

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

In the Matter of Evergy Missouri West, Inc.)
d/b/a Evergy Missouri West’s Notice of Change) File No. EO-2023-0115
in Preferred Resource Plan)

**EVERGY MISSOURI WEST’S REPLY
TO OPC’S RESPONSE TO CHANGE IN PREFERRED PLAN**

COMES NOW Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West” , “EMW” or the “Company”) and, for its *Reply* (“Reply”) to the Office of the Public Counsel’s (“OPC”) *Response to Evergy’s Change in its Preferred Plan* (“Response”) states as follows:

1. OPC’s Response correctly notes that EMW seeks to acquire the Persimmon Creek wind farm and begin selling energy into the market in January 2023 and until a new rate case is filed, EMW will defer 85% of plant depreciation and an 8.25% return on that depreciation.

2. Section 393.1400.2(1) of the Plant-in-Service Accounting (“PISA”) law encourages Missouri’s electric utilities to invest in renewable generation projects like Persimmon Creek. Utilities like EMW, who have elected PISA treatment, are directed to defer “to a regulatory asset” “eighty-five percent [85%] of all depreciation expense and return associated with all qualifying electric plant” which includes “all rate-base additions” except for carbon-fueled or nuclear units.¹

3. Evergy Missouri West will establish such a regulatory asset once the Missouri Public Service Commission (“Commission”) approves the Application and the Company closes the purchase of Persimmon Creek.

¹ Section 393.1400.1(3) also excludes “rate-base additions that increase revenues by allowing service to new customer premises;”

4. OPC's Response *incorrectly* states that "Evergy's new resource acquisition strategy significantly shifts costs and risks to public ratepayers"². OPC is concerned that EMW will pass the energy revenues from Persimmon Creek back to shareholders until the resource is placed in rates. This is incorrect. Electricity from the asset will flow to EMW's customers even though the investment is not yet in rate base or reflected in rates. Revenues from energy sales into the Southwest Power Pool will flow through EMW's Fuel Adjustment Clause ("FAC") while operating costs, return on and of the investment not appropriately recorded to the regulatory asset consistent with PISA (fifteen percent [15%] and production tax credits ("PTCs")) from the Asset will flow to EMW as the owner of the facility until such time as the Asset and associated costs and revenues are addressed by the Commission in a general rate case. This is the intent of Section 393.1400.2 and the other provisions of the PISA law.

5. Although Public Counsel's misunderstanding of energy revenue treatment has led them to view this arrangement as a substantial change to the traditional trade-offs between shareholders and ratepayers regarding electric generation investments it fails to note Section 393.1400.2(2) which states that before investments like Persimmon Creek are included in rate base, they "shall be adjusted to reflect any prudence disallowances ordered by the commission." The PISA statute provides a balanced process to deal with prudence issues, while it mitigates regulatory lag issues that have in the past discouraged such investments.

6. In a rate case, where "all relevant factors [will] be considered,"³ Staff ("Staff") for the Commission, OPC, and any other party will have an opportunity to scrutinize the financial records regarding EMW's purchase of Persimmon Creek, the revenues from its energy sales, all

² OPC Response, p. 2.

³ State ex rel. Util. Consumers Council of Mo., Inc. v. PSC, 585 S.W.3d 41, 56 (Mo. en banc 1979).

PTC's that are generated, and other pertinent matters. Any issues related to EMW's earnings should be addressed in such proceeding, not here.

7. OPC alleges that the modeling of the new preferred plan does not differentiate between who gets the benefits. EMW's modeling of the changes to the preferred plan reflect the costs and benefits from the purchase of Persimmon Creek starting when the asset is assumed to go in service. This is the same treatment as any other resource addition in this and all prior EMW IRPs. Any potential regulatory lag impacts created by a resource addition timing relative to actual rate case timing are not included in an IRP evaluation. Any such lag impacts are uncertain and as such, have always assumed to be zero in IRP models.

8. EMW has complied with 20 CSR 4240-22.080(12) by providing notice of its change in preferred plan.

WHEREFORE, Evergy Missouri West submits its Reply to the Commission.

Respectfully submitted,

/s/ Roger W. Steiner

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document and attached exhibit have been hand-delivered, emailed or mailed, postage prepaid, this 18th day October 2022 to all counsel of record.

/s/ Roger W. Steiner

Roger W. Steiner