

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

In the Matter of the Application of Evergy)
Missouri West Inc. d/b/a Evergy Missouri)
West Containing its Semi-Annual Fuel)
Adjustment Clause True-Up)

File No. EO-2023-0010

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 CRS 4240-20.090(8) and the Company’s)
Approved Fuel and Purchased Power Cost)
Recovery Mechanism)

File No. ER-2023-0011

Tracking No. JE-2023-0005

**EVERGY MISSOURI WEST’S RESPONSE TO STAFF RECOMMENDATION
AND REQUEST FOR HEARING**

COMES NOW, Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West” or the “Company”) and, for its *Response to Staff Recommendation and Request for Hearing* (“Response”) the Company respectfully states as follows:

I. Introduction

1. On July 28, 2022, Staff (“Staff”) for the Missouri Public Service Commission (“Commission”) filed its *Recommendation* (“Recommendation”). In its Recommendation Staff reached a number of conclusions concerning the Fuel Adjustment Rate (“FAR”) filing made by the Company on July 1, 2022. Although the Company agrees with the vast majority of the conclusions reached by Staff in its Recommendation, Evergy Missouri West disagrees with Staff’s request that the Commission reject the Company’s proposal to exclude \$31 million from the FAR and defer that amount. Consequently, Evergy Missouri West requests that the Commission set this matter for hearing in accordance with the provisions of the Commission’s Fuel Adjustment Clause (“FAC”) rule, 20 CSR 4240-20.090(8)(H)3.

2. The Company will first address the elements of Staff's Recommendation with which it has no disagreement, then the Company will explain why Evergy Missouri West disagrees with Staff's request that the Commission reject the Company's proposal to defer \$31 million and will conclude with its request for hearing.

II. Elements of Staff's Recommendation not Disputed by Evergy Missouri West

3. In its Memorandum filed on July 28, 2022, in File No. EO-2023-0010, concerning Evergy Missouri West's 27th FAC True-up, Staff recommended that the Commission approve, for Recovery Period 27, an under-collection of \$351,155. The Company agrees with this element of Staff's Recommendation.

4. On pages 4-5 of its Memorandum filed on July 28, 2022, in File No. ER-2023-0011, concerning Evergy Missouri West's July 1, 2022, FAR filing, Staff confirmed that, with the exception of the Company's proposal to defer \$31 million, Evergy Missouri West's calculation of its Fuel and Purchased Power Adjustment for Recovery Period 30 was accurate. As explained below, Evergy Missouri West disagrees with Staff's request that the Commission reject the Company's proposal to exclude \$31 million from the subject FAR and defer that amount but agrees with the remainder of Staff's Memorandum filed on July 28, 2022, in File No. ER-2023-0011.

III. Contrary to Staff's Recommendation, \$31 Million Should be Excluded from the Subject FAR and Deferred

5. On pages 2-3 of its Memorandum filed on July 28, 2022, in File No. ER-2023-0011, concerning Evergy Missouri West's July 1, 2022, FAR filing, Staff explains the reasons for its request that the Commission reject the Company's proposal to exclude \$31 million from the Subject FAR and defer that amount. The Company will refute each reason advanced by Staff after first re-iterating why the Company's proposal to defer \$31 million is warranted.

6. The plant-in-service accounting ("PISA") legislation enacted in 2018 (393.1655.3 RSMo. is particularly relevant here) clearly establishes that increases in fuel and purchased power

costs that cause a utility to exceed its compound annual growth rate (“CAGR”) cap can be deferred to the PISA regulatory asset. Because the combined increase in fuel and purchased power costs from this accumulation period plus the immediately preceding recovery period plus the re-base of fuel and purchased power costs that will occur in the ongoing general rate case is likely to cause the Company to exceed the CAGR cap that will apply in its ongoing general rate proceeding, excluding \$31 million from the subject FAR and deferring that amount will allow the Company to implement the result ordered by the Commission in that general rate case without exceeding the CAGR cap. Absent these fuel and purchased power cost increases (in this accumulation period, in the immediately preceding recovery period and in the re-base of fuel and purchased power costs in the general rate case), Evergy Missouri West would not be anywhere close to approaching its CAGR cap in the general rate case. Deferral now is therefore appropriate and necessary to avoid the possibility that fuel and purchased power cost increases will serve to limit the rate relief the Commission can award in the Company’s ongoing general rate increase under the provisions of section 393.1655.5. This would be unreasonable and unfair given the fact that the Company does not control fuel and purchased power prices; it would also be inconsistent with the provisions of section 393.1655.3 which mandate the deferral of fuel and purchased power cost increases that exceed the CAGR cap. A deferral is also consistent with section XI of the Commission’s FAC rule which allows the utility to request a deferral of “extraordinary costs” that would otherwise flow through the FAC.

