

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

In the Matter of the Application of Evergy)	
Missouri West, Inc. d/b/a Evergy Missouri)	<u>File No. ER-2023-0210</u>
West for Authority to Implement Rate)	<u>Tracking No. JE-2023-0117</u>
Adjustments Required by)	
20 CSR 4240-20.090(8) and the Company's)	
Approved Fuel and Purchased Power Cost)	
Recovery Mechanism)	

EVERGY MISSOURI WEST'S STATEMENT OF POSITION

COMES NOW Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("EMW" or "Company"), for its *Statement of Position* ("Position Statement") states as follows:

1. *Should the Commission approve Evergy Missouri West's proposed tariff sheet, which includes deferral of \$47.9 million of non-extraordinary costs to a Plant-in-Service-Accounting ("PISA") regulatory asset account for consideration in a future general rate proceeding?*

POSITION: Yes. The Commission should adopt the recommendations of the Commission Staff ("Staff") and EMW in this case, and approve EMW's proposed tariff sheet which includes the deferral of \$47.9 million of non-extraordinary costs to a PISA regulatory asset account for consideration in a future general rate proceeding. (Starkebaum Direct, pp. 3-12; Ives Direct, pp. 8-10; Mastrogiannis Direct, pp. 3-4).

As discussed in the direct testimony of Company witness Lisa A. Starkebaum, after performing the PISA cap tests, the Fuel and Purchased Power Adjustment ("FPA") of \$104.2 million causes EMW to exceed the 3 percent Compound Annual Growth Rate ("CAGR") cap under section 393.1655.5. When considering the impacts from the most recent general rate case (Case No. ER-2022-0130) and update to base revenues in addition to the impacts from this FAC

accumulation period as well as the immediately preceding FAC accumulation period, the average overall rate computed is \$0.11161 compared to the 2018 baseline of \$0.09367, a 19.15% increase. This increase exceeds the Average Overall Rate Cap of 13.3372% at March 1, 2023. (Starkebaum Direct, pp. 7-8; Ives Direct, pp. 8-9)

Consistent with 393.1655.5 of the PISA statute, Evergy Missouri West is including \$56.3 million for recovery in this filing and is deferring \$47.9 million of FAC-related costs to the PISA regulatory asset created under section 393.1400 for further treatment in a subsequent general rate proceeding. This treatment is explicitly provided for in section 393.1655.5 of the PISA statute which states:

If a change in any rates charged under a rate adjustment mechanism approved by the commission under sections 386.266 and 393.1030 would cause an electrical corporation's average overall rate to exceed the compound annual growth rate limitation set forth in subsection 3 or 4 of this section, the electrical corporation shall reduce the rates charged under that rate adjustment mechanism in an amount sufficient to ensure that the compound annual growth rate limitation set forth in subsection 3 or 4 of this section is not exceeded due to the application of the rate charged under such mechanism and the performance penalties under such subsections are not triggered. Sums not recovered under any such mechanism because of any reduction in rates under such a mechanism pursuant to this subsection shall be deferred to and included in the regulatory asset arising under section 393.1400 or, if applicable, under the regulatory and ratemaking treatment ordered by the commission under section 393.1400, and recovered through an amortization in base rates in the same manner as deferrals under that section or order are recovered in base rates. (Ives Direct, p. 9)

All amounts incurred by EMW for fuel and purchased power as reflected in EMW's Fuel and Purchased Power Adjustment ("FPA") during the six-months ending November 2022 for the 31st Accumulation Period of approximately \$104.2

million are available for prudence review in the standard FAC prudence review under the rate adjustment mechanism approved by the Commission pursuant to Section 386.266 and the Commission's FAC Rule at 20 CSR 4240-20.090, inclusive of the \$47.9 million deferred subject to section 393.1655.5. (Ives Direct, p. 10).

In its Staff Recommendation, the Staff concluded that the Company's filing was appropriate and should be approved by the Commission. In particular, the Staff recognized that the FAC charge proposed in this filing exceeds the average overall rate of the compound annual growth rate ("CAGR") cap provisions of section 393.1655.5 RSMo. by more than 13.3372%. Therefore, the Staff concluded that the Company appropriately removed \$47,898,201 from recovery through the FAC and has included this amount in a Plant-in-Service-Accounting ("PISA") regulatory asset for consideration in a future general rate proceeding. In addition, the Staff recognized that the proposed FAC charge applicable to Large Power customers exceeds 8.7474% of the class average overall rate cap, in accordance with section 393.1655.6 RSMo. Therefore, the Staff concluded that it was appropriate for the Company to limit the increase in the FAC charge applicable to Large Power customers to the 2% CAGR of the class average overall rate or \$13.7 million. The exceedance of the 2% CAGR cap results in \$1,439,335 being redistributed to Non-Large Power customer classes for recovery in this filing. (Staff Recommendation, Appendix A, pp. 1-2).

For all the reasons discussed in the Company's testimony, the Commission should approve EMW's tariff filing in this case, as recommended by Staff.

2. *Should the costs incurred by Evergy in AP31 be considered extraordinary?*

POSITION: These costs should not be considered “extraordinary” for purposes of deferral under an Accounting Authority Order (“AAO”), as recommended by the Office of the Public Counsel (“OPC”). Staff has recognized that the PISA statutes mandate the treatment of the FAC costs as proposed by the Company. EMW agrees that Sections 393.1400 and 393.1655 control the tariff filing under the circumstances that exist in this case, and therefore the Commission should approve the Company’s filing, as recommended by Staff.

