

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

In the Matter of the Application of Evergy	)	
Metro, Inc. d/b/a Evergy Missouri Metro and	)	
Evergy Missouri West, Inc. d/b/a Evergy	)	No. EU-2021-0283
Missouri West for an Accounting Authority	)	
Order Allowing the Companies to Record and	)	
Preserve Costs Related to the February 2021	)	
Cold Weather Event	)	

**EVERGY RESPONSE TO STAFF RECOMMENDATION**

COME NOW, Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy Missouri Metro” or “Metro”) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West” or “West”) (collectively “Evergy” or “Company”), and state the following for their Response to the Staff Recommendation:

1. As directed by the Commission’s Procedural Order, on September 23, 2021 the Staff submitted its recommendation (“Staff Recommendation”) along with a Memorandum verified by Utility Regulatory Manager Kimberly K. Bolin (“Staff Memorandum”). Consistent with the Procedural Order, Evergy submits this response.

2. Staff recognized that “Winter Storm Uri is an extraordinary event of a material nature for purposes of the Company’s requests to accumulate and defer associated costs.” See Staff Recommendation, ¶ 4. Evergy is pleased that Staff found the winter storm to be an extraordinary event which would support the accumulation and deferral of costs associated with the event. However, as numerous cases have concluded, the Commission need not find an extraordinary event to be material in order to grant an accounting authority order (“AAO”).<sup>1</sup>

---

<sup>1</sup> See Report and Order at 22 & n.116, In re Application of Evergy Metro, Inc. and Evergy Mo. West, Inc. for an AAO related to COVID-19 Expenses, No. EU-2020-0350 (Jan. 13, 2021).

3. More significantly, Staff’s reference only to “associated costs” and not to revenues is at odds with the concept of AAOs which can authorize either a regulatory liability for unexpected revenues or to a regulatory asset for unexpected costs. The Commission and the Court of Appeals have both noted that whether an applicant seeks an AAO to authorize a regulatory liability or a regulatory asset, the same standard applies.<sup>2</sup>

4. The Staff recommendation for Evergy Missouri West has three elements. See Staff Recommendation, ¶ 9.

- a. Evergy agrees with Staff’s recommendation that the Commission approve the request to defer 100% of Evergy Missouri West’s fuel and purchased power costs and off-system sales in excess of a February three-year average and the O&M costs related to Winter Storm Uri.
- b. Staff believes the determination of whether 95% or 100% of such costs are to be recovered in rates should be made in a future general rate case or in a case that requests the securitization of these costs. Evergy does not oppose this recommendation.
- c. Finally, Staff opposes “including carrying costs in the AAO because the appropriateness of applying carrying costs to deferrals is a ratemaking determination.” Instead, Staff suggests that carrying costs be considered in a future general rate case or a case requesting securitization of such costs. See Staff Recommendation, ¶ 9 at 3-4. Evergy disagrees with Staff’s position, as stated below.

---

<sup>2</sup> See Report & Order at 12, Office of Public Counsel v. KCP&L Greater Mo. Operations Co., No. EC-2019-0200 (Oct. 17, 2019), aff’d Office of Public Counsel v. Evergy Mo. West, Inc., 609 S.W.3d 857, 868 (Mo. App. W.D. 2020).

5. It is both lawful and appropriate for an AAO to include carrying costs. Carrying costs were included in the first AAOs authorized by the Commission in the seminal Sibley generating station case. See Report and Order, In re Missouri Public Service, No. EO-91-358, 1991 WL 501955 (1991), aff'd, State ex rel. Office of Public Counsel v. PSC, 858 S.W.2d 806, 808-12 (Mo. App. W.D. 1993). As the Court of Appeals noted, the AAO did not grant rate relief but properly approved the deferral of carrying and other costs until “the amount of the deferred cost to be recovered as well as other ratemaking issues would be determined in a later rate case.” Id. at 812.

6. Given that the Commission will review all costs and revenues deferred pursuant to an AAO in a future rate case, including carrying costs,<sup>3</sup> there is no good reason not to include the carrying costs on the significant dollars already expended by the Company in the AAO requested by Evergy Missouri West which Staff has recommended be granted. Including such costs in the AAO is particularly appropriate because decisions in the Evergy rate cases, to be filed in early 2022, will not become effective until the end of next year.

