BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Petition of Evergy Missouri West, Inc., d/b/a Evergy Missouri West for a Financing Order Authorizing the Financing of Qualified Extraordinary Storm Costs Through an Issuance of Securitized Utility Tariff Bonds	)))))	Case No. EF-2022-0155

POSITION STATEMENT OF EVERGY MISSOURI WEST

Evergy Missouri West, Inc., d/b/a Evergy Missouri West ("EMW" or "Company") submits this Position Statement to address the issues in this case.

LIST OF ISSUES

1. What amount of qualified extraordinary costs caused by Winter Storm Uri should the Commission authorize EMW to finance using securitized utility tariff bonds?

OPC Alternative Version*: *What amount of costs related to Winter Storm Uri should the Commission authorize EMW to finance as qualified extraordinary costs using securitized utility tariff bonds?

Position: At this time the Company recommends recovery of Winter Storm Uri costs totaling $356,720,636. This total amount is comprised of the following elements:

Description		Amount
Total Winter Storm Uri Costs - Fuel and Purchase Power - Included in Direct Filing	$	296,451,293
Non-Fuel Operation and Maintenance Cost - Direct Filing		274,934
Total Winter Storm Uri Cost - Direct Filing	$	296,726,227
Add: February 2022 SPP Resettlement Adjustment		187,626
Remove: Non-Fuel Operation and Maintenance Cost		(274,934)
Total Current Winter Storm Uri Costs	$	296,638,919
Retail Allocation		99.620%
Total Current Winter Storm Uri Costs - Retail	$	295,511,691
Total Carrying Costs as of January 31, 2023		54,569,187
Upfront Financing Costs		6,639,758
Total Costs To Be Financed By Securitized Utility Tariff Bonds	$	356,720,636

(Klote Surrebuttal, pp. 13-14)

a. **What amount of the costs, if any, that EMW is seeking to securitize would EMW recover through customary ratemaking?**

Position: Based upon EMW's updated analysis, EMW would expect to recover between $308.3 Million and $347.5 Million through customary ratemaking. (Klote Surrebuttal, Schedule RAK-8)

b. **What is the appropriate method of customary ratemaking absent securitization?**

Position: There are two approaches described in Ron Klote's direct testimony that could be used to compare to the securitization method with the customary methods of financing of the extraordinary costs of Winter Storm Uri. These include the Fuel Adjustment Clause ("FAC") process and the Accounting Authority Order ("AAO") amortization approach. (Klote Direct, pp. 8-9)

c. **Under Section 393.1700.2(2)(e),[1] what is the "customary method of financing"? What are the costs that would result "from the application of the customary method of financing and reflecting the qualified extraordinary costs in retail customer rates"?**

Position: See response to Section 1b above. Section 393.1700.2(2)(e) requires a comparison between (i) the Net Present Value ("NPV") of the costs to customers from using securitization to recover the Qualified Extraordinary Costs and (ii) the NPV of the costs that customers would bear if the same costs were recovered using a "customary method of financing." Section 393.1700.2(2)(e) additionally requires that the comparison demonstrate that securitization benefits retail customers. Mr. Klote's surrebuttal testimony includes that comparison and demonstrates that securitization will create between $45.5 million and $102 million in customer savings, expressed on an NPV basis, depending on the customary recovery method the securitization is compared to. (Klote Surrebuttal, Confidential Schedule RAK-8)

d. **What is the appropriate adjustment related to non-fuel operations and maintenance ("NFOM") costs?**

Position: Staff witness Bolin proposes, on page 7 of her rebuttal testimony, removes NFOM costs of approximately $274,000 resulting from Winter Storm Uri because Staff recommends recovering those NFOM costs through general rates in the Company's ongoing general rate proceeding.

[1] All statutory citations are to the Revised Statutes of Missouri (2016), as amended.

EMW concurs with the Staff's proposal in removing those costs from the amount to be recovered through securitized bonds provided that Staff's proposal in the general rate case is adopted. EMW will include this issue in the Company's revenue requirement in the general rate case to mirror the Staff's proposal for these NFOM costs resulting from Winter Storm Uri. Consequently, EMW has made this Staff-recommended adjustment and removed Winter Storm Uri NFOM costs from the total amount to be recovered through securitized bonds. (Klote Surrebuttal, pp. 5-6)

e. Should EMW's recovery through securitized bonds include more than 95% of fuel and purchased power costs?

