

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

In the Matter of Kansas City Power & Light            )  
Company’s Request for Authority to Implement        )  
a General Rate Increase for Electric Service.        )                    Case No. ER-2016-0285

**NOTICE TO RESUME FUEL HEDGING**

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

1. On February 10, 2017, parties to this docket filed a *Non-Unanimous Partial Stipulation and Agreement* (“Agreement”) which was approved on March 8, 2017, by the Missouri Public Service Commission’s (“Commission”) *Order Approving Stipulation and Agreement Regarding Certain Issues* (“Order”). The Agreement included the stipulation that:

The Signatories agree KCP&L may resume its natural gas fuel hedging activities should the market place and/or other factors change such that resuming natural gas fuel hedging activities would be warranted. KCP&L agrees to notify Staff and OPC if KCP&L decides to resume its natural gas fuel hedging activities. In the event KCP&L resumes natural gas fuel hedging activities, KCP&L 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. This deferral is agreed upon for purposes solely described in this paragraph and does not apply to or set precedent for any other case or expense. All parties are free to argue for the ratemaking treatment of any amounts deferred under this language and the ongoing treatment of hedging costs.<sup>2</sup>

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, and Midwest Energy Consumers Group (“MECG”), on December 22, 2021, the Company filed a Notice to Resume Fuel

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<sup>1</sup> Effective October 7, 2019, Evergy Metro, Inc. d/b/a Evergy Missouri Metro adopted the service territory and tariffs of Kansas City Power & Light Company (“KCP&L”).

<sup>2</sup> See, *Non-Unanimous Stipulation and Agreement*, p.2, Section 2., dated February 10, 2017.

Hedging<sup>3</sup> in this docket to institute hedging transactions of natural gas and purchased power (including cross-hedging) for the settlement periods January 2022 through April of 2022. As part of that filing, the Company indicated that it expected to work with parties to establish a long-term hedging and cross-hedging policy for periods following the January to April 2022 period.

3. On April 25, the Company met with Staff and OPC, followed by a meeting with MECG, Missouri Industrial Energy Consumers (“MIEC”), and Missouri Department of Economic Development – Division of Energy (“DE”) 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.<sup>4</sup> These hedging products will be a combination of, in no particular order, physical power,<sup>5</sup> financial power,<sup>6</sup> physical natural gas,<sup>7</sup> and financial natural gas.<sup>8</sup> The financial hedging products will be considered derivatives<sup>9</sup> (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 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.

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<sup>3</sup> See, *Notice to Resume Fuel Hedging*, dated December 22, 2021.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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).

<sup>7</sup> Physical Natural Gas – Fixed price purchase of natural gas typically on the Southern Star Central Gas Pipeline (SSCGP) or Panhandle Eastern Pipe Line (PEPL).

<sup>8</sup> Financial Natural Gas - A derivative typically using underlying SSCGP or PEPL Gas 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).

<sup>9</sup> 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.

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 cases<sup>10</sup> 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.

Respectfully submitted,

*/s/ Roger W. Steiner*

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<sup>10</sup> Case No. ER-2022-0129.

**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 26<sup>th</sup> day of May 2022.

*/s/ Roger W. Steiner*

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Attorney for Evergy Missouri Metro