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Jurisdictional
Allocation Deferral
Witness: Kimberly K. Bolin
Sponsoring Party: MoPSC Staff
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Case Nos.: ER-2022-0129 and
ER-2022-0130
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MISSOURI PUBLIC SERVICE COMMISSION
INDUSTRY ANALYSIS DIVISION
FINANCIAL AND BUSINESS ANALYSIS DEPARTMENT

SURREBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

Evergy Metro, Inc., d/b/a Evergy Missouri Metro
Case No. ER-2022-0129

Evergy Missouri West, Inc., d/b/a Evergy Missouri West
Case No. ER-2022-0130

Jefferson City, Missouri
August 2022

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EXECUTIVE SUMMARY1
WINTER STORM URI JURISDICTIONAL ALLOCATION DEFERRAL2

1 the amortization, as Staff does not believe the ratepayers of Missouri should be responsible for
2 the net over-allocated amount since Staff continues to support the use of the energy allocator
3 as the appropriate basis for the jurisdictional allocation factor, as opposed to the inappropriate
4 method to develop jurisdictional allocation factor used in Kansas.

5 **WINTER STORM URI JURISDICTIONAL ALLOCATION DEFERRAL**

6 Q. What is Evergy Missouri Metro proposing to defer in this proceeding?

7 A. Evergy Missouri Metro is requesting to defer \$5.4 million, which is part of the
8 amount that Evergy Missouri Metro claims is over allocated due to the differences in the
9 jurisdictional allocations between Missouri and Kansas for the net of fuel, purchased power and
10 off-system sales incurred due to Winter Storm Uri. This request is tied to a long-standing
11 difference in jurisdictional allocation approaches used between Missouri and Kansas relating
12 to fuel-related costs. Evergy Missouri Metro states that the allocation approach proposed by
13 Evergy Missouri Metro would purportedly result in 100% of the net benefit flowing to its
14 customers if the Commission approves this request. Absent this adjustment, Evergy claims that
15 the net benefit to Evergy Metro related to Winter Storm Uri passed on to its Missouri and
16 Kansas customers in total will be overstated.

17 Q. Did Winter Storm Uri create a net financial benefit or detriment to
18 Evergy Metro?

19 A. As a result of Winter Storm Uri, Evergy Metro was able to produce more
20 off-system sales than the increase in fuel and purchased power costs incurred during
21 February 2021. This resulted in a net benefit to Evergy Missouri Metro and Evergy
22 Kansas Metro. In Case No. ER-2022-0025, the Commission ordered Evergy Missouri Metro

1 to include the off-system sales in its 12th Accumulated Period Fuel Adjustment Clause (FAC)
2 calculation.

3 Q. How was Evergy's requested amount of \$5.4 million to be deferred quantified?

4 A. Evergy quantified the \$5.4 million by using the following steps for
5 each category (off-system sales, purchased power and fuel) that is recovered through the
6 fuel adjustment clause (FAC) in Missouri and in the Retail Energy Cost Adjustment (RECA)
7 in Kansas:

8 Step 1: Evergy determined the total amount of each category that is allowed to be
9 recovered in Kansas and Missouri. These amounts differ between both states and this can be
10 seen in my attached schedule KKB-s1. Evergy then applied the jurisdictional allocation factor
11 used in each state to the total amounts to be recovered for each state. The result of this
12 calculation is the amount recovered for both states for all three categories.

13 Step 2: Evergy adds the results from Step 1 for each category. Evergy then determines
14 a ratio, which uses the sum of each state's recovered amount as the denominator and the amount
15 recovered from each state as the numerator.

16 Step 3: Evergy compares the sum of the recovered amounts calculated in step 2 to the
17 total that Evergy claims should be recovered from both states. As you will notice the total
18 amount of purchased power to be recovered in Kansas (approximately \$97 million) and
19 in Missouri (approximately \$113 million) is different than the total Evergy claims should
20 be recovered by both states (approximately \$106 million). This has been highlighted on
21 Schedule KKB-s1 for purchased power amounts.