Position: Yes. The Commission should reject Staff and OPC adjustments that disallow 5% of the fuel and purchased power costs. The 5% sharing mechanism is found in the Company's fuel adjustment clause ("FAC") and the FAC does not govern the amount of costs to be recovered through securitized bonds. Staff's and OPC's contention that the Company fuel and purchased power procurement needs to be "incentivized" through the FAC sharing mechanism should be rejected as incentives are useless during extraordinary events such as Winter Storm Uri. Moreover, OPC's recommendation that the Company's failure to shut off customers power during Winter Storm Uri warrants the disallowance of 5% of costs is reckless and irresponsible.

Staff and OPC's unfounded and unsupported 95%/5% adjustment, if adopted by the Commission, would serve to disallow fuel and purchased power costs incurred by EMW to serve customers during Winter Storm Uri even though neither Staff nor OPC deems those particular costs imprudent and the Securitization Law makes no provision for the disallowance of prudently incurred costs. In fact, section 393.1700.1(13) RSMo., which defines qualified extraordinary costs, in part, as those which have been "incurred prudently," suggests precisely the opposite: that prudently incurred costs should be recovered through securitization financing if the remaining statutory requirements have been met and the Commission approves its use. (Ives Surrebuttal, pp. 9-12).

f. Should EMW's recovery through securitized bonds reflect an offset based on certain higher than normal customer revenues received by EMW during Winter Storm Uri?

Position: No. On pages 12-13 of her rebuttal testimony, Staff witness Bolin alleges that Winter Storm Uri caused EMW to experience excess revenues in February 2021 of approximately $8.6 million and she proposes to reduce the amount of deferred fuel and purchased power costs to be recovered through securitized bonds by that amount. Staff's characterization of the revenues realized by EMW due to Winter Storm Uri as "extraordinary" and "excess" is unfounded and beyond the scope of the Securitization Law. It would therefore be unreasonable to offset any Winter Storm Uri fuel and purchased power costs on the basis of such revenues. Whereas Winter Storm Uri caused the Company to incur a typical year's worth of fuel and purchased power costs in two weeks, the revenue impact of Winter Storm Uri was not nearly as significant. $8.6 million, the amount of revenue from Winter Storm Uri Staff witness Bolin characterizes as "extraordinary", represents just 1.1% of the Company's normal annual base retail revenues. There is simply no basis to characterize Winter Storm Uri's 1.1% impact on EMW's annual revenues as being in any way comparable to its approximately 100% impact on the Company's annual fuel and purchased power costs. (Ives Surrebuttal, p. 5) Nor is Staff witness Bolin's claim that EMW experienced "excess" revenues borne out by the evidence. This is because EMW's achieved return on equity ("ROE") for calendar year 2021 was less than 7%, far below the ROE implicit in the Stipulation and Agreement approved by the Commission to resolve EMW's most recently concluded general rate proceeding. (Klote Surrebuttal, pp. 10-11; and Ives Surrebuttal, p4-7, 24)

g. Should EMW's recovery through securitized bonds reflect a disallowance based on EMW's resource planning?

Position: No. Under the Securitization Law the question is whether the costs that Evergy seeks to securitize meet the definition of Qualified Extraordinary Costs that were "incurred prudently" "during anomalous weather events." This is the language of Section 393.1700.1(13) RSMo.

OPC's attack on the Company's resource planning decisions made years before February 2021 is not relevant to the Securitization law and not relevant to whether Evergy's costs are Qualified Extraordinary Costs.

OPC argues that the Storm Uri costs incurred by the Company were not the result of extreme weather conditions but the result of the Company's poor resource planning decisions. As discussed by Company witnesses Mr. Reed and Mr. Kennedy, OPC does not even consider, let alone apply, the Commission's prudence standard and instead simply makes baseless accusations. As discussed by Ms.

