

**BEFORE THE PUBLIC SERVICE COMMISSION OF
THE STATE OF MISSOURI**

In the Matter of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro’s Request for Authority to) Case No. ER-2022-0129
Implement A General Rate Increase for Electric)
Service)

In the Matter of Evergy Missouri West, Inc. d/b/a)
Evergy Missouri West’s Request for Authority to) Case No. ER-2022-0130
Implement A General Rate Increase for Electric)
Service)

**NON-UNANIMOUS STIPULATION AND AGREEMENT
REGARDING PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS**

COMES NOW Evergy Metro, Inc. (“EMM”), Evergy Missouri West, Inc. (“EMW”), (collectively the “Company”) and the Staff of the Missouri Public Service Commission (“Staff”), and respectfully state to the Missouri Public Service Commission (“Commission”): EMM, EMW and the Staff (individually “Signatory” and collectively “Signatories”) have reached an agreement (“Agreement”) that resolves between them pension and other post-employment benefit (“OPEB”) costs for EMM and EMW as of May 31, 2022 and identifies the treatment of EMM and EMW’s pension and OPEB costs subsequent to the effective date of rates in these cases as indicated below. Nothing in this Agreement prevents any of the Signatories from proposing changes to the provisions of this Agreement in any future case. The Signatories are not bound to propose continuation of this treatment of pensions and OPEBs expense in future rate cases; i.e., they may propose other ratemaking treatment.

PURPOSE OF THE STIPULATION AND AGREEMENT

The Generally Accepted Accounting Principles (“GAAP”) related to pension and OPEB costs are identified in Accounting Standards Codification (“ASC”) 715 – Compensation – Retirement Benefits. Prior to the codification of accounting standards, GAAP for pensions and

OPEB costs were included in Statement of Financial Accounting Standards (“FAS”) Nos. 87, 88, 106, 112, 132(R) and 158. For purposes of clarity and consistency the original FAS designations will be used here.

This Stipulation and Agreement is intended to accomplish the following:

CHANGE IN ACCOUNTING METHOD

The Signatories request that the Commission authorize a change in accounting method for the calculation of pensions and OPEB cost for regulatory purposes at the effective date of rates in this case. The Company is currently maintaining pension and OPEB calculations on different accounting methods to meet its various reporting requirements which creates a complicated series of calculations. The Company would like to move from the Regulatory method which has been authorized in the past several rate cases, to the Evergy GAAP method for regulatory purposes to simplify these calculations. To remain rate neutral, the difference in unrecognized losses between the Regulatory method and the Evergy GAAP method will be amortized as an additional fixed adjustment for regulatory purposes.

TRACKER MECHANISMS

1. The Signatories request that the Commission authorize the continuation of a tracker mechanism for pension and OPEB expenses.
2. The Signatories agree that a FAS 87 regulatory asset or liability will be continued on EMM and EMW’s books to track the difference between the level of FAS 87 cost calculated, pursuant to the Evergy GAAP method, during each current annual rate period, and the level of pension cost used to establish rates for that period. The level of FAS 87 current period cost, before capitalization, will be updated annually based on the amounts provided by the Company’s actuaries. If the FAS 87 cost during the current period is more than the cost used to determine rates

for the period, EMM and EMW will establish a regulatory asset or reduce the existing regulatory liability. If the FAS 87 cost during the current period is less than the cost used to determine rates for the period, EMM and EMW will either establish a regulatory liability or reduce the existing regulatory asset. If the current period FAS 87 cost becomes negative during a period in-between rate proceeding, EMM and EMW will establish a regulatory liability equal to the difference between the level of pension cost used to determine rates for that period, and \$0. The cumulative net regulatory asset or liability will be included in rate base and amortized over five (5) years in EMM and EMW's next Missouri rate case since it is a cash item, subject to a review for prudence.

