



Evergy Missouri Metro
Case Name: 2022 Evergy MO Metro Rate Case
Case Number: ER-2022-0129

Requestor Riley John -
Response Provided July 20, 2022

Question:1317

Referencing the non unanimous Stipulation and Agreement from ER 2018 0145 and ER 2018 0146 what accounting authority proclamation rule etc can the Company rely on the conclude that it was acceptable accounting and tax practice to merge the NOLC to the regulatory Excess ADIT and amortize using the ARAM method

RESPONSE: (do not edit or delete this line or anything above this)

Confidentiality: PUBLIC

Statement: This response is Public. No Confidential Statement is needed.

Response:

The Company did not merge the net operating loss carryforwards (“NOLC”) with the excess deferred income taxes. Virtually all of the net operating loss carryforwards available in the 2018 rate cases have been used to offset taxable income on the companies’ tax returns in tax years 2018-2021.

The excess deferred income taxes related to net operating losses were created with the federal Tax Cut and Jobs Act of 2017 and the reduction of the Missouri corporate tax rate in 2018 (effective on January 1, 2020). Prior to these rate changes, the deferred tax assets related to net operating losses were computed at higher tax rates. When the rate changes were passed, the tax benefits available on future returns is less and financial accounting rules require us to restate the tax benefits at the new rates. The difference between the old rates and the new rates is considered “excess or deficient deferred income taxes” and is flowed back to ratepayers (similar to the excess deferred taxes on plant related or other deferred taxes). In the 2018 rate cases, the Commission ordered that the excess deferred taxes related to net operating losses existing at that time should be flowed back to ratepayers using the IRS’s average rate assumption method (“ARAM”).

The company believes that other amortization periods or methods could be used to flow back these excess deferred taxes. However, we are required to follow the amortization method order by the Commission in the 2018 rate cases until we get a new order with a different method or amortization period.



Information provided by: Melissa Hardesty, Tax

Attachment(s): None

Missouri Verification:

I have read the Information Request and answer thereto and find answer to be true, accurate, full and complete, and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request(s).

Signature /s/ *Brad Lutz*
Director Regulatory Affairs