Messamore, EMW's resource planning decisions were based on risk analysis through the integrated resource plan ('IRP") process which demonstrated significant savings for EMW customers from the retirement of the Sibley Station. On the basis of the IRP analysis, the retirement of Sibley Station was prudent, EMW's resource planning was prudent and as a result, EMW's Winter Storm Uri costs recovered through securitized bonds were prudently incurred and there should be no disallowance. Importantly, the events leading up to EMW's decision to retire Sibley Station are clear, well-documented, and well-communicated with the Commission and interested parties. (Ives Surrebuttal, pp. 15-17; Messamore Surrebuttal, pp. 9-15; Reed Surrebuttal, pp. 8-25; Kennedy Surrebuttal, pp. 3-9)

Ms. Mantle for the first time in her surrebuttal testimony asserts that EMW's fuel and purchased power costs have increased outside of the Winter Storm Uri timeframe and that this shows that the Company should not have relied on the market. Not only is this testimony improper surrebuttal and based on hindsight but it also completely ignores the fact that in the long term, net energy purchases are economic decisions evaluated through an IRP which uses all in generation costs, expected market prices and forecasted capacity requirements to select a preferred plan with a primary goal of minimizing long-term customer costs. (Messamore Surrebuttal, p. 6)

h. **Were the costs incurred by EMW related to Winter Storm Uri as a result of its resource planning process just and reasonable?**

Position: The Company does not agree with the premise of the question as its Winter Storm Uri costs were not a result of its resource planning process. See the Company's response to issue 1.g. above

(i) **If no, should EMW's recovery through securitized bonds reflect a disallowance?**

Position: No. See Company' s response to Issue 1.g. above.

(1) **If yes, what amount should the Commission disallow?**

Position: See Company's response to Issue 1.g. above.

i. **Should EMW's recovery through securitized bonds reflect a disallowance for income tax deductions for Winter Storm Uri costs?**

Position: No. Contrary to the testimony of OPC witness John Riley, the Company does not receive any extra tax benefit by securitizing the Winter Storm Uri costs. All costs recovered from customers as revenue, either through the fuel adjustment clause or as a securitization charge by EMW or the SPE will be taxed, and those taxes will need to be paid to the government. (Hardesty Surrebuttal, pp. 2-5)

j. **Should Evergy's recovery through securitized bonds reflect a disallowance for the income tax deduction on the carrying costs for Winter Storm Uri costs?**

Position: No. Contrary to the testimony of OPC witness John Riley, the Company does not receive any extra tax benefit by securitizing the Winter Storm Uri costs. All costs recovered from customers as revenue, either through the fuel adjustment clause or as a securitization charge by EMW or the SPE will be taxed, and those taxes will need to be paid to the government. (Hardesty Surrebuttal, pp. 2-5)

k. What are the appropriate carrying costs for Winter Storm Uri?

Position: Carrying costs should be calculated using EMW's assumed weighted average cost of capital of 7.358%, plus applicable taxes. EMW proposes to remove the Winter Storm Uri costs from recovery in the fuel adjustment clause and instead proposes a long-term recovery of these costs. As such, using the weighted average cost of capital is appropriate in this case and is consistent with the recovery that would occur if these costs remained in the fuel clause and the majority of the costs were ultimately deferred due to the plant-in-service accounting ("PISA") rate caps established in Sections 393.1655.5 and 393.1400.2(3) which provide for the use of the weighted average cost of capital on amounts deferred in excess of established rate caps. (Klote Direct, p. 10; Klote Surrebuttal, pp. 6-7)

l. What is the appropriate adjustment to the amount of Winter Storm Uri costs to be recovered through securitized bonds, if any, regarding EMW's administration of the Special Incremental Load (SIL) tariff?

Position: No adjustment is necessary. Staff has indicated its disallowance related to the Company's administration of the Special Incremental Load tariff was as a result of Customer Event Balancing costs. For this Customer Event Balancing estimate, the Company determined Staff utilized the wrong number of hours as a threshold and relied on a setpoint approach to estimate a potential imbalance. Despite expected issues with accuracy, the setpoint approach assumed a single, static load for all hours instead of a fluctuating load more representative of the actual Nucor load. The overall impact of these corrections calculated by Mr. Carlson changes the impact to customers to a benefit instead of a detriment. This corrected and more representative view of the Nucor operations and market interaction supports the EMW position that no costs have been purposely or inadvertently passed to other customers. (Lutz Surrebuttal, pp. 15-16; Carlson Surrebuttal, pp. 2-7)

m. **What is the appropriate discount rate or rates to use to calculate the net present value of Winter Storm Uri costs that would be recovered through customary ratemaking?**

