

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

In the Matter of KCP&L Greater Missouri Operations)
Company’s Request for Authority to Implement) File No. ER-2016-0156
A General Rate Increase for Electric Service)

NOTICE TO RESUME FUEL HEDGING

COMES NOW, Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West” or the “Company”)¹ and hereby respectfully submit this *Notice to Resume Fuel Hedging* (“Notice”). In support thereof, the Company states as follows:

1. On September 20, 2016, parties to this docket filed a *Non-Unanimous Stipulation and Agreement* (“Agreement”) which was approved on September 28, 2016, by the Missouri Public Service Commission’s (“Commission”) *Order Approving Stipulations and Agreements, Rejecting Tariffs, Cancelling True-Up Hearings, and Ordering Filing of Compliance Tariffs* (“Order”). The Agreement included the stipulation that:

The Signatories agree that GMO will suspend all of its hedging activities associated with natural gas (cross-hedging related to purchased power and natural gas fuel hedging). Upon approval of this Stipulation, GMO will expeditiously proceed to unwind all of its hedges associated with natural gas. Any gains or losses from the unwinding of the natural gas hedges will be flowed through GMO’s Fuel Adjustment Clause (“FAC”) without disallowance.

The Signatories agree GMO may resume its natural gas fuel hedging activities (but not use natural gas derivatives to cross-hedge purchased power) should the market place and/or other factors change such that resuming natural gas fuel hedging activities would be warranted. GMO agrees to notify the Commission Staff and the Office of the Public Counsel (“Public Counsel”) if GMO decides to resume its natural gas fuel hedging activities.

In the event GMO resumes natural gas fuel hedging activities, GMO will record all hedging gains to FERC Account 254, Regulatory Liability and

¹ Effective October 7, 2019, Evergy Missouri West, Inc. d/b/a Evergy Missouri West adopted the service territory and tariffs of KCP&L Greater Missouri Operations Company (“GMO”).

hedging losses to FERC Account 182.3 Other Regulatory Assets or FERC Account 186, Deferred Debits.²

2. Due to changes in the natural gas market and current Southwest Power Pool conditions and after discussions with Staff, the Office of the Public Counsel, Missouri Department of Economic Development – Division of Energy (“DE”), Midwest Energy Consumers Group (“MECG”), and Missouri Industrial Energy Consumers (“MIEC”), the Company intends to institute hedging transactions of natural gas and purchased power (including cross-hedging) for the settlement periods January 2022 through April of 2022.

3. On April 25, the Company met with Staff and OPC, followed by a meeting with DE, MIEC, and MECG on May 4, to share its proposed long-term hedging strategy recommendation, which includes a mix of long- and medium-term hedges to mitigate fuel and purchased power risk for both short and long net positions.³ These hedging products will be a combination of, in no particular order, physical power,⁴ financial power,⁵ physical natural gas,⁶ and financial natural gas.⁷ The financial hedging products will be considered derivatives⁸ (e. g. fixed swaps), and can achieve similar impacts to fuel and purchased power costs as physical hedging products. The policy includes milestones for adjustment and flexibility to adjust to market

² See, *Non-Unanimous Stipulation and Agreement*, p.3, Section 5., dated September 20, 2016.

³ Net Position – A monthly number that compares the volume of forecasted in the money (revenue greater than or equal to cost) generation to forecasted normalized load to reflect a long or short position.

⁴ Physical Power – Typically Day Ahead (DA) or Real Time (RT) Southwest Power Pool (SPP) Bilateral Settlement Schedule (BSS), physical tagged power at a SPP interface, or physical generation at a generating unit settled outside of the SPP settlement process.

⁵ Financial Power – A derivative typically using underlying SPP pricing hubs or nodes to value the transaction. Typically involves net settlement of differences between the fixed price and Locational Marginal Pricing (LMP) settlement (e. g. Fixed price swap).

⁶ Physical Natural Gas – Fixed price purchase of natural gas typically on the Southern Star Central Gas Pipeline (SSCGP) or Panhandle Eastern Pipe Line (PEPL).

⁷ Financial Natural Gas - A derivative typically using underlying SSCGP or PEPL Gas Daily Daily (GDD) index to value the transaction. Typically involves net settlement of differences between the fixed price and index settlement (e. g. Fixed price swap).

⁸ Derivative - A type of financial contract whose value is dependent on an underlying asset or benchmark. A derivative is set between two or more parties that can trade on an exchange or over-the-counter (OTC). Prices for derivatives derive from fluctuations in the underlying asset.

conditions. The Company will integrate these activities into the existing trading and risk management processes and intends to implement the new policy as early as summer 2022.

4. For the requested resumption of hedging transactions, of natural gas and purchased power, the Company will record all hedging gains to FERC Account 254, Regulatory Liability and hedging losses to FERC Account 182.3 Other Regulatory Assets or FERC Account 186, Deferred Debits, as specified in the Agreement. The Company will work with parties in its pending rate cases⁹ to address any necessary changes needing to be made to the company's Fuel Clause tariffs to allow hedging settlements and costs to be included in the tariffs.

5. As part of this new policy, the Company will have ongoing tracking and reporting, and will provide the Commission semi-annual portfolio reports on all recent and anticipated hedging activities, in addition to the information provided along with the Company's periodic fuel adjustment clause filings. The Company will continue to monitor performance and market conditions, and any necessary adjustments to the Company's long-term hedging strategy will be reflected in an updated policy document and provided to the Commission.

6. Consistent with the Agreement, all parties are free to argue for the ratemaking treatment of any amounts deferred under this language and the ongoing treatment of hedging costs.

WHEREFORE, for the reasons stated above, the Company respectfully submits this Notice as information to the Commission and the parties.

⁹ Case No. ER-2022-0130.

Respectfully submitted,

/s/ Roger W. Steiner

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all parties of record on this 26th day of May 2022.

/s/ Roger W. Steiner

Attorney for Evergy Missouri West