

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

In the Matter of the Application of Evergy)
Missouri West, Inc. d/b/a Evergy Missouri West)
for Permission and Approval of a Certificate of)
Convenience and Necessity Authorizing It to)
Operate, Manage, Maintain and Control an)
Existing Wind Generation Facility in Oklahoma)

Case No. EA-2022-0328

**REPLY OF EVERGY MISSOURI WEST
TO PUBLIC COUNSEL’S RESPONSE TO APPLICATION**

COMES NOW, Evergy Missouri West, Inc. (“Evergy Missouri West,” “EMW,” or “Company”), pursuant to Section 393.170.2,¹ states the following to the Public Service Commission (“Commission” or “PSC”) in reply to the Response to Application (“OPC Response”) filed by the Office of the Public Counsel (“OPC” or “Public Counsel”) on September 28, 2022:

1. This Application requests an Operating Certificate of Convenience and Necessity (“CCN”), pursuant to 20 CSR 4240-20.045 (“CCN Rule), that authorizes EMW to operate, manage, maintain, and control an existing and fully operational 198.6 MW wind generation facility in northwestern Oklahoma known as the Persimmon Creek Wind Farm (“Persimmon Creek” or “Asset”).

2. Because prompt approval of the Application will result in Evergy Missouri West owning new long-term, low-cost wind generation capacity and because time is of the essence to obtain reasonable financing terms in the current rising interest rate environment – both of which will benefit customers – OPC’s request for a tracker and for additional reporting obligations is not appropriate.²

¹ All citations are to the Revised Statutes of Missouri (2016), as amended.

² OPC Response ¶ 3 at 1, ¶ 6 at 2-3.

3. The information that OPC requests will be available for review by all parties in a future general rate case which is where rate base, cost recovery, and earnings issues will be decided. Because the Application in this case simply requests the approval of an Operating CCN, OPC's requests are premature, not necessary and should not be granted.

4. Only four items are required to be submitted with an Operating CCN application under the CCN Rule's Section (5): (A) A description of the asset; (B) the asset's value; (C) the purchase price and plans for financing the operation; and (D) the plans and specifications for the asset. The filing requirements in the rule are not detailed because the assets for which an Operating CCN is requested are already operational.

5. This stands in contrast to the multitude of plans, studies, notices, and other requirements for a Construction or Line CCN in Section (6,) or for a Service Area or Retail CCN in Section (4).

6. OPC correctly notes that Section 393.1400.2(1) of the Plant-in-Service Accounting ("PISA") law encourages Missouri's electric utilities to invest in renewable wind generation projects like Persimmon Creek. Utilities like EMW, who have elected PISA treatment, are directed to defer "to a regulatory asset" "eighty-five percent [85%] of all depreciation expense and return associated with all qualifying electric plant" which includes "all rate-base additions" except for carbon-fueled or nuclear units.³

7. Evergy Missouri West will establish such a regulatory asset once the Commission approves the Application and the Company closes the purchase of Persimmon Creek. Electricity from the Asset will flow to EMW's customers even though it is not in rate base and the rates that will be in effect at that time will not reflect the investment in Persimmon Creek. Revenues from

³ Section 393.1400.1(3) also excludes "rate-base additions that increase revenues by allowing service to new customer premises;"

energy sales into the Southwest Power Pool will flow through EMW's Fuel Adjustment Clause ("FAC") while operating costs, return on and of the investment not appropriately recorded to the regulatory asset consistent with PISA (fifteen percent [15%] and production tax credits ("PTCs") from the Asset will flow to EMW as the owner of the facility until such time as the Asset and associated costs and revenues are addressed by the Commission in a general rate case. This is the intent of Section 393.1400.2 and the other provisions of the PISA law.

8. Although Public Counsel views this arrangement as "lopsided,"⁴ it fails to note Section 393.1400.2(2) which states that before investments like Persimmon Creek are included in rate base, they "shall be adjusted to reflect any prudence disallowances ordered by the commission." The PISA statute provides a balanced process to deal with the issues raised by OPC, while it mitigates regulatory lag issues that have in the past discouraged such investments. A full prudence review in the general rate case where Persimmon Creek is proposed for inclusion in rate base will address any concerns by OPC.

9. In a rate case, where "all relevant factors [will] be considered,"⁵ Commission Staff, Public Counsel, and any other party will have an opportunity to scrutinize the financial records regarding EMW's purchase of Persimmon Creek, the revenues from its energy sales, all PTC's that are generated, and other pertinent matters. Any issues related to Evergy Missouri West's earnings should be addressed in such proceeding, not here. There is no need for the Commission to attach a condition to an Operating CCN that requires EMW "to track Persimmon Creek revenues and PTCs"⁶ which will be available in the next rate case.

10. There is also no basis for OPC's request "to include Persimmon Creek costs and revenues in the Company's ongoing monthly reporting of costs and revenues associated with its

⁴ OPC Response ¶ 5.

⁵ State ex rel. Util. Consumers Council of Mo., Inc. v. PSC, 585 S.W.3d 41, 56 (Mo. en banc 1979).

