BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Evergy Missouri Metro for Authority to Implement Rate Adjustments Required by 20 CSR 4240-20.090(8) and the Company's Approved Fuel and Purchased Power Cost Recovery Mechanism	)))))	 **File No. ER-2022-0025** Tariff No. JE-2022-0024

EVERGY MISSOURI METRO RESPONSE TO STAFF RECOMMENDATION

COMES NOW, Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro" or the "Company"), by and through counsel, and for their *Response* ("Response") to Staff ("Staff") for the Missouri Public Service Commission's ("Commission") *Staff Recommendation to Reject Tariff Sheet* ("Recommendation"), states as follows:

I. Introduction

1. As explained in the testimony of Lisa Starkebaum filed in this proceeding, the Company made adjustments to its Actual Net Energy Costs ("ANEC") in its Fuel and Purchased Power Cost Recovery Mechanism ("FAC") filing to remove the extraordinary impact of Winter Storm Uri. During the accumulation period in this case, the Company had increased fuel and purchased power costs due to Winter Storm Uri but was able to more than offset these costs due to increased off-system sales revenues. Ordinarily, the Company would be able to keep 5% of the off-system sales revenues under the FAC's sharing mechanism. However, the Company does not believe that the current FAC filing is the best way to manage the extraordinary financial consequences of Winter Storm Uri and the issues associated with it. For that reason, the Company is seeking an accounting authority order ("AAO") in File No. EU-2021-0283 to accumulate and defer all Winter Storm Uri extraordinary costs and revenues until the next FAC accumulation period when Southwest Power Pool resettlements are better known. Additionally, the Company proposed in the AAO case to address allocation issues between the Missouri and Kansas

jurisdictions associated with excess off-system sales and unrecovered fuel and purchased power costs.

2. The Commission should not rely on the standard rate adjustment tools found in the FAC to deal with the extraordinary and unusual issues caused by Winter Storm Uri. When severe weather events have occurred in the past, the Commission has consistently authorized deferral accounting in the form of an AAO. There is nothing in the law authorizing the FAC (Section 386.266 RSMo.) that indicates it was intended to preclude deferral under an AAO of extraordinary costs or revenues arising from severe weather events like Winter Storm Uri.

3. The Company is proposing to use the next FAC accumulation period after the conclusion of the Company's AAO request to flow back the benefits in excess of costs that have accumulated from Winter Storm Uri off-system sales. Because the Company's proposal includes carrying costs at the Company's weighted average cost of capital on any deferred amounts, customers interests are protected from any lag due to timing of the refund of the net benefit to customers. The Company's approach allows the Commission to holistically consider the effects of Winter Storm Uri before flowing the impacts through customer rates.

II. <u>Staff's interpretation of the FAC rule is wrong and inconsistently applied</u>

4. Staff's Recommendation is based on its "legal interpretation" that 20 CSR 4240-20.090(8)(A)2.A.XI does not allow deferral of extraordinary revenues. (Staff recommendation, p. 2). The rule indicates that as part of a periodic change to FAC rates the Company is to provide cost information on extraordinary costs that are not to be passed through the FAC. This rule must be read together with section 8(A)1.D of the rule which states that in an FAC filing the Company must also provide, among other things, the ANEC for the accumulation period. ANEC is defined in section (1)(B) of the rule to mean prudently incurred fuel and purchased power costs **net** of fuel-

related revenues of a rate adjustment mechanism during the accumulation period (emphasis added). Staff's legal interpretation is wrong because the ANEC is calculated by netting fuel-related revenues against fuel and purchased power costs. In addition to experiencing extraordinary fuel and purchased power costs as a result of Winter Storm Uri, the Company also experienced extraordinary off-system sales revenues that would not have existed absent the storm. Pursuant to the rules mentioned above, the Company's FAC filing removed all of the costs and revenues related to Winter Storm Uri in its ANEC. These costs and revenues associated with Winter Storm Uri should be considered together since they were caused by the same event and were appropriately removed from the FAC to be considered in the Company's AAO application.

5. Staff's narrow interpretation, which has little explanation in the Recommendation, will result in perverse rate impacts to customers and is not representative of the intended operation of the FAC nor of the actual impacts from Winter Storm Uri. Staff would have a significant customer benefit flow to customers through the FAC rate in the near term while turning around in the later accumulation period and having a significant customer cost flow to customers through the FAC rate. This result not only creates needless rate volatility for customers, but the bifurcation of recovery of costs from Winter Storm Uri from revenues received during the same extraordinary event undermines the price signals intended with the FAC and will certainly create unnecessary customer confusion on rates. The perverse results from Staff's interpretation are impactful enough to customers for the Commission to dismiss Staff's position but additionally, as noted below, Staff's interpretation was not applied consistently across Evergy Missouri West and Evergy Missouri Metro.

