

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2023-0210, Tariff Tracking No. JE-2023-0117

FROM: Brooke Mastrogiannis, Utility Regulatory Audit Supervisor

DATE: /s/ Brooke Mastrogiannis 01-30-2023 /s/ Casi Aslin 01-30-2023
Energy Resources Department / Date Staff Counsel Department / Date

SUBJECT: Staff Recommendation for Approval of Tariff Sheet Filed to Change Rates Related to Evergy Missouri West, Inc.'s, d/b/a Evergy Missouri West Fuel Adjustment Clause Pursuant to the Commission's Report and Order in Case No. ER-2018-0146

DATE: January 30, 2023

Staff Recommendation

On December 30, 2022, Evergy Missouri West, Inc., d/b/a Evergy Missouri West ("Evergy Missouri West") filed one (1) tariff sheet, 9th Revised Sheet No. 127.23, Canceling 8th Revised Sheet No. 127.23, bearing a proposed effective date of March 1, 2023, to revise Evergy Missouri West's current annual Fuel Adjustment Rates ("FARs") (lines 16, 19, 22, and 25 on 9th Revised Sheet No. 127.23) of its Fuel Adjustment Clause ("FAC"). Evergy Missouri West also filed the direct testimony of Lisa A. Starkebaum on December 30, 2022, and submitted to Staff work papers in support of the direct testimony and filed tariff sheet. Subsequently, Evergy Missouri West filed a substitute tariff sheet on January 18, 2023, and submitted to Staff work papers in support of the substitute tariff sheet, for an interest correction. Staff identified during its review that additional interest was not applied to the ordered prudence adjustment from Case No. EO-2022-0065. The 2017 vintage RECs would have expired as of December 31, 2020; therefore, additional interest has been calculated from January 2021 through November 2022 in the amount of \$1,968.20.

As discussed in the Plant in Service Accounting ("PISA") deferrals section below, the FAC charge proposed in this filing does exceed the average overall rate of the compound annual growth rate ("CAGR") cap provisions of section 393.1655 RSMo by more than 13.3372%. Therefore, the Company has removed \$47,898,201 from recovery through the FAC and has included this amount in a PISA regulatory asset for consideration in a future general rate proceeding. In addition, the proposed FAC charge applicable to Large Power customers does exceed 8.7474% of the class average overall rate cap, in accordance with section 393.1655.6 RSMo. Therefore, the Company

has limited the increase in the FAC charge applicable to Large Power customers to the 2% CAGR of the class average overall rate or \$13.7 million. The exceedance of the 2% CAGR cap results in \$1,439,335 being redistributed to Non-Large Power customer classes for recovery in this filing.

Staff recommends the Commission issue an order approving the 9th Revised Sheet No. 127.23, as substituted on January 18, 2023, canceling 8th Revised Sheet No. 127.23 of the FAC for Eversource Missouri West, to become effective on March 1, 2023.

Accumulation Period 31 FARs

The testimony and work papers include information supporting Eversource Missouri West's calculation of the Fuel and Purchased Power Adjustment ("FPA") amount of \$104,175,279 line 11¹ of 9th Revised Sheet No. 127.23, as substituted on January 18, 2023, for AP31 (June 1, 2022 through November 30, 2022) reflecting the sum of:

1. The amount of \$101,492,930 on line 7 of 9th Revised Sheet No. 127.23, which is equal to 95% of the difference between: a) Eversource Missouri West's Missouri jurisdiction² Actual Net Energy Costs ("ANEC") (fuel costs plus net emission costs plus purchased power costs plus transmission costs less off-system sales revenue less renewable energy credit revenue), and b) Eversource Missouri West's Missouri jurisdiction Net Base Energy Cost;
2. The true-up amount³ reflected on line 8 of 9th Revised Sheet No. 127.23, of \$220,443;
3. The interest amount reflected on line 9 of 9th Revised Sheet No. 127.23, of \$2,510,702; and,
4. The Prudence Adjustment Amount on line 10 of (\$48,796).