3. Any amount of FAS 87 cost (as calculated pursuant to the Evergy GAAP method), which exceeds the actual level of contributions as authorized in paragraph 5 below, must be funded by the Company, either through a cash contribution or through a reduction of the Prepaid Pension Asset discussed in paragraph 5 below.

4. Any FAS 87 amount that exceeds the actual level of contributions as authorized in paragraph 5 below that is not funded because it exceeds the amount of funding that is tax deductible will be tracked, as a regulatory liability, to ensure it is funded in the future when it becomes tax deductible. The non-funded amount (regulatory liability) will be allowed as a rate base offset (reduction) for the excess collected in rates, but not contributed to the trust fund until such time as the contribution occurs.

5. The Prepaid Pension Asset is \$0 at May 31, 2022 for EMM and EMW. However, consistent with the goal expressed above, a new Prepaid Pension Asset may be established if EMM or EMW's share of amounts contributed to the pension trust, as authorized for the reasons below, exceed the FAS 87 cost calculated pursuant to the Evergy GAAP method. Except as otherwise indicated below, the Signatories agree to allow the Company rate recovery for contributions made

to the pension trust in excess of the FAS 87 cost calculated pursuant to the Evergy GAAP method for the following reasons:

- a. The minimum required contribution under ERISA is greater than the FAS 87 cost level.
 - b. Additional contributions are made to avoid or reduce Pension Benefit Guarantee Corporation (“PBGC”) variable premiums or to avoid benefit restrictions or “at risk” status under ERISA. Such contributions will be examined in future rate cases and a determination will be made at that time as to the prudence and reasonableness of these contributions, and the appropriate and proper level recognized for ratemaking as a Prepaid Pension Asset.
 - c. The Prepaid Pension regulatory asset will be continued and will be allowed rate base treatment for the excess of any contribution over the annual FAS 87 cost calculated pursuant to the Evergy GAAP method. This regulatory asset shall be used to satisfy, in whole or in part, the FAS 87 funding requirement described in paragraph 3 above. The Prepaid Pension Asset will be reduced as it is used to satisfy the FAS 87 funding requirement.
6. Any FAS 87 prepaid pension asset, other than the amount authorized in paragraph 5 above, will not earn a return in future regulatory proceedings.
7. The Signatories agree that EMM and EMW will utilize a tracking mechanism for its share of FAS 106 OPEB costs consistent with the provisions of paragraphs 2 through 6 above, with the following modifications:
- a. OPEB cost will be calculated based on FAS 106 requirements with the exception of EMM’s share of Wolf Creek OPEBs.

- b. All amounts provided in rates as calculated under FAS 106 shall be contributed to an OPEB trust, with the exception of amounts paid related to EMM's share of Wolf Creek OPEBs.
- c. Wolf Creek OPEBs cost will be based on the "pay as you go" amount; i.e, the amount actually paid to Wolf Creek after amounts to capital. Wolf Creek OPEBs cost and the amounts paid to Wolf Creek shall not be subject to any tracking, either independently or within KCP&L's ongoing OPEB tracking mechanism.

ANNUAL PENSION COST AND REGULATORY ASSETS
CASE NOS. ER 2022-0129 AND ER 2022-0130

8. EMM and EMW's Missouri jurisdictional rates established in these cases, ER-2022-0129 and ER-2022-0130, are based on \$28,489,112 and \$7,429,450, (total company), respectively, for annual pension cost expensed under FAS 87, after removal of capitalized amounts and the portion of EMM's annual pension cost which is allocated to EMM's joint owners, but before inclusion of allowable SERP pension costs and amortization of pension-related regulatory assets/liabilities.

9. EMM and EMW's Prepaid Pension Asset balances included in rate base, exclusive of the joint owners' shares, is \$0 (total company) at May 31, 2022.

10. EMM and EMW's FAS 87 Regulatory Asset/Liability included in rate base for the cumulative difference between pension cost recognized in its prior rates and its actual pension costs under FAS 87 are (\$6,255,749) and \$8,136,713 (total company), respectively, at May 31, 2022.