7. The Staff recommendation for Evergy Missouri Metro also has three elements. See Staff Recommendation, ¶ 10.

- a. Staff recommends that Evergy Missouri Metro’s customers receive 95% of the \$32 million of unusual and unanticipated off-system sales revenues in the current fuel adjustment clause (“FAC”), consistent with its recommendation in Evergy Missouri Metro’s pending FAC case, No. ER-2022-0025.<sup>4</sup> This position essentially calls for Metro’s AAO request to be denied. Under Staff’s FAC proposal the remaining 5%

---

<sup>3</sup> See Missouri Gas Energy v. PSC, 978 S.W.2d 434, 436-48 (Mo. App. W.D. 1998) (carrying costs considered and reduced).

<sup>4</sup> See In re Evergy Metro, Inc. for Auth. for Implement Rate Adjustments under the Fuel & Purchased Power Cost Recovery Mechanism, Staff Recommendation to Reject Tariff Sheet, No. ER-2022-0025 (Aug. 27, 2021).

of off-system sales revenue (\$1,600,000) would flow back to the utility, as offset by the O&M expense of \$521,322. See Staff Recommendation, ¶ 10 & Staff Memorandum at 4-5. Evergy Missouri Metro disagrees with this recommendation. As explained below in Paragraphs 8-13, Staff's recommendation ignores the consequences of the extraordinary Winter Storm Uri. Instead, Staff seeks to impose the FAC's 95%/5% sharing mechanism upon Metro when an AAO is the proper tool to apply in this situation, as it recognized in the case of Evergy Missouri West. Staff's recommendation is also premised on its flawed notion that revenues and costs should be treated differently. This approach misinterprets both Section 386.266 and the Commission's Rule on Fuel and Purchased Power Rate Adjustment Mechanisms, 20 CSR 4240-20.090, including the Rule's Subsection (8)(A)2.A.XI.

- b. If the Commission grants Evergy Missouri Metro an AAO, Staff opposes the Company's proposal that the PSC address the extraordinary impact that Winter Storm Uri had on Metro by not allowing the current mismatch of jurisdictional cost allocators employed by Missouri and Kansas to credit customers with revenues that Metro never received. The Company disagrees with Staff's position, as discussed below in Paragraphs 14-15.
  - c. Finally, if an AAO is granted, Staff opposes the inclusion of carrying costs for Evergy Missouri Metro. The Company contends that carrying costs are appropriate, for the reasons stated above in Paragraphs 5-6.
8. Staff's opposition to Evergy Missouri Metro's AAO application, in favor of the standard FAC process, should be rejected for several reasons. First, it would treat customers of

Evergy's two Missouri utilities differently for no logical reason. Under Staff's FAC process, it would give Evergy Missouri Metro's customers 95% of the extraordinary revenues incurred during the last accumulation period and flow 5% of those extraordinary revenues to Metro itself. This would occur before the next FAC accumulation period when more information will be known from the SPP resettlement of transactions that occurred during Winter Storm Uri. By contrast, Staff endorsed the use of an AAO to remove all fuel and purchased power costs, and off-system sales revenues from Evergy Missouri West's FAC that were associated with the extraordinary events caused by Winter Storm Uri. Just because the amounts in each of these categories are different for Metro than they are for West does not justify two separate methods to address the results of a singular extraordinary event.

9. Second, Staff's view of 20 CSR 4240-20.090, and especially Subsection (8)(A)2.A.XI, is incorrect because both the regulation and its statutory basis, Section 386.266, indicate that **costs and revenues** must be considered in the FAC process, and not simply extraordinary costs. Section 386.266.1 authorizes the Commission to approve periodic rate adjustments outside of general rate cases "to reflect increases and decreases in its prudently incurred fuel and purchased-power costs, including transportation." The phrase "increases and decreases" conveys the intent of the General Assembly that both costs and revenues are to be considered.

10. The Commission's FAC Rule reflects that intent explicitly. It defines the FAC accumulation period as the time period "over which historical fuel and purchased power **costs** and fuel-related **revenues** are accumulated for purposes of determining the actual net energy costs (ANEC)." See 20 CSR 4240-20.090(1)(A) [emphasis added]. Such "costs" and "revenues" are included in the definitions of actual net energy costs, base energy costs, and net base energy costs.

See 20 CSR 4240-20.090(1)(B), (C), and (U). Each of these terms defines costs to mean “fuel and purchased power costs **net of fuel-related revenues** [emphasis added].” Id.