Position: The Commission authorized Weighted Average Cost of Capital should be used to determine the NPV of the benefits to customers resulting from recovery of Winter Storm Uri costs through securitization compared to traditional recovery methods. (Klote Direct, p. 10; Klote Surrebuttal, pp. 15-17)

2. **What are the estimated up-front and ongoing financing costs associated with securitizing qualified extraordinary costs associated with Winter Storm Uri?**

Position: Up-front Financing Costs are added to the Winter Storm Uri costs to arrive at the total securitizable balance for the Securitization Bonds. These amounts are quantified and described by Company witness Jason Humphrey and are included in Schedule RAK-3 to arrive at the total up-front financing costs securitizable balance for the Securitization Bonds of approximately $6.6 million. (Klote Direct, pp. 12)

a. **What is the appropriate return on investment and treatment of earnings in the capital subaccount?**

Position: After all Securitization Bonds and ongoing Financing Costs have been paid in full, the Charge will no longer be billed to or collected from customers. Any remaining amounts held by the SPE (exclusive of the amounts in the capital subaccount, representing the equity contribution, together with any return on the capital subaccount) will be remitted to EMW, as applicable, to be credited to customers' bills. Consistent with the requirements of section 393.1700.2(3)(c)l, EMW should be authorized to receive a return on the capital contribution at the WACC authorized in EMW's most recent general rate case plus applicable taxes as ongoing financing costs recoverable through the securitized utility tariff charge. (Klote Direct, pp. 20-21)

b. **Is the issuance of multiple series appropriate?**

Position: Yes. (Lunde Direct, p. 35)

3. **Would the issuance of securitized utility tariff bonds and imposition of securitized utility tariff charges provide quantifiable net present value benefits to customers as compared to recovery of the securitized utility tariff costs that would be incurred absent the issuance of bonds?**

Position: Yes. The securitized utility tariff charges that EMW proposes are expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds. It is appropriate that EMW be authorized to impose and collect securitized utility tariff charges. (Ives Direct, pp. 16-19; Klote Direct, pp. 14, 23, Schedule RAK-4;. Klote Surrebuttal, Schedule RAK-8)

a. **What is the appropriate discount rate to use to calculate net present value of securitized utility tariff costs that would be recovered for Winter Storm Uri through securitization?**

Position: The Commission authorized Weighted Average Cost of Capital (WACC) should be used to calculate net present value of securitized utility tariff costs that would be recovered for Winter Storm Uri through securitization. (Klote Surrebuttal, pp. 15-18)

b. **What is the appropriate term and coupon rate for securitization of qualified extraordinary costs related to Winter Storm Uri?**

Position: At the official launch of the transaction, the underwriter(s) will disclose specific spreads for each tranche and investors will be invited to place orders through the underwriter(s) for the amount and specific tranches of securitization bonds they are willing to purchase, at certain prices and securitization bond coupon rates. (Lunde Direct, p. 30) It should be noted that the interest rates, credit enhancement, payment dates, maturity date, cash flow requirements, frequency of principal payments, terms, number of tranches, and tranche sizes are estimates, and may vary at the time of pricing to ensure optimal pricing and ratings. Market conditions and rating agency considerations leading up to the marketing of the transaction will determine the final amortization structure, and market conditions for these securities at the time of pricing will determine the final interest rates.

(Lunde Direct, pp. 23-24) The Company assumed the securitization bonds will have a 17 year term. (Lunde Direct, p. 30).

4. **How should the SUTC be allocated?**

Position: EMW concurs in Staff witness Lange's recommendation to use loss-adjusted energy sales to allocate the SUTC among the Company's customers. EMW witness Lutz has used the FAC approach, along with updated revenue requirement information as detailed in Company witness Klote's surrebuttal testimony to calculate the updated retail rate impact of the SUTC that would result from the Company's current position in this proceeding. The following details the calculation.

