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

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| In the Matter of Evergy Metro, Inc. d/b/a Evergy Missouri Metro's 2021 Triennial Compliance Filing Pursuant to 20 CSR 4240-22 | ) ) ) | File No. EO-2021-0035 |
| In the Matter of Evergy West, Inc. d/b/a Evergy Missouri West's 2021 Triennial Compliance Filing Pursuant to 20 CSR 4240-22 | ) ) ) | File No. EO-2021-0036 |

**EVERGY MISSOURI METRO AND EVERGY MISSOURI WEST**
**RESPONSES TO ALLEGED DEFICIENCIES AND CONCERNS**

**COMES NOW**, Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West") (collectively, "Evergy" or the "Company")[1] and in response to the pleadings filed on September 27, 2021 respectfully states the following:

## BACKGROUND

1. On April 30, 2021, Evergy submitted its triennial compliance filings related to Chapter 22 of the Commission's regulations concerning the Company's Electric Utility Resource Planning.

2. On September 27, 2021 the Missouri Public Service Commission Staff ("Staff"), the Council for the New Energy Economics ("NEE"), Renew Missouri Advocates d/b/a Renew Missouri ("Renew Missouri"), and Sierra Club submitted reports identifying concerns and in some cases alleging certain deficiencies regarding Evergy's 2021 Triennial IRP.

3. On November 24, 2021, Evergy, Staff, NEE, Renew Missouri, and Sierra Club filed a *Joint Motion for Extension* indicating parties were working together to prepare a Joint Agreement

[1] Effective October 7, 2019, Evergy Metro Inc. d/b/a Evergy Missouri Metro adopted the service territory and tariffs of Kansas City Power & Light Company ("KCP&L") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West adopted the service territory and tariffs of KCP&L Greater Missouri Operations Company ("GMO").

Filing ("Joint Agreement") that includes agreed upon remedies to many alleged deficiencies and concerns. The Commission granted the extension of the *Joint Agreement* deadline from November 26, 2021 to December 10, 2021.

4. The *Joint Agreement* was filed contemporaneously with this pleading in response to the Commission's Electric Utility Resource Planning regulation, 20 CSR 4240-22080(10) which provides:

> If full agreement on remedying deficiencies or concerns is not reached, then, within sixty (60) days from the date on which the staff, public counsel, or any intervenor submitted a report or comments relating to the electric utility's triennial compliance filing, the electric utility may file a response and the staff, public counsel, and any intervenor may file comments in response to each other. The commission will issue an order.

**UNRESOLVED AND PARTIALLY RESOLVED**
**ALLEGED DEFICIENCIES AND CONCERNS**

5. Unresolved - NEE Deficiency 3: Evergy's cost assumptions for new solar resources assumed utility owned resources that would receive tax normalization and no monetization of the Investment Tax Credit ("ITC").

**Response**: Evergy does not agree that this is a deficiency in meeting the requirements outlined in the Chapter 22 IRP rule. The requirements for modeling supply-side resources are outlined in 20 CSR 4240-22.040(5) (excerpted below) and there is no requirement which would align with what NEE has alleged in this deficiency.

(A) Fuel price forecasts, including fuel delivery costs, over the planning horizon for the appropriate type and grade of primary fuel and for any alternative fuel that may be practical as a contingency option;

(B) Estimated capital costs including engineering design, construction, testing, startup, and certification of new facilities or major upgrades, refurbishment, or rehabilitation of existing facilities;

(C) Estimated annual fixed and variable operation and maintenance costs over the planning horizon for new facilities or for existing facilities that are being upgraded, refurbished, or rehabilitated;

(D) Forecasts of the annual cost or value of emission allowances to be used or produced by each generating facility over the planning horizon;

(E) Annual fixed charges for any facility to be included in the rate base, or annual payment schedule for leased or rented facilities; and

(F) Estimated costs of interconnection or other transmission requirements associated with each supply-side candidate resource option.

The Investment Tax Credit impacts the estimated capital cost for a resource and is factored into the Company's analysis accordingly, but there is no requirement to model hypothetical tax credit structures which do not exist today.

If a change to the tax credit structure were to be evaluated, it would need to be as a critical uncertain factor and not as a base assumption. Furthermore, the Company also does not believe such a critical uncertain factor evaluation would be appropriate because of the very wide range of potential tax credit structures (e.g., normalized ITC, ITC not normalized, Production Tax Credit, other direct payment incentive). In addition, it is likely that the tax credit structure will change over the course of the 20-year period. As opposed to attempting to develop a range of uncertainty for this factor without any external source to rely on, the Company believes that assuming the current tax policy at the time of each filed IRP is the most efficient option which manages risk for customers by not assuming that more favorable tax policy materializes when it may not. To that end, the Company cannot and should not model the ITC as an upfront reduction of the investment. Under current tax rules the Company has to normalize the ITC and spread the tax benefit out over the life of the facility.

It is possible (and even likely) that this could be changed in the future based on legislation, but as of today normalization is part of the Internal Revenue Service (IRS) rules and needs to be the modeling assumption used for future resource additions. The Company will update its modeling assumptions in the event the relevant rules are updated by the IRS. As a specific and timely example, current draft legislation (Build Back Better) would implement a Production Tax Credit (PTC) in place of the current ITC and, if passed, this would be implemented in future IRP modeling – rendering this issue irrelevant.

6. Partially Resolved - Sierra Club Deficiency 7: Evergy's most-recent RFP brought a competitive pool of resources and should be heavily integrated in the IRP modeling.

**Response:** Per the *Joint Agreement*, the Company agrees to incorporate up-to-date market data for new resources in future IRPs, beginning with its 2022 Annual Update. The Company will rely on RFP responses where possible. However, The Company and Sierra Club disagree on whether Purchase Power Agreements ("PPA") should be modeled as discrete resource options.

The Chapter 22 IRP rules do call out either bilateral or market purchases of capacity or energy as supply-side resource options which can be evaluated, but the Company's position is that the purpose of the IRP is to evaluate generic new resource options and not to determine ownership or financial structure. With that in mind, the Company believes ownership of new resources is the appropriate "default" option to represent new resources which are being evaluated.

7. Unresolved - Sierra Club Deficiency 10: Evergy failed to evaluate the public health impacts of its ARPs.

**Response:** Evergy does not agree that this is a deficiency in meeting the requirements outlined in the Chapter 22 IRP rule. Evergy's position is that Public health impacts are assessed when environmental regulations are established. Each alternative resource plan considered by the Company is based on resources that comply with environmental regulations. As such, no additional public health assessment is needed to evaluate alternative plans. A similar request by Sierra Club was rejected by the Commission for inclusion as a special contemporary issue in both the Company's 2021 Triennial IRP and 2022 Annual Update.

**WHEREFORE**, Evergy does not believe a hearing is necessary and requests the Commission find that its April 30, 2021 triennial compliance filings successfully meet the requirements of 20 CSR 4240-22.

Respectfully submitted,

*/s/ Roger W. Steiner*

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**Attorneys for Evergy Missouri Metro and Evergy Missouri West**

## CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the foregoing have been e-mailed or mailed, via first class United States Mail, postage pre-paid, to the service list of record this 10th day of December 2021.

*/s/ Roger W. Steiner*

Roger W. Steiner