While costs incurred by EMW in AP31 were higher than historical levels, they were not unusual in nature or infrequent in occurrence. In fact, the costs were driven by the exact macroeconomic market conditions that the FAC is designed to address. Section 386.266 RSMo allows for periodic rate adjustments outside of general rate proceedings to reflect increases (and decreases) in prudently incurred fuel and purchased power costs. These costs are subject to prudence reviews no less frequently than at eighteen-month intervals. (Ives Rebuttal, p. 9) These costs are not “extraordinary” under the definition historically used by the Commission for the approval of AAOs. (Ives Rebuttal, pp. 15-19).

On p. 2 of her rebuttal testimony, Staff witness Karen Lyons testifies that OPC’s AAO request is not conceptually appropriate because the fuel costs are ordinary and ongoing costs of utility business. EMW agrees with Ms. Lyons’ analysis on this point. (Ives Surrebuttal, p. 2).

EMW is currently recovering a FPA of approximately \$44.6 million through the FAC for AP30. In AP29, the Company recovered a FPA of approximately \$47.5

million. In neither of these immediately preceding two FAR cases, did OPC claim that these amounts were extraordinary and should not be recovered through the FAC. In its filing to create this docket, the Company proposed recovery in AP31 of an FPA of approximately \$56.3 million, which is about \$8.8 million higher than the \$47.5 million recovered in AP29. Note that each semi-annual FAR filing consists of recovery of two AP's. Therefore, AP29 will roll off and be replaced with AP31 in this docket. In its Recommendation filed on January 30, 2023, Staff agreed with this amount of recovery. (Ives Rebuttal, pp. 9-10).

The PISA statutes mandate the treatment of any fuel and purchased power costs that exceed the PISA rate caps. The Commission does not have the discretion to treat them contrary to the statute. No party, including the Office of the Public Counsel, requested an AAO prior to the AP31 which is the subject of this proceeding. It would be unreasonable and unlawful for the Commission to now disregard the PISA statutes and treat these costs as if the Commission had previously issued an AAO to cause the costs to be deferred into a regulatory asset with lower carrying costs since the fuel and purchased power costs that exceed the PISA rate caps must be treated under the provisions of Section 393.1400 and 393.1655.

3. *In the event the Commission determines AP31 costs to be extraordinary, how should AP31 costs be recovered?*

POSITION: The costs incurred by EMW during AP31—whether considered “extraordinary” or not-- must be recovered and treated as required by the PISA statutes, as recommended by Staff and EMW. The Commission does not have the discretion to treat them as “extraordinary” and defer them as if an AAO had been issued.

OPC’s proposal to defer \$85 million of the costs to an AAO will also increase the regulatory lag experienced by the Company since it will have to wait until its next rate case to recover the AP31 costs. This lag is on top of the \$297.3 million in Winter Storm Uri costs that are currently deferred. These costs were approved for securitization by the Commission in 2022 in Case No. EF-2022-0155, but due to OPC’s appeal of the Commission’s order, the Company cannot proceed with securitization and the benefits it will provide to customers until, most likely, the fall of 2023 when the appeal is expected to be concluded with the Missouri Court of Appeals affirming the Commission’s decision. OPC’s position that only \$18.7 million in costs be recovered in the interim only makes the Company’s lag problem worse during a period of increasing fuel and purchased power costs. Having almost \$400 million of incurred but unrecovered fuel and purchased power costs is a substantial financial burden and financing cost for EMW. This continued delay in funding costs should not be condoned, given that these costs have been incurred to serve customers. The facts in this case clearly reflect the types of costs and market conditions for which the FAC was implemented and, in the case of

AP31, have been recommended be recovered by Staff consistent with EMW's request. Any further delay is unreasonable and must be appropriately dealt with by the Commission denying OPCs request. (Ives Rebuttal, pp. 19-20).

If adopted by the Commission, OPC's position would increase intergenerational inequity by increasing the amount of Actual Net Energy Costs ("ANEC") that are deferred. Current customers, who benefited from the electrical service that utilized the AP31 fuel and purchased power costs, should pay for these costs through the FAC, in line with the fundamental design of the FAC. OPC proposes that \$85 million of ANECs be deferred to an AAO instead of the \$47.8 million PISA deferral of these costs required under the PISA statute and recommended by the Company and Staff. This means that future new customers who did not receive electrical service during AP31 will be paying for a larger amount of ANEC under OPC's proposal. This is another shortcoming of OPC's proposal that warrants rejection by the Commission. (Ives Surrebuttal, pp. 2-3).

4. In the event the Commission determines AP31 costs to not be extraordinary, how should AP31 costs be recovered?

POSITION: As explained above, the costs incurred by EMW during AP31 must be recovered and treated as required by the PISA statutes, as recommended by Staff and EMW.

WHEREFORE, Evergy Missouri West respectfully submits its Position Statement to the Commission, and requests that the Commission accept the recommendation of its Staff which supported the Company's request for a FAC recovery of \$56.3 million. Staff concluded that the Company appropriately removed \$47,898,201 from recovery through

the FAC and included this amount in a PISA regulatory asset for consideration in a future general rate proceeding.

Respectfully submitted,

/s/ Roger W. Steiner

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**ATTORNEYS FOR EVERGY
MISSOURI WEST**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served upon counsel for all parties on the 6th day of June 2023, by either email or U.S. Mail, postage prepaid.

/s/ Roger W. Steiner

Attorney for Evergy Missouri West