6. Staff's recommendation is not consistent with its recent recommendation in Evergy Missouri West's FAC case (File No. ER-2022-0005), which has been approved by the

Commission[1]. In its recommendation in the instant case, Staff removed Winter Storm Uri expense from the FAC but left in Winter Storm Uri related off-system sales revenue. In Evergy Missouri West's recent FAC case, Staff accepted Evergy Missouri West's removal of both Winter Storm Uri related costs and revenues from West's FAC as "extraordinary costs" under 20 CSR 4240-20.090(8)(A)2.A.XI .[2] Thus, Staff had no issue in the 0005 case with the Company's removal of Winter Storm Uri related revenues from the FAC even though the Company's justification in both FAC cases was the same – that 20 CSR 4240-20.090(8)(A)2.A.XI permits the Company to request that certain extraordinary costs not be passed through the FAC. What is different in the two FAC cases was the fact that Evergy Missouri West's Winter Storm Uri off-system sales were far below the level of the Winter Storm Uri related increase in fuel and purchased power costs but Evergy Missouri Metro's Winter Storm Uri related off-system sales revenues were in excess of storm related fuel and purchased power costs. Since the ANEC must be netted of revenues, Missouri West and Missouri Metro consistently applied the rule and removed both costs and revenues related to Winter Storm Uri. Staff, on the other hand, "cherry-picked" which case to apply its interpretation of the rule. Staff's narrow and inconsistent interpretation should be rejected by the Commission.

III. Staff's Recommendation introduces volatility into the FAC

7. In the Company's FAC filing made on July 30, 2021, Evergy Missouri Metro utilized a three-year average baseline using actual historical February costs net of revenues for 2018, 2019 and 2020. This methodology results in a reduction in rates during this accumulation period and provides customers an immediate benefit that should not be delayed while the

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[1] Order Approving Fuel Adjustment True-Up and Approving Tariff to Change Fuel Adjustment Rates, ER-2022-0005, August 18, 2021.

[2] Staff Recommendation for Approval of Tariff Sheet, ER-2022-0005, August 2, 2021, paragraph 13.

extraordinary costs (net of fuel-related revenues) attributable to Winter Storm Uri are addressed by the Commission in the AAO docket currently on file.

8. Staff's Recommendation to flow through all revenues through the Company's current FAC filing (Accumulation Period ("AP") 12) fails to consider the future impact to customers and resulting rates in the next two Fuel Adjustment Rate ("FAR") filing where the fuel and purchased power costs are flowed through the FAC in AP13 and AP14. Staff's Recommendation will result in huge swings in customer's bills which is inconsistent with the FAC tariff and contrary to the goal of keeping rates consistent or non-volatile over time. Staff includes a credit of $191 million from Winter Storm Uri fuel-related revenue in this FAC (AP12) causing a higher than proposed credit in the current period FAR. The Company's next FAC filing (AP13) will include an additional $134 million in Winter Storm Uri fuel costs without offsetting fuel-related revenues. The FAC rate is comprised of the current period FAR and the prior period FAR, billed to customers over twelve months. In AP13, customers will likely see less of a credit rate than in AP12. However, the FAC rate is updated semi-annually, and as the credit rates drop off and the new proposed current period FAR is added, this would more than likely cause a significant flip from the credit rates in AP12 and AP13 which will likely result in a switch from a return to a recovery from customers in AP14. Staff's approach does not align the extraordinary effects of costs and revenues from Winter Storm Uri and the impacts of the storm on customers.

9. In addition, Staff's Recommendation completely ignores the allocation issue that was identified in the Company's recent AAO filing associated with Winter Storm Uri. The allocation issue identified in the AAO filing demonstrates how the FAC process as it is currently calculated includes excess off-system sales benefits that never happened and will be provided as a credit to Evergy Metro customers in both Missouri and Kansas. Crediting excess off-system

sales that don't exist to customers in both states is a "cost" to the Company. This cost should not be flowed through the FAC. This issue as discussed in the Company's AAO filing is directly attributable to the benefit that Staff recommends be returned to customers. The allocation issue should first be analyzed and ruled upon by the Commission before any such benefits should be credited to customers through the FAC mechanism.

10. Should the Commission accept Staff's narrow interpretation of the rule and determines that Winter Storm Uri revenues should be included in the ANEC, the Company requests a hearing on this matter.

WHEREFORE, Evergy Missouri Metro submits its Response.

Respectfully submitted,

/s/ Roger W. Steiner

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ATTORNEYS FOR EVERGY MISSOURI METRO

CERTIFICATE OF SERVICE

I hereby certify that a true and copy of the foregoing application was emailed on this 2nd day of September 2021, to the Office of the General Counsel and the Office of the Public Counsel.

/s/ Roger W. Steiner

Roger W. Steiner