⁶ OPC Response ¶ 6 at 2.

purchased power agreements.”⁷ This CCN proceeding has nothing to do with power purchase agreements. Mandating such reporting when this information will be available to review in a future general rate case is unnecessary and inappropriate. Operating results, costs and revenues will be available for review in the next general rate proceeding just as for all other owned generating facilities.

11. Most importantly, the current economic climate where inflation continues unabated and interest rates are on the rise favors a timely approval of the Application. Just over two weeks ago the Federal Open Market Committee (“FOMC”) of the Federal Reserve Board “decided to raise the target range for the federal funds rate to 3 to 3.25 percent” See **Exhibit 1**, Federal Reserve Board Press Release (Sept. 21, 2022). It stated: “The Committee is strongly committed to returning inflation to its 2 percent objective.” *Id.* Short-term federal funds interest rates have not been at this level since early 2008, and officials have “projected that rate rises will continue into 2023, with most expecting the federal funds rate to rest around 4.6% by the end of next year.”⁸

12. Given that the FOMC will meet November 1-2 and on January 31-February 1,⁹ higher interest rates appear likely. While for long-term financing purposes, EMW will fund this asset using a mixture of approximately 50% debt and 50% equity consistent with its capital structure, prompt approval of this Application will allow the Company to take immediate steps to obtain favorable financing terms for the debt and to ensure that the benefits of Persimmon Creek flow to Missouri customers in a timely manner.

13. Evergy Missouri West requests that the Commission not require the attachment of the unnecessary conditions requested by Public Counsel to this first-of-its-kind Operating CCN

⁷ *Id.*, ¶ 6 at 2-3.

⁸ “Fed Lifts Rate, Signals More, Sinking Stocks,” *The Wall Street Journal* at A-1 (Sept. 22, 2022).

⁹ See www.federalreserve.gov/newsevents/calendar.htm

under the Commission’s CCN Rule. There is simply no good reason for such conditions under the circumstances of this case, given the benefits that Persimmon Creek will bring to the Company’s resource base and to its customers.

WHEREFORE, Evergy Missouri West asks that the Commission not to condition the Operating CCN of Persimmon Creek as requested in Public Counsel’s Response to Application and to grant the Operating CCN as requested by December 31, 2022.

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 the Staff of the Commission and to the Office of the Public Counsel this 6th day of October 2022.

/s/ Roger W. Steiner

Attorney for Evergy Missouri West

FEDERAL RESERVE press release



For release at 2 p.m. EDT

September 21, 2022

Recent indicators point to modest growth in spending and production. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures.

Russia's war against Ukraine is causing tremendous human and economic hardship. The war and related events are creating additional upward pressure on inflation and are weighing on global economic activity. The Committee is highly attentive to inflation risks.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 3 to 3-1/4 percent and anticipates that ongoing increases in the target range will be appropriate. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in the Plans for Reducing the Size of the Federal Reserve's Balance Sheet that were issued in May. The Committee is strongly committed to returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions,

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inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Lael Brainard; James Bullard; Susan M. Collins; Lisa D. Cook; Esther L. George; Philip N. Jefferson; Loretta J. Mester; and Christopher J. Waller.

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Decisions Regarding Monetary Policy Implementation

The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its [statement](#) on September 21, 2022:

- The Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on reserve balances to 3.15 percent, effective September 22, 2022.
- As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

"Effective September 22, 2022, the Federal Open Market Committee directs the Desk to:

- Undertake open market operations as necessary to maintain the federal funds rate in a target range of 3 to 3-1/4 percent.
- Conduct overnight repurchase agreement operations with a minimum bid rate of 3.25 percent and with an aggregate operation limit of \$500 billion; the aggregate operation limit can be temporarily increased at the discretion of the Chair.
- Conduct overnight reverse repurchase agreement operations at an offering rate of 3.05 percent and with a per-counterparty limit of \$160 billion per day; the per-counterparty limit can be temporarily increased at the discretion of the Chair.
- Roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing in each calendar month that exceeds a cap of \$60 billion per month. Redeem Treasury coupon securities up to this monthly cap and Treasury bills to the extent that coupon principal payments are less than the monthly cap.
- Reinvest into agency mortgage-backed securities (MBS) the amount of principal payments from the Federal Reserve's holdings of agency debt and agency MBS received in each calendar month that exceeds a cap of \$35 billion per month.
- Allow modest deviations from stated amounts for reinvestments, if needed for operational reasons.
- Engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions."

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- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve a 3/4 percentage point increase in the primary credit rate to 3.25 percent, effective September 22, 2022. In taking this action, the Board approved requests to establish that rate submitted by the Boards of Directors of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, and Dallas.

This information will be updated as appropriate to reflect decisions of the Federal Open Market Committee or the Board of Governors regarding details of the Federal Reserve's operational tools and approach used to implement monetary policy.

More information regarding open market operations and reinvestments may be found on the Federal Reserve Bank of New York's [website](#).