The proposed Current Period Eversource Missouri West FAR for large power customers of \$0.00573 per kWh (line 13 9th Revised Sheet No. 127.23) is equal to Eversource Missouri West's

¹ Line 11 is the FPA amount subject to prudence review, line 11.1 is the PISA amount deferred to a PISA regulatory asset account, and line 11.2 is the FPA amount subject to recover in true-up.

² See line 4 of 9th Revised Sheet No. 127.23 and definition of J on Original Sheet No. 127.21.

³ The true-up amount was requested by Eversource Missouri West in its December 30, 2022 filing in File No. EO-2023-0206.

FPA amount of \$104,175,279, less the PISA deferral of \$(47,898,201), divided by the estimated Recovery Period 31 (“RP31”)⁴ Retail Net System Input (“RNSI”) at the generator level⁵ (“SRP”) of 2,398,891,792 kWh (line 12 of 9th Revised Sheet No. 127.23). The proposed Current Period Evergy Missouri West FAR for non-large power customers of \$0.00655 per kWh (line 13 of 9th Revised Sheet No. 127.23) is equal to Evergy Missouri West’s FPA amount of \$104,175,279, less the PISA deferral of \$(47,898,201), divided by the estimated RP31 RNSI at the generator level (“SRP”) of 6,487,601,959 kWh (line 12 of 9th Revised Sheet No. 127.23).

Because of differences in line losses for secondary, primary, substation, and transmission voltage service levels,⁶ tariff sheet lines 14, 17, 20, and 23 reflect different current period FARs for service taken at secondary, primary, substation, and transmission voltage service levels.

The Accumulation Periods, Recovery Periods, and other specifications of Evergy Missouri West’s FAC for AP31 are set out in its tariff sheets identified in the following table:

For Service Provided December 6, 2018 and Thereafter
Original Sheet No. 127.13
Original Sheet No. 127.14
Original Sheet No. 127.15
Original Sheet No. 127.16
Original Sheet No. 127.17
Original Sheet No. 127.18
Original Sheet No. 127.19
Original Sheet No. 127.20
Original Sheet No. 127.21
Original Sheet No. 127.22

⁴ RP31 includes March 1, 2023 through February 29, 2024.

⁵ See definition of SRP on Original Sheet No. 127.22.

⁶ The voltage adjustment factors (VAFs) for Evergy Missouri West for primary, secondary, substation and transmission voltage service levels are included on lines 26 through 29 of 9th Revised Sheet No. 127.23, as substituted on January 18, 2023.

Listed below are Evergy Missouri West’s proposed Current Annual FARs on 9th Revised Sheet No. 127.23, as substituted on January 18, 2023, and the Evergy Missouri West Current Annual FARs on 8th Revised Sheet No. 127.23 together with the changes between them for primary, secondary, substation, and transmission voltage service levels.

Evergy Missouri West Current Annual Fuel Adjustment Rate \$ per kWh			
Service	Proposed 9th Revised Sheet No. 127.23	Now Effective 8th Revised Sheet No. 127.23	Difference
Secondary Large Power	0.00763	0.00739	0.00024 Increase
Secondary Non-Large Power	0.01348	0.01238	0.00110 Increase
Primary Large Power	0.00751	0.00728	0.00023 Increase
Primary Non-Large Power	0.01328	0.01220	0.00108 Increase
Substation Large Power	0.00742	0.00718	0.00024 Increase
Substation Non-Large Power	0.01310	0.01203	0.00107 Increase
Transmission Large Power	0.00740	0.00717	0.00023 Increase
Transmission Non-Large Power	0.01306	0.01200	0.00106 Increase

The proposed changes to FARs will result in an increase to the typical Evergy Missouri West residential customer’s monthly bill (based on 1,000 kWh) before taxes of \$1.10, i.e. from \$12.38 to \$13.48.