22 Step 4: Evergy then reallocates the differences calculated in Step 3 by the ratios
23 determined in Step 2 for each category.

1 Step 5: Evergy sums the reallocated amounts calculated in Step 4 to determine the
2 amounts over-allocated for each state.

3 Q. Is the difference between the allocated net fuel, purchased power and off-system
4 sales between Missouri and Kansas only impacted by the differences in the allocation
5 approaches used in both states?

6 A. No. The difference between the jurisdictional net fuel, purchased power and
7 off-system sales is also impacted by Evergy's calculation in Steps 1 and 3 as described
8 above. For example, under the purchased power category of costs in Step 1, the total amount
9 of purchased power costs (before jurisdictional allocators are applied) allowed to be recovered
10 in Kansas is approximately \$97 million while the amount Evergy uses to compare what
11 they should recover in Step 3 is approximately \$106 million. Per Evergy's workpapers
12 it appears Evergy Kansas Metro was only allowed to recover approximately \$97 million
13 (before the application of the jurisdictional allocator), while in Missouri Evergy Missouri Metro
14 was allowed recovery of approximately \$113 million (before the application of jurisdictional
15 allocator). Staff is still examining why the differences in recovery of total fuel costs exist
16 between the states.

17 Q. Does Evergy also use different total amounts for comparison purposes in Step 3
18 for both the off-system sales and fuel categories?

19 A. Yes. However, the differences are not of the magnitude of the differences in the
20 purchased power amounts.

21 Q. What is the impact of Evergy's calculation to Missouri?

22 A. Evergy Missouri Metro's calculation of the under/over recovery net off-system
23 sales, purchased power and fuel shifts \$3,886,439 unfairly to Missouri ratepayers. Just because

1 Kansas does not allow recovery of the full amount of Evergy's total costs does not mean that
2 Missouri ratepayers should have to make up the difference.

3 Q. What jurisdictional allocation factor does Missouri use to allocate fuel,
4 purchased power, and off-system sales?

5 A. Missouri uses the Energy Allocator to allocate fuel, purchased power and
6 off-system sales. Staff continues to recommend that use of the Energy Allocator is
7 appropriate for revenues and costs of this nature and, in fact, the Commission previously
8 agreed in Case No. ER-2006-0314 that the Energy Allocator was the appropriate allocation
9 factor to use for off-system sales. The Commission stated on page 38 of its Report and Order
10 in Case No. ER-2006-0317:

11 The Commission finds that the competent and substantial evidence
12 supports Staff's position, and finds this issue in favor of Staff. A primary
13 concern is the underlying philosophy implied by utilization of the unused
14 energy allocator. Specifically, the unused energy allocator rewards the
15 lower load factor of KCPL's Kansas retail jurisdiction by allocating a
16 greater percentage of the profit from non-firm off-system sales to that
17 jurisdiction. Load Factor is average energy usage divided by peak
18 demand. The higher the load factor, the closer the average load is to peak
19 demand. The lower load factor of KCPL's Kansas jurisdiction causes the
20 Company to build higher energy cost combustion turbines, which
21 provide KCPL with less opportunity to make off-system sales.

22 Staff witnesses Alan Bax and Keith Majors discuss in detail in their surrebuttal
23 testimonies the differences between Missouri and Kansas and why Missouri's continued use of
24 the energy allocator is appropriate.

25 Q. What jurisdictional allocation factor does Kansas use to allocate fuel, purchased
26 power, and off-system sales?

27 A. Kansas uses the Unused Energy Allocator to allocate fuel, purchased power
28 off-system sales. When off-system sales are more than fuel and purchase power costs,

1 the Unused Energy Allocator benefits Kansas ratepayers more than using the Energy
2 Allocator. The percentage of fuel, purchased power, and off system sales that is allocated
3 to Kansas ratepayers using the unused energy allocator is 49.87%. If Kansas used the
4 Energy Allocator, Kansas ratepayers would only receive 44.10% of the net fuel, purchased
5 power and off-system sales.

