

**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) No. ER-2023-0444
Adjustments Required by 20 CSR 4240-)
20.090(8) and the Company's Approved)
Fuel Purchased Power Cost Recovery)
Mechanism)

**EVERGY MISSOURI WEST'S RESPONSE TO STAFF RECOMMENDATION FOR
REJECTION OF TARIFF SHEET**

COMES NOW, Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“EMW,” “Evergy,” or the “Company”) and, for its Response (“Response”) to the Staff Recommendation For Rejection of Tariff Sheet filed on July 31, 2023, states as follows:

1. On June 30, 2023, the Company filed its initial testimony and tariff revisions in this Fuel Adjustment Clause (“FAC”) proceeding.
2. On July 31, 2023, Staff (“Staff”) for the Missouri Public Service Commission (“Commission”) filed its Staff Recommendation For Rejection of Tariff Sheet (“Staff Recommendation”). The Staff Recommendation on page 3 recommended the following:

Staff recommends the Commission issue an order **REJECTING** the proposed 1st Revised Sheet No. 127.34, and issue an order directing Evergy Missouri West to file a substitute tariff sheet that includes a \$48,018.52 reduction adjustment to purchased power expense. If the Commission chooses to reject the proposed tariff sheet and order EMW to file tariff sheet(s) to implement interim adjusted FARs to reflect that part of the proposed adjustment that is not in question, Staff wants to point out that the interim adjusted FAR in this filing to reflect any part of the proposed adjustment that is not in question ...¹

¹ On August 7, 2023, Staff filed a Revised Staff Recommendation which corrected an error in its calculations, but it did not change or modify its ultimate recommendation. (See Revised Staff Recommendation and Memorandum.) Since Staff's ultimate recommendation remains the same, Evergy's Response in this pleading responds to both the original and the revised Staff recommendation.

3. The issue in question is due to a difference in methodology between the Company and Staff around Schedule SIL, in EO-2019-0244, and specific tracking of operations events at Nucor. In the Memorandum (Appendix A) attached to the Staff Recommendation, Staff raised the following accounting issues (which aggregated to a total reduction of \$48,018.52 to purchased power expense):

(1) Which method of accounting for operational events at the Nucor Steel Plant related to imbalances should be used to estimate costs caused by Nucor that impact non-Nucor customers:

- a. Evergy's proposed method consists of netting of all cost differences comparing real time to day ahead costs for all hours meeting the established operational conditions. These cost differences, positive or negative, are used by Evergy to adjust the costs before being processed through the FAC and benefits to non-Nucor ratepayers ("Netting Approach"), or
- b. Staff's proposed method of accounting which considers imbalances that increase the costs to non-Nucor customers without consideration of offsetting positive benefits ("Increases Only Approach")?

(2) Whether the accounting method used should include or exclude the effects of the first four hours of each operational event under the provisions of previously approved Stipulations and Agreement in File Nos. ER-2022-0130 and EO-2019-0244? (Memorandum, pp. 3-12).

4. Based on the September 19, 2019 Non-Unanimous Stipulation and Agreement in EO-2019-0244, the Company agreed to monitor and report whether the revenues received under the special contract rate cover the incremental cost of providing service to Nucor. The Company also

agreed to modify its FAC accounting to ensure Nucor-related costs are not included in the FAC charge recovered from other customers.

The Company agreed (but was not able to implement until January 2023) to monitor Nucor operations and identify additional SPP-related costs resulting from unexpected operational events:

- a. If actual Nucor load experiences a 25% deviation from the expected Nucor load for more than 4 hours and that load change is not reflected in the day-ahead commitments, the Company will quantify the balancing relationship between the hourly and day-ahead prices to identify the effect of the unplanned load change.
- b. If the effect of this relationship increases costs to non-Nucor customers, the amount will be reflected in a subsequent FAC rate change filing and the portion attributed to Nucor will be identified with supporting work papers and removed from the Actual Net Energy Cost prior to the calculation of the FAC rates.

5. In the FAC rate change update filed June 30, 2023, Case No. ER-2023-0444, the Company provided a Nucor load balancing adjustment calculation, intended to assign purchased power costs to Nucor for the months of January, February, March and April. Purchased power amounts assigned to Nucor are removed from the FAR calculation. For the 32nd accumulation period, the impact of the Nucor event tracking resulted in a credit of \$9,469 to Nucor assigned load costs within purchased power. As the offset to this entry results in an increase of \$9,469 in purchased power costs that would be recovered from non-Nucor retail customers, the Company did not include this adjustment in the FAR calculation.

6. As Staff has pointed out, under Commission Rule 20 CSR 4240-20.090(8)(H), the Commission can reject the proposed tariff sheets, suspend the timeline of the FAR adjustment filing, set a prehearing date, and order the parties to propose a procedural schedule. The Commission may also 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.” (Staff Recommendation, p. 3)

7. The Commission recently followed this approach in EMW’s last FAR case by authorizing the interim amounts “not in question.” See *Order Regarding Interim Fuel and Purchased Power Adjustment Rates*, File No. ER-2023-0210 (April 12, 2023).

8. In this case, as explained by Staff in its Revised Staff Recommendation to Reject Tariff Sheet filed on August 4, 2023, “the interim adjusted FAR in this filing to reflect any part of the proposed adjustment that is not in question would reduce the ANEC to \$124,394,491, resulting in the current period FAR on line 13 to remain the same at \$0.00591, and the rates on lines 14 through 25 of EMW’s proposed 1st Revised Sheet No. 127.34 would also remain the same.” (Staff Revised Recommendation, p. 4).

9. Pursuant to Commission Rule 20 CSR 4240-20.090(8)(H)(3), Evergy requests that the Commission authorize on an interim basis the recovery of \$124,394,491 as the amount “not in question”, and schedule a prehearing conference to establish a procedural schedule for this proceeding.

10. Simultaneous with this Response, the Company is filing a substitute EMW tariff 1st Revised Sheet No. 127.34 which would implement this recommendation, if approved by the Commission. The Company has provided updated workpapers and tariff to both Staff and Office of the Public Counsel for review and approval prior to this filing. Staff has indicated that they are in agreement. The Company requests that this tariff be allowed to go into effect by September 1, 2023.

WHEREFORE, Evergy Missouri West respectfully files this response to the Staff Recommendation, requests that the Commission authorize on an interim basis the recovery of \$124,394,491 as the amount “not in question”, authorize the filing of the attached 1st Revised Sheet No. 127.34 to become effective on September 1, 2023, and schedule a prehearing conference to establish a procedural schedule for this proceeding.

Respectfully submitted,

/s/ Roger W. Steiner

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was served upon counsel for all parties on this 10th day of August 2023, by either e-mail or U.S. Mail, postage prepaid.

/s/ Roger W. Steiner

Roger W. Steiner