Total Securitized Revenue Requirement		**$**	**33,483,107**
Estimated Recovery Period NSI (without Nucor) January 2023 - December 2023	kWh		8,848,730,509
SUR Rate		$	0.00378
VAF_{Sec}	1.0426	$	0.00395
VAF_{Prim}	1.0268	$	0.00389
VAF_{Sub}	1.0133	$	0.00383
VAF_{Trans}	1.0100	$	0.00382
	Proposed Rate Schedule		**$ per kWh**
	Secondary		$0.00395
	Primary		$0.00389
	Substation		$0.00383
	Transmission		$0.00382

(Lutz Surrebuttal, pp. 3-4)

5. **What, if any, additions or changes should be made to the Storm Securitized Utility Tariff Rider proposed by EMW?**

Position: See Lutz Surrebuttal, pp. 5-9 and Schedule BDK-3, pp. 1-7, inclusive.

6. Regarding any designated Staff representatives who may be advised by a financial advisor or advisors, what provisions or procedures should the Commission order to implement the requirements of Section 393.1700.2(3)?

Position: EMW's proposal would provide the Designated Representative (from Commission Staff) and Financial Advisor the ability to provide input and collaborate with EMW and its underwriters in real time and throughout structuring, marketing and pricing process so that the Designated Representative will be able to deliver the opinion required by the Missouri Securitization Statute on an expedited basis. EMW's proposal is consistent with the requirements and limitations of section 393.1700.2(3)(h).

Staff outside consultant, Mr. Davis, suggests on page 10 of his rebuttal testimony that ratepayers are not protected by EMW's proposal because Staff and its advisor would not be "actively involved". EMW disagrees with his assessment. Consistent with the requirements of the statute, after the financing order becomes final and non-appealable, EMW proposes that the Designated Representative and Financial Advisor would be able to provide input and collaborate on all facets of the process undertaken by EMW to place the bonds to market. This includes participation on calls and in meetings between EMW and the underwriters that discuss the structuring, marketing and pricing of the bonds so that input can be provided in real time and throughout the process. EMW views this as a collaborative process whereby the Designated Representative and Financial Advisor will be free to provide their input. Importantly, however, pursuant to the

Missouri Securitization Statute, EMW will maintain all decision-making authority over the placement of the bonds to market. (Ives Surrebuttal, pp. 17-19)

7. What other conditions, if any, are appropriate and not inconsistent with Section 393.1700 that should be included in the financing order?

Position: The Commission should approve and adopt the updated Financing Order proposed by EMW. EMW seeks a Financing Order from the Commission under the Securitization Law so that it can work with its legal and financial advisors to create a new bankruptcy-remote Special Purpose Entity that will issue Securitization Bonds whose proceeds will allow the Company to immediately recover its extraordinary costs from Winter Storm Uri, including the carrying costs it has incurred from the date that the particular cost was incurred to the date the Securitization Bonds are issued. The Securitization Bonds will be serviced via a Charge that will be in effect during the term of the Securitization Bonds (scheduled to be 15 years). (Ives Surrebuttal, pp. 15-17)

8. Should the Commission grant a waiver under Section 10(A)(1) of the Affiliate Transactions Rule between EMW and the special purpose entity?

Position: Under the circumstances of this proceeding, EMW does not believe that the SPE is an affiliate of the Company. As explained in the Direct Testimony of Mr. Lunde and Mr. Humphrey, the SPE's activities will be restricted to the limited purpose of acquiring the Securitized Property, issuing the Securitization Bonds, collecting the Securitized Utility Tariff Charges, and paying principal and interest on the Securitization Bonds to the bondholders. The SPE will be overseen by an independent manager to ensure that it only takes actions consistent with its obligations as the holder of the equity interest in the Securitized Property.

If, however, the Commission views the SPE to be an affiliate of the Company that is subject to the Affiliate Transactions Rule, EMW requests that the Commission grant a waiver in this case under Section 10(A)(1) of the Rule and 4 CSR 4240-2.015 for good cause. Because the SPE's activities will be restricted to acquiring the Securitized Property, issuing the Securitization Bonds, and the other duties noted above, and will be overseen by an independent manager to ensure it operates consistent with its obligations, good cause exists to support a waiver of the Rule under these circumstances. (Ives Direct, p. 18; and Ives Surrebuttal, pp. 23-24)

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed or mailed, postage prepaid, to all counsel of record as reflected on the service list maintained by the Commission in its electric filing information system on this 26th day of July 2022.

/s/ Roger W. Steiner

Attorney for Evergy Missouri West