cost (B) | \$ 106,268,999 | \$ 106,268,999 |
| 2.1 | Base Factor (BF) | \$ 0.02240 | \$ 0.02240 |
| 2.2 | Accumulation Period NSI (S_{AP}) | 4,744,151,719 | 4,744,151,719 |
| 3 | (ANEC-B) | \$ 16,953,902 | \$ 107,056,428 |
| 4 | Jurisdictional Factor (J) | 99.792852% | 99.792852% |
| 5 | (ANEC-B)*J | \$ 16,918,782 | \$ 106,834,663 |
| 6 | Customer Responsibility | 95% | 95% |
| 7 | 95% *((ANEC-B)*J) | 16,072,843 | \$ 101,492,930 |
| 8 | True-Up Amount (T) | \$ 220,443 | \$ 220,443 |
| 9 | Interest (I) | \$ 2,510,702 | \$ 2,510,702 |
| 10 | Prudence Adjustment Amount (P) | \$ (48,796) | \$ (48,796) |
| 11 | Fuel and Purchased Power Adjustment (FPA) | \$ 18,755,192 | \$ 104,175,279 |
| | Extraordinary Cost | | \$ 85,420,087 |

This analysis shows that the non-extraordinary cost for Evergy West’s May through November accumulation periods is \$123,222,900 derived using costs from the May through November accumulation periods from 2019, 2020, and 2021. Using this as the Actual Net Energy Costs for accumulation period 31 results in a Fuel and Purchased Power Adjustment (FPA) of \$18,755,192 and extraordinary costs of \$85,420,087.