[i]BEFORE THE PUBLIC SERVICE COMMISSION OF
THE STATEOF MISSOURI

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

EVERGY MISSOURI WEST'S
<u>RESPONSE TO OPC'S INTERIM FAR RATE PROPOSAL</u>

COMES NOW, Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("EMW," "Evergy," or the "Company") and, for its Response ("Response") to the Office of the Public Counsel's ("OPC") interim FAR rate proposal, states as follows:

<u>BACKGROUND AND INTRODUCTION</u>

1. On December 30, 2022, the Company filed its direct testimony and proposed tariff revisions.

2. On January 30, 2023, Staff ("Staff") for the Missouri Public Service Commission ("Commission") filed its recommendation ("Recommendation"). The Recommendation recommended approval of the FAR tariff as filed by the Company.

3. On February 8, 2023, OPC filed its response to EMW's proposed rate schedule and Staff's Recommendation. The Company replied on February 16, 2023, to which OPC then replied in turn on February 21, 2023, and requested a hearing.

4. On February 22, 2023, the Commission issued its *Order Rejecting Tariff to Change Fuel Adjustment Rates* and scheduled a prehearing conference which took place on March 13, 2023.

5. In a February 28, 2023 filing, Staff, OPC and Company informed the Commission of the continuation of the existing FAR's until new rates are approved by the Commission. This is the best course of action for the Commission to take until it decides the issues in this case.

6. In this docket the Commission may order EMW to file tariff sheets to implement interim adjusted FARs to reflect any part of the proposed adjustment that is not in question under 20 CSR 4240-20.090(8)(H)3. However, the Commission does not need to order interim rates as the Company is currently charging the existing FAR rates, as explained in the February 28 notice filing.

7. EMW opposes OPC's proposed interim FAR amount of approximately $18.7 million. While this amount may be the amount that is "not in question," OPC's extreme position does not represent a reasonable amount for the Company to recover in the interim period for the following reasons.

THE FAR AMOUNT CURRENTLY BEING RECOVERED IS CONSISTENT WITH WHAT THE COMPANY PROPOSES TO RECOVER IN AP31 AND REFLECTS COST TRENDS EXPERIENCED IN THE LAST TWO ACCUMULATION PERIODS (AP)

8. As shown in the attached **Exhibit A**, the Company is currently recovering a Fuel and Purchased Power Adjustment (FPA) of approximately $44.6 million through the FAC for AP30. In AP29 the Company is recovering 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 is the $47.5 million being 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.

9. OPC rejects the Company's proposed FPA amount of $56.3 million and proposed instead an interim amount of $18.7 million[1]. This amount is far less than half of the accumulation period amounts ($47.5 and $44.6 million) that are currently being recovered from customers. This

[1] OPC's Response to Filed Tariffs and Staff Recommendation at 7 (Feb. 8, 2023).

amount is calculated by taking an average of the Actual Net Energy Costs (ANEC) for the same six-month accumulation periods of May through November for years 2019, 2020 and 2021. The resulting FPA's in these three AP's amount to $3 million, $9.8 million and $47.5 million, respectively. OPC requests that the fuel and purchased power costs above the average be deferred to an AAO[2]. Clearly, two of the periods used by OPC in their 3-year average do not reflect the increased fuel and purchased power levels that the Company has experienced over the last three AP's that span an 18-month period of increasing cost levels. Therefore, it is not reasonable for OPC to ignore these recent trends. AP25 and AP27 should not be used in an average to calculate the interim amount.

10. OPC argues that a three-year average is appropriate as it was the same process used by the Company for the deferral of extraordinary Winter Storm Uri costs[3]. OPC's assertion is unreasonable for a number of reasons. In the case of Winter Storm Uri costs, the Company used a three-year average of February cost levels in AP28 to develop a baseline for that one month for years 2018, 2019 and 2020 to remove the impact of the very short term (approximately one week of February 2021) effect of that storm. When the Company compared the three-year historical averages for the month of February, it found that EMW incurred approximately $297.3 million of extraordinary costs during that one week in excess of that average which related to a one-time unusual weather event of regional and national significance.[4] The $297.3 million was excluded from the FAR calculation and was requested to be deferred through an AAO since this one-time extraordinary level of costs was not representative of what the Company would experience in the future.

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[2] See the Company's February 16, 2023 Reply to OPC for the reasons why OPC's request for an AAO should be rejected because Section 393.1655.5 requires a PISA deferral.

[3] OPC Response to Filed Tariffs and Staff Recommendation, p. 7, Feb. 8, 2023.

[4] Amended Report & Order at 12-13, In re Evergy Mo. West, Inc. Application for Financing Order to Securitize Extraordinary Storm Costs, No. EF-2022-0155 (Nov. 17, 2022); FERC-NERC Staff Report, February 2021 Cold Weather Outages in Texas and the South Central United States at 9 (Nov. 2021) ("the largest controlled firm load shed in U.S. history" with unplanned generation outages "more than four times as large as the previous largest event").