In her direct testimony Ms. Starkebaum states:

Evergy Missouri West’s Actual Net Energy Costs (“ANEC”), exceeds the base energy costs included in base rates by approximately \$107 million. When compared to the prior 30th accumulation period, the ANEC are \$70.7 million higher in the 31st accumulation period than the previous 30th accumulation period. This is due to a \$52.8 million, or 314%, increase in fuel costs and a \$49 million, or 40%, increase in purchased power expense offset by a \$31 million increase in off-system sales revenue.

The 31st accumulation period of June through November typically has higher retail load requirements than the previous 30th accumulation period of December through May. Weather was 16% warmer than normal by 205 cooling degree days, resulting in a 10% increase in retail load demand over the 30th accumulation period. This contributed to more generation from peak units which were impacted by higher natural gas prices. For June through November 2022, the published NYMEX natural gas contract settlement price averaged \$7.59, which is 38% higher than the \$5.48 averaged in 30th accumulation period and 68% higher than the \$4.51 averaged for the same June through November time period in 2021, or the 29th accumulation period. Lastly, the higher natural gas prices contributed to the increase in off-system sales revenue.⁷

PISA Deferrals Permitted Under Section 393.1400, RSMo, and Limitations On Rate Modifications Permitted Under Section 393.1655, RSMo

On December 31, 2018, Eversource Missouri West elected to make the deferrals set forth in Section 393.1400.5 RSMo effective January 1, 2019 through, at least, December 31, 2023.

In her direct testimony Ms. Starkebaum states:

The Company performed the plant in service accounting (“PISA”) calculations to determine the impact, if any, on the Average Overall Rate and Class Average Overall Rate for the Large Power customer class as set forth in section 393.1655 RSMo, rate cap limitations. Base revenues have been updated with the results from the Company’s most recent 2022 general rate case (Case No. ER-2022-0130) as these amounts will be effective on March 1, 2023, with the effective date of the proposed FARs in this filing. The compound annual growth rate (“CAGR”) cap provisions of section 393.1655 RSMo. applied to this FAR filing are 13.3372% for the average overall rate cap and 8.7474% for the class average overall rate cap for Large Power customers. The FAC charge proposed in this filing does exceed the average overall rate by more than 13.3372% allowed in the cap provisions. Therefore, the Company has removed \$47,898,201 from recovery through the FAC and has included this amount in a PISA regulatory asset for consideration in a future general rate proceeding.

In addition, the Company is using projected Large Power sales to calculate a Large Power FAC rate. In accordance with section 393.1655.6 RSMo., the proposed FAC charge applicable to large Power customers does exceed 8.7474% of the class average overall rate cap for this rate class. Therefore, the Company has limited the increase in the FAC charge

⁷ Eversource Missouri West witness Lisa A. Starkebaum, Direct Testimony, pg. 5 ln. 22 through pg. 6, ln. 16.

applicable to Large Power customers to the 2 percent CAGR of the class average overall rate or \$13.7 million. The exceedance of the 2 percent CAGR cap results in \$1,439,335 being redistributed to the Non-Large Power customer classes for recovery in this filing.⁸

Staff Review

Staff reviewed Evergy Missouri West's proposed 9th Revised Sheet No. 127.23, as substituted on January 18, 2023, Canceling 8th Revised Sheet No. 127.23, the direct testimony of Evergy Missouri West witness Lisa A. Starkebaum and the work papers in this filing, in addition to Evergy Missouri West's monthly information reports filed in compliance with 20 CSR 4240-20.090(5) for AP31. Staff verified that the actual fuel and purchased power costs, less off-system sales revenues, match the fuel and purchased power costs, less off-system sales revenues, in Evergy Missouri West's proposed 9th Revised Tariff Sheet No. 127.23. Staff reviewed Evergy Missouri West's monthly interest rates that are applied to 95% of the jurisdictional monthly cumulative under-/over- recovery of base fuel and purchased power costs for AP31 and verified that the monthly interest rates and calculations of monthly interest amounts are correct.