11. Staff focuses solely on the word “costs” in Subsection (8)(A)2.A.XI as if it only refers to an increase in costs. Staff fails to consider that costs can be reduced either by lower costs or by virtue of off-setting revenues, as contemplated in the definitions in Subsection (1) of the Rule. The Rule’s reference in Subsection (8)(A)2.A.XI to “[e]xtraordinary costs not to be passed through” the FAC recognizes three types of costs: (a) “ ... such costs being an insured loss” -- which could be a cost increase; (b) “or subject to reduction due to litigation” -- which would be an offset to a cost or revenue from a settlement or judgment that reduced any loss; and (c) “or for any other reason; ...” -- which would logically mean either a cost or a revenue. This interpretation reflects the language of Subsection 1 that defines actual net energy costs, base energy costs, and net base energy costs as “net of fuel-related revenues.” See 20 CSR 4240-20.090(1)(B), (C), and (U).

12. Additionally, because Evergy Missouri Metro’s AAO proposes that the extraordinary revenues be deferred subject to carrying costs, customers are assured of receiving a net benefit that reflects the time value of money. See R. Klote Direct Testimony at 16.

13. Finally, use of the AAO mechanism prevents volatility from being introduced into Metro’s FAC Accumulation Periods in the near future. As Metro explained in the FAC proceeding, Staff’s proposal “will result in huge swings in customer’s bills which is inconsistent with the FAC tariff and contrary to the goal of keeping rates consistent or non-volatile over time.” See Evergy Mo. Metro Response to Staff Recommendation, ¶ 8, In re Evergy Metro, Inc. for Auth. to Implement Rate Adjustments under the Fuel & Purchased Power Cost Recovery Mechanism, No. ER-2022-0025 (Sept. 3, 2021).

14. Regarding Metro's request that the Commission address the longstanding jurisdictional allocator issue, Staff's recommendation does not dispute the Company's position that maintaining the current allocator in Missouri will result in a refund of 107% of Evergy Metro Inc.'s actual off-system sales across Missouri and Kansas. See Application, ¶ 34. Staff simply wants to delay the entire issue until next year's rate case. But, the unusual and abnormal impacts of Winter Storm Uri, which Staff agrees was an extraordinary event, must be dealt with here. To be clear, Evergy does not ask the Commission to fix the jurisdictional allocation mismatch in this case. It will submit proposals to address jurisdictional allocations in the upcoming general rate cases of Evergy Metro, Inc. in both Missouri and in Kansas. See Darrin R. Ives Direct Testimony at 33.

15. Evergy does ask the Commission to prevent the current system from crediting customers in Missouri and Kansas for \$13.6 million in off-system sales that Evergy Metro, Inc. never made. See Ives Direct Testimony at 31-32. The total amount of the under-recovery associated with Winter Storm Uri is approximately \$12.1 million, of which \$6.4 million should be allocated to Missouri customers. Id. at 29-32; Ronald A. Klote Direct Testimony at 17-19. Evergy's proposed adjustment, presented in Mr. Klote's Direct Testimony, is the necessary and appropriate way to address the extraordinary impacts of Winter Storm Uri which would otherwise result in an unfair taking of Metro's assets.

**WHEREFORE**, the Company respectfully submits its Response to the Staff Recommendation, and requests the Commission issue an order consistent with the requests set forth in the Application and the Direct Testimony of Darrin R. Ives and Ronald A. Klote.

Respectfully submitted,

*/s/ Roger W. Steiner*

Roger W. Steiner, MBN 39586  
Phone: (816) 556-2314  
E-mail: [roger.steiner@evergy.com](mailto:roger.steiner@evergy.com)  
Evergy, Inc.  
1200 Main – 16<sup>th</sup> Floor  
Kansas City, Missouri 64105  
Fax: (816) 556-2787

Karl Zobrist, MBN 28325  
Dentons US LLP  
4520 Main Street, Suite 1100  
Kansas City, MO 64111  
Phone: (816) 460-2400  
Fax: (816) 531-7545  
[karl.zobrist@dentons.com](mailto:karl.zobrist@dentons.com)

James M. Fischer, MBN 27543  
Fischer & Dority, P.C.  
101 Madison, Suite 400  
Jefferson City, MO 65101  
Phone: (573) 636-6758  
Fax: (573) 636-0383  
[jfischerpc@aol.com](mailto:jfischerpc@aol.com)

**Attorney for Evergy Missouri Metro and Evergy  
Missouri West**

**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, this 7<sup>th</sup> day of October 2021, to all parties of record.

*/s/ Roger W. Steiner*

Roger W. Steiner