11. EMM and EMW's rates reflect the 5-year amortization of the FAS 87 Regulatory Asset/Liability identified in the prior paragraph at an annual rate before capitalization of (\$1,251,150) and \$1,627,343 (total company), respectively. EMM and EMW will amortize

(\$808,243) and \$873,395, respectively, (total company), after capitalization, to pension expense annually beginning with the effective date of rates established in cases ER-2022-0129 and ER-2022-0130.

ANNUAL OTHER POST EMPLOYMENT BENEFITS
CASE NOS. ER 2022-0129 AND ER 2022-0130

12. EMM and EMW's Missouri jurisdictional retail rates established in cases ER-2022-0129 and ER-2022-0130, are based on \$256,406 and \$146,407 (total company) respectively, for annual OPEB cost expensed under FAS 106, before inclusion of the OPEB-related amortization of regulatory assets and/or liabilities. EMM's rates will also include \$539,425 for their share of WCNOB OPEB O&M costs based on the pay-as-you-go method.

13. EMM and EMW's FAS 106 Regulatory Liability included in rate base for the cumulative difference since inception between OPEB cost recognized in its prior rates and its actual OPEB costs under FAS 106 are (\$6,299,592) and (\$4,989,479) (total company), respectively, at May 31, 2022.

14. EMM and EMW's rates reflect the 5-year amortization of the FAS 106 Regulatory Liability identified in the prior paragraph at an annual rate before capitalization of (\$1,259,918) and (\$997,896) (total company), respectively. EMM and EMW will amortize (\$731,509) and (\$535,571) (total company), respectively, after capitalization, to OPEB expense annually beginning with the effective date of rates established in cases ER-2022-0129 and ER-2022-0130.

15. EMM and EMW's Prepaid OPEB Asset balances included in rate base are \$0 at May 31, 2022.

FAS 88 PENSION TREATMENT

16. EMM and EMW's Regulatory Asset for FAS 88 pension costs will be tracked by vintage. At May 31, 2022, EMM's total company 2017, 2019, 2020 and 2021 vintages of FAS 88

regulatory assets were \$5,035,517, \$7,560,804, \$10,094,719 and \$10,548,241, respectively, exclusive of any amount allocated to EMM's joint owners and including capitalized amounts. At May 31, 2022, EMW's total company 2017, 2019, 2020 and 2021 vintages of FAS 88 regulatory assets were, \$2,479,820, \$6,294,388, \$3,163,383, and \$2,602,770, respectively including capitalized amounts.

17. EMM and EMW's rates will continue to reflect the 5-year amortization of the 2017 vintage identified in the prior paragraph at the annual total company amount of \$2,326,744 and \$1,140,552, respectively. In addition, the 2019, 2020, and 2021 vintages identified in the prior paragraph will be included in EMM rates at an annual total company amount of \$1,043,391, \$1,260,023 and \$1,227,604, respectively, and EMW rates at an annual total company amount of \$868,626, \$373,659 and \$302,910, respectively, after capitalization. EMM and EMW will amortize FAS 88 costs to pension expense annually with the effective date of rates established in Case Nos. ER-2022-0129 and ER-2018-0130.

FAS 88 OPEB TREATMENT

18. The Signatories agree Metro and EMW's FAS 88 OPEB costs will be deferred in a regulatory asset and amortized to cost-of-service over 5-years in the Company's next rate case. EMM and EMW's FAS 88 OPEB costs deferred in a regulatory asset were \$0 at May 31, 2022.

WHEREFORE, the undersigned Signatories respectfully request the Commission to issue an order approving the Agreement subject to the specific terms and conditions contained therein.

Respectfully submitted,

/s/ Nicole Mers

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**ATTORNEYS FOR EVERGY MISSOURI
METRO AND EVERGY MISSOURI
WEST**

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 30th day of August 2022.

Roger W. Steiner

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