The information filed with the proposed tariff sheet and work papers includes sufficient data to calculate Evergy Missouri West's FARs based on the actual fuel, purchased power, emission allowance and transmission costs net of off-system sales revenue and renewable energy credit revenue provided by Evergy Missouri West for AP31.

Attachment A includes three charts providing a summary of Evergy Missouri West's thirty-one (31) FAC rate adjustment filings. Chart 1 illustrates a) Evergy Missouri West's actual net energy cost, net base energy cost and under- (over-) recovery amounts for each accumulation period, and b) that there have been twenty-six (26) accumulation periods with under-recovered amounts and five (5) accumulation periods with over-recovered amounts (AP10, AP16, AP17, AP18, and AP26). Chart 2 illustrates Evergy Missouri West's FAC cumulative under-recovered amount at the end of each accumulation period with the cumulative under-recovered amount through AP31 of approximately \$525 million. Chart 3 illustrates Evergy Missouri West's FAC

⁸ Evergy Missouri West witness Lisa A. Starkebaum, Direct Testimony, pg. 7 ln. 4 through pg. 8, ln. 2.

cumulative under-recovered percentage at the end of each accumulation period with the cumulative under-recovered percentage through AP31 of approximately 15%.

Staff Recommendation

Staff concludes that the tariff sheet, as substituted on January 18, 2023, complies with the Commission's *Report and Order* in Case No. ER-2018-0146, Commission Rule 20 CSR 4240-20.090, Section 393.1400.5 RSMo, and Eversource Missouri West's FAC as embodied in its tariff.

Eversource Missouri West requested that the 9th Revised Tariff Sheet No. 127.23, as substituted on January 18, 2023, Canceling 8th Revised Tariff Sheet No. 127.23, become effective on March 1, 2023. Based on its examination and analysis of the information Eversource Missouri West filed and submitted in this case, Staff recommends the Commission issue an order approving the following proposed revised tariff sheet take effect on March 1, 2023:

P.S.C. Mo. No. 1
9th Revised Sheet No. 127.23 Canceling 8th Revised Sheet No. 127.23

Staff has verified that Eversource Missouri West is not delinquent on any assessment and has filed its 2021 Annual Report. Eversource Missouri West is current on its submission of its Surveillance Monitoring reports as required in 20 CSR 4240-20.090(6) and its monthly reports as required by 20 CSR 4240-20.090(5). Except for Eversource Missouri West's RP28 true-up filing in File No. EO-2023-0206 (also filed on December 30, 2022), Staff is not aware of any other matter pending before the Commission that affects or is affected by this tariff filing. Staff's recommendation for the Current Period FARs is based solely on the accuracy of Eversource Missouri West's calculations, and is not indicative of the prudence of the fuel costs during AP31.

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 for Authority to Implement Rate)	<u>File No. ER-2023-0210</u>
Adjustments Required by 20 CSR 4240-)	<u>Tariff No. JE-2023-0117</u>
20.090(8) and the Company's Approved)	
Fuel Purchased Power Cost Recovery)	
Mechanism)	

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss.
 COUNTY OF COLE)

COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Brooke Mastrogiannis
BROOKE MASTROGIANNIS

