MEMORANDUM

To: Missouri Public Service Commission Official Case File,
Case No. EO-2023-0115

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

Re: Evergy Missouri West's Notice of Change in its Preferred Resource Plan

Date: October 6, 2022

Evergy Missouri West, Inc.'s ("Evergy West") filing regarding its change to its preferred resource plan is misleading. While it is acquiring this larger wind project earlier than initially planned, the actual timing for customers will, at the earliest be the same as the preferred plan and could be delayed by Evergy West until late 2026. In addition, the costs will be higher for customers because customers will be paying for 85% of the depreciation, plus a return of 8.25% between the date of the acquisition of the wind project and when it is placed in rate base in the next rate case.

Background:

On September 26, 2022, Evergy Missouri West, Inc. ("Evergy West") filed notice of its determination of a change in its preferred resource plan[1] that it was changing its 150 MW wind addition in 2024 in its preferred plan to a 198.6 MW wind addition in 2023. Evergy West states that it expects to commence ownership and control of the Persimmon Creek Wind Project ("Persimmon Creek" or "wind project") in January 2023.[2]

Timing:

Rates in Evergy West's current rate case are to be effective December 6, 2022. Evergy West states that it would like the Commission's approval of a certificate of convenience and necessity ("CCN") quickly so that it can take ownership and control less than two months after the effective date of rates. In the past, electric utilities would time their rate cases so that the resource would be commercially operational during the true up of its case, thus minimizing the time that it would have ownership but not be recovering costs from customers.

With the advent of plant in-service accounting ("PISA") and energy markets, electric utilities no longer have an incentive to quickly get resources into rates. PISA guarantees the utility recovery of 85% of the depreciation and a return up until the resource is included in rates in the next rate case. In addition, because the resource is not in rate base, the utility can pass the revenues generated from the resource back to its shareholders. PISA and the energy markets have created an incentive for utilities to delay placing resources in rates as long as possible.

[1] Pursuant to Commission Rule 20 CSR 4240-22.080(12).
[2] Evergy West's *Notification of Preferred Resource Plan Change*, page 5.

Because Persimmon Creek is commercially operable, Evergy West, as soon as it takes ownership, will begin to receive revenues from its generation and production tax credits ("PTCs"). However, because this resource is not in rates, until the effective date of rates in its next general rate case, the revenue generated from the wind project will not reduce the fuel and purchased power costs that Evergy West passes on to its customers through the fuel adjustment clause. This opens up an opportunity for Evergy West to direct the revenues generated to its shareholders while customers will in the next rate case pay for 85% of the depreciation of this asset and a return of 8.25% on that depreciation. This in effect delays the provision of benefits to customers while lining the pockets of the shareholders and increasing regulatory asset costs that customers will be required to pay in future rates.

Conclusion:

The modeling of the new preferred plan does not differentiate between who gets the benefits. In reality, the earliest customers could receive benefits from Persimmon Creek is 2024 and the latest is 2027. Because Evergy West has elected PISA, the costs to the customers will be higher than what Evergy West modeled. How much higher is dependent upon when Evergy West files for its next general rate increase. While OPC realizes there is likely to be energy and capacity benefits from the acquisition of this resource, customers will not realize the benefits presented to the Commission in this filing. However, the timing of this acquisition does give Evergy West an avenue to greatly increase the earnings of shareholders of Evergy with a minimal increase in costs to shareholders while increasing the cost to its customers.