6 Q. Did the Kansas Corporation Commission (“KCC”) agree to defer its portion of
7 Evergy Metro’s alleged over-allocated net off-system sales?

8 A. Yes. In docket number 21-EKME-329-GIE, the KCC permitted Evergy Kansas
9 Metro to defer as a regulatory asset \$4.7 million of the under recovered allocated off-system
10 sales based upon Evergy Metro’s proposal of allocating the under recovery. Evergy Kansas
11 Metro will not be able to recover the deferral from customers until after Evergy Kansas Metro’s
12 upcoming 2023 general rate case.

13 Q. Is recovery of the deferral by Evergy Metro in Kansas rate case guaranteed?

14 A. No. The KCC said in its order that over-allocated deferred amount
15 would “**be considered** for recovery from customers in Evergy Kansas Metro’s upcoming
16 2023 general rate case.” [Emphasis added.]

17 Q. Does Staff recommend in this proceeding the deferral of Missouri’s alleged
18 portion of Evergy’s net over-allocated fuel, purchased power and off-system sales?

19 A. No. Staff continues to recommend the use of the Energy Allocator for
20 off-system sales, fuel, and purchased power costs based upon the evidence it has presented
21 that the Energy Allocator is the appropriate allocation factor to use. However, if the
22 Commission decides it is appropriate to defer the differences in the allocation factors,
23 Staff would recommend that the amount Evergy Missouri Metro is requesting be reduced

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1 | for the differences due to the amount of purchased power that is not allowed recovery in Kansas.

2 | This would result in a proposed deferral \$1,494,782 amount for Missouri.

3 | Q. Does this conclude your surrebuttal testimony?

4 | A. Yes.

Evergy Missouri Metro
Case No. ER-2022-0129
Evergy's calculation Winter Storm Uri Over-allocation of Fuel, Purchased Power and Off-system Sales

STEP 1

Off-system Sales

KS OSS	(190,375,628)	49.87%	(94,940,326)
KS Retail	(2,672,135)	43.27%	(1,156,233)
Total	<u>(193,047,763)</u>	49.78%	<u>(96,096,558)</u>
MO Total	(192,427,488)	55.90%	(107,566,966)

Purchased Power

KS OSS	(123,106)	49.87%	(61,393)
KS Retail	97,402,734	43.27%	42,146,163
Total	<u>97,279,628</u>	43.26%	<u>42,084,770</u>
MO Total	113,043,588	55.90%	63,191,366

Fuel

KS OSS	37,135,299	49.87%	18,519,374
KS Retail	18,710,833	43.27%	8,096,177
Total	<u>55,846,132</u>	47.66%	<u>26,615,551</u>
MO Total	55,026,621	55.90%	30,759,881

STEP 2

Kansas	(96,096,558)	47.18%
Missouri	<u>(107,566,966)</u>	52.82%
Total	(203,663,524)	

STEP 3

Total Wholesale Sales	(192,427,488)
Amount recovered	<u>(203,663,524)</u>
Difference	11,236,036

STEP 4

Reallocation			
Kansas	11,236,036	47.18%	5,301,609
Missouri	11,236,036	52.82%	<u>5,934,427</u>
			11,236,036

Reallocation

Kansas	1,176,607	39.98%	470,356
Missouri	1,176,607	60.02%	<u>706,251</u>
			1,176,607

Reallocation

Kansas	(2,349,225)	46.39%	(1,089,768)
Missouri	(2,349,225)	53.61%	<u>(1,259,457)</u>
			(2,349,225)

STEP 5

Total			
Kansas			4,682,197
Missouri			<u>5,381,221</u>