7. Staff first argues that section 393.1655.3 prohibits including the impact of an ongoing general rate case, that has yet to be concluded, in the calculation of the CAGR cap. The Company does not agree that the Commission should restrict its consideration of relevant facts as narrowly as Staff argues, especially given the unprecedented run-up in fuel and purchased power costs to which the Company has recently been exposed. At its core, this is a timing issue and Evergy Missouri West’s request is that the Commission not allow the happenstance of timing to lead to unintended

punitive consequence never intended under this regulatory construct. Evergy Missouri West's proposed solution – to defer a portion of the FAR - provides a practical solution to this timing issue and a reasonable path to avoid this anomalous outcome. Rather than addressing this proposed solution directly, Staff merely side steps it entirely by suggesting that the Commission turn a blind eye to the impact of the timing of the general rate case. This approach flies in the face of reasoned decision-making, good policy development and overall fairness.

8. Staff next argues that, despite the impact of these increased fuel and purchased power costs on Evergy Missouri West, “. . . these increased fuel costs are, unfortunately, the norm for all utilities for the current time period and not uniquely extraordinary or unusual for Evergy Missouri West.” Notably, Staff presents no data in support of this claim. If Staff's assertion that this is “the norm for all utilities for the current time period and not uniquely extraordinary or unusual for Evergy Missouri West” were true, a reasonable person would expect that Evergy Missouri Metro, which is also in the midst of an ongoing general rate proceeding, would be positioned similarly to Evergy Missouri West. Of course, Evergy Missouri Metro has no similar request for deferral of fuel and purchased power costs pending before the Commission at this time. Moreover, the Commission has determined that, when assessing whether an event or transaction is extraordinary, as the Company contends its fuel and purchased power cost increases are, “. . . the focus of the standard is on the abnormality and significance of the event or transaction on the company, not the industry as a whole.” See, Report and Order, Case No. EC-2019-0200, October 17, 2019.

9. Finally, Staff points out that deferral as requested by the Company will be accompanied by interest and may delay starting recovery of these fuel and purchased power costs for up to four years. As should be obvious, the Company has not proposed to defer \$31 million in fuel and purchased power costs because it wants to delay recovery or accrue additional interest. If there is room within the Company's CAGR cap after the general rate case result is known and there is a

means to include all or a portion of the deferred dollars in the Company's FAR at that time, Evergy Missouri West would certainly be interested in exploring any such alternative.

IV. Requests for Approval of Tariff as Filed and Hearing on Disputed Amount

10. On page 2 of its cover pleading filed herein on July 28, 2022, Staff states that, in addition to rejecting the proposed tariff sheets, "[T]he order should direct Evergy Missouri West to file substituted tariff sheets that includes the \$31 million costs in this AP30 filing." The Company objects to this request as being beyond the authority reserved to the Commission in its FAC rule. 20 CSR 4240-20.090(8)(H)3 provides, in pertinent part, that "[T]he commission may order the electric utility to file tariff sheet(s) to implement interim adjusted FARs to reflect any part of the proposed adjustment that is not in question." As described in section III above, the Company disagrees with Staff's request to reject deferral of \$31 million and to instead include that amount in the subject FAR. The Company hereby requests that the Commission approve the currently filed tariff as it does not include any disputed amounts. This would alleviate the unnecessary additional filing of an interim tariff because the interim tariff would be the same as the currently filed tariff. The Company requests a hearing on the disputed amount and asks that the Commission order the parties to develop a proposed procedural schedule so that this dispute may be heard and decided by the Commission after hearing. That this is the accepted procedure for handling a disputed FAR filing is borne out not only by the Commission's rule (20 CSR 4240-20.090(8)(H)3) but also by Commission precedent on the topic. *See, Order Rejecting Fuel Adjustment Clause Tariff, Scheduling a Procedural Conference and Directing the Filing of a Revised Tariff*, File Nos. ER-2019-0413 and ER-2019-0414, August 15, 2019.

WHEREFORE, the Company requests the Commission issue an order setting this matter for hearing and ordering the parties to develop a proposed procedural schedule as discussed above.

Respectfully submitted,

/s/ Roger W. Steiner

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, to all counsel of record in this case on this 8th day of August 2022.

/s/ Roger W. Steiner

**Counsel for Evergy Missouri Metro and
Evergy Missouri West**