JURAT

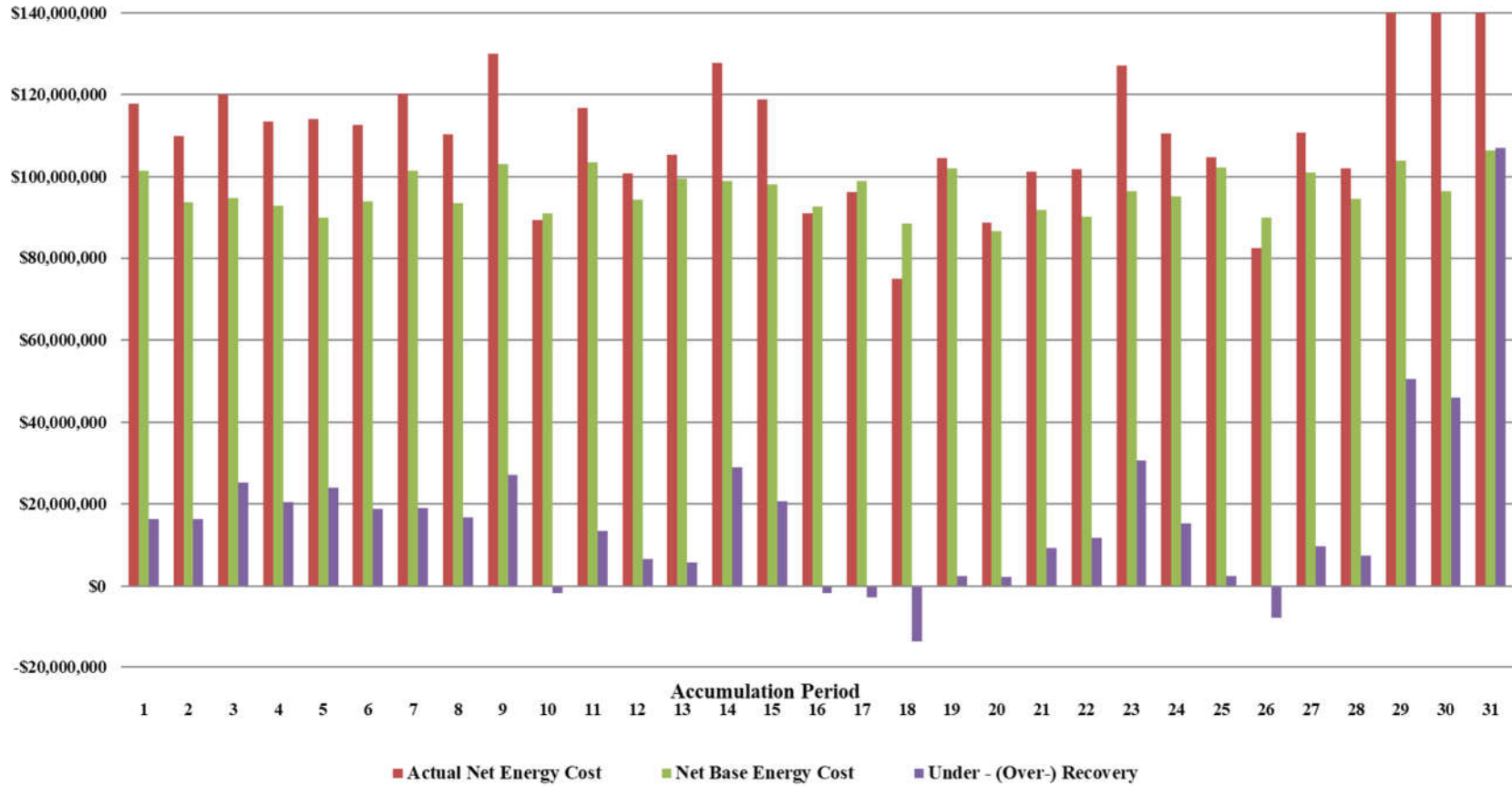
Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26th day of January, 2023.