11. By contrast, the costs that the Company is seeking to recover through the FAC in AP31 are not related to a one-time extraordinary or unusual winter storm event. The increased costs in AP31 are the result of gas market price increases (see last column of Exhibit A) that have continued over the last three accumulation periods. In addition, EMW had increased retail load requirements due to warmer weather over the summer months of AP31 which contributed to more generation from peak units that were also impacted by the higher natural gas prices. For example, for June through November 2022 (AP31), the published NYMEX natural gas contract settlement price averaged $7.59, which is 68% higher than the average experienced during that same time period in AP29 the previous year. Furthermore, this represents a 176% increase compared to the average NYMEX gas contract settlement price of $2.75 experienced during AP28, the accumulation period covering Winter Storm Uri in February 2021, prior to the progressive increase in gas prices over the past 18 months. These are precisely the types of costs and impacts from volatile market conditions that are expected to be recovered through the FAC and have not been determined to be extraordinary.

12. Unlike Winter Storm Uri event, the costs in this accumulation period have been on an upward trend. Instead of removing the costs as OPC proposes to do with its contrived proposal of $18.7 million and delay recovery for months, the correct way to smooth upward trending costs is to use the current accumulation period as proposed by the Company or to calculate an average that includes the upward trending AP's where the increased cost levels are evident. As shown in Exhibit A, an average of the last three accumulation periods equals roughly $65 million. While this amount would be acceptable to the Company, leaving in place the current FAR recovery, approved in ER-2023-0011 (which includes recovery of the 6-month period of June–November 2021 of $47.5 million and the 6-month accumulation period of December 2021-May 2022 of $44.6 million), would be the best solution. It is far better than OPC's use of outdated and stale data in a deliberate attempt to

artificially lower the recovery amounts of fuel and purchase power costs that the Company is allowed to recover under its Fuel and Purchased Power Rate Adjustment Mechanism.

13. Perhaps the most telling sign that OPC is manipulating the FAC rules by arguing that the Company's fuel costs are extraordinary and that a three-year average must be used to establish a recovery amount is the fact that in the last FAC proceeding (ER-2023-0011) OPC argued that the amount that the Company sought was not extraordinary because all electric utilities in Missouri are facing the same external factors as EMW. (ER-2023-0011; OPC Initial Brief at p. 34). The same is true in this case as all electric utilities are facing the same fuel cost increases. Yet OPC claims the Company's amount is extraordinary, so that it can use an average which does not represent the costs that the Company experienced. The Commission should reject OPC's argument and leave the current tariff in place pending final resolution of this docket.

REGULATORY LAG IMPACT TO THE COMPANY

14. OPC's proposal to defer $85 million of the costs to an AAO will increase the regulatory lag experienced by the Company since it will have to wait until its next rate case to recover the AP 31 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 (EF-2022-0155), but due to OPC's appeal of the Commission's order,[5] 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 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 purchase power costs.

[5] Notice of Appeal, Missouri Office of the Public Counsel v. Public Service Comm'n, No. WD85958 (Mo. App. W.D., Jan. 6, 2023).

Having almost $400 million of incurred but unrecovered fuel and 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.

WHEREFORE, Evergy Missouri West requests submits this Response and requests the Commission leave the current FAR amount in place.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was served upon counsel for all parties on this 17th day of March 2023, by either e-mail or U.S. Mail, postage prepaid.

/s/ Roger W. Steiner
Roger W. Steiner

Evergy Missouri West

				costs before base					recovered in FAC		accum period NYMEX
	Case No.	Accumulation Period	6-months ending	Actual Net Energy Cost (ANEC)	base rate	95% *((ANEC-B)*J)	Prior AP True-Up, Interest, Prudence Adjustment	PISA deferral	Fuel and Purchased Power Adjustment (FPA)		Average Natural Gas Price
	ER-2020-0189	AP25	11/30/2019	104,627,314	$0.02240	2,316,614	696,980	0	3,013,594		$2.39
	ER-2020-0421	AP26	5/31/2020	82,423,213	$0.02240	-7,292,009	4,101,442	0	-3,190,567		$1.96
	ER-2021-0185	AP27	11/30/2020	110,662,965	$0.02240	9,108,397	784,758	0	9,893,155		$2.12
less Winter Storm Uri	ER-2022-0005	AP28	5/31/2021	102,054,285	$0.02240	6,988,633	-400,518	0	6,588,116		$2.75
	ER-2022-0174	AP29	11/30/2021	154,378,423	$0.02240	47,858,952	-370,234	0	47,488,718		$4.51
	ER-2023-0011	AP30	5/31/2022	142,587,458	$0.02240	43,690,267	913,752	0	44,604,020		$5.48
Evergy proposed	ER-2023-0210	AP31	11/30/2022	213,325,427	$0.02240	101,492,930	2,682,349	-47,898,201	56,277,077		$7.59
									104,175,279	*AP31 prior to PISA deferral*	
									$65,422,672	*Avg of AP29, AP30 and AP31*	
OPC proposed 3-yr avg (AP25, AP27, AP29)	ER-2023-0210	AP31	11/30/2022	123,222,901					$18,755,192	*OPC's proposed FPA*	