DIANNA L VAUGHT Notary Public - Notary Seal STATE OF MISSOURI Cole County My Commission Expires: July 18, 2023 Commission #: 15207377

Dianna L. Vaught

 Notary Public

**Chart 1:
Energy MO West FAC Costs**



**Chart 2:
Evergy MO West FAC Cumulative Under-Recovered Amount**

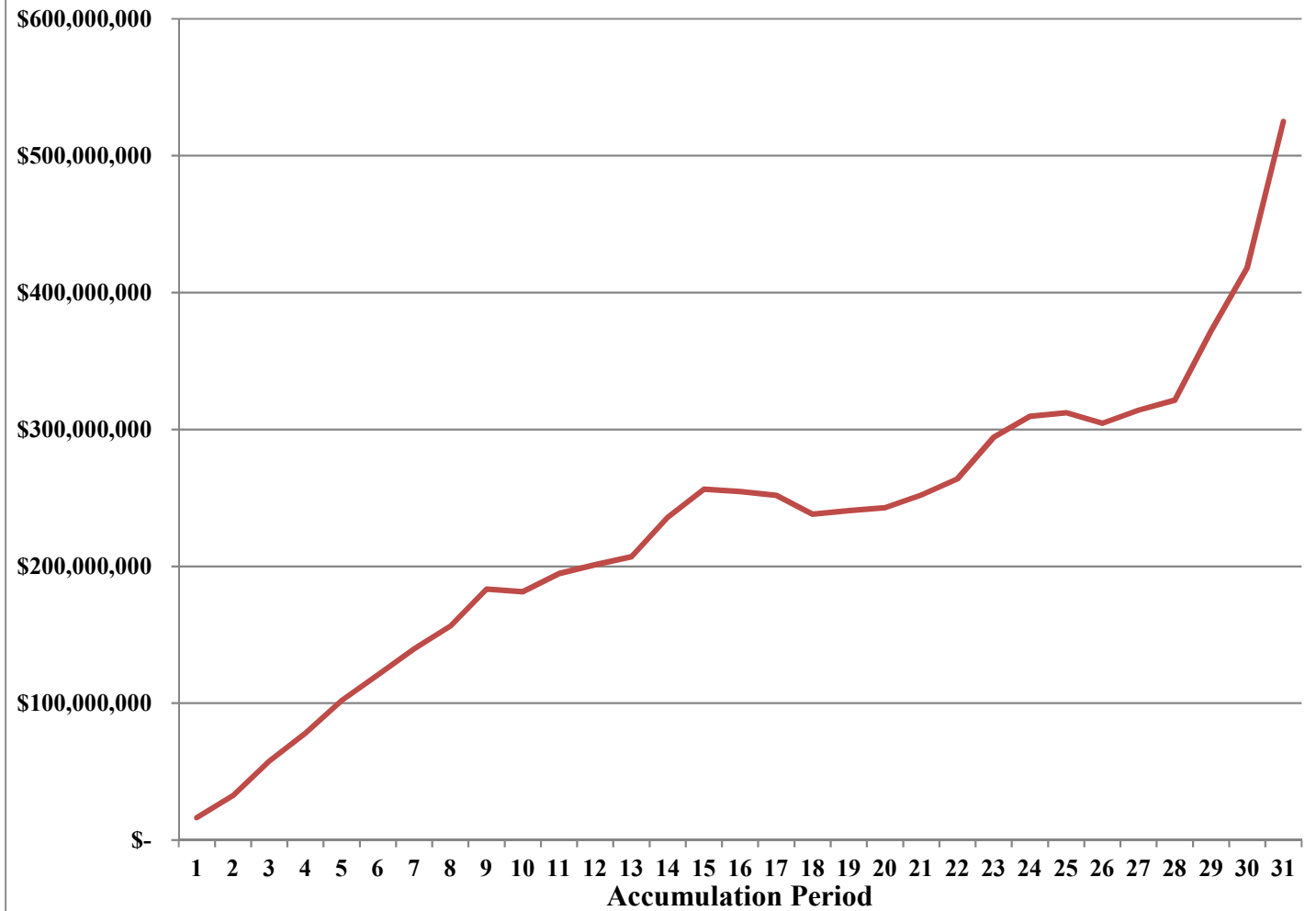


Chart 3: Everyg MO West FAC Cumulative Under-Recovered Percent

