

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

In the Matter of the Petition of Evergy Missouri)
West, Inc. d/b/a Evergy Missouri West for a)
Financing Order Authorizing the Financing of) No. EF-2022-0155
Qualified Extraordinary Storm Costs Through an)
Issuance of Securitized Utility Tariff Bonds)

**PETITION OF EVERGY MISSOURI WEST FOR A FINANCING ORDER
AUTHORIZING THE ISSUANCE OF SECURITIZED UTILITY TARIFF BONDS TO
FINANCE QUALIFIED EXTRAORDINARY COSTS CAUSED
BY WINTER STORM URI IN FEBRUARY 2021**

COMES NOW, Evergy Missouri West, Inc. (“Evergy Missouri West,” “EMW,” or “Company”), pursuant to Section 386.1700¹ and 20 CSR 4240-2.060, files this Petition for a Financing Order (“Order”) that authorizes EMW to finance all Qualified Extraordinary Costs that it incurred as a result of the North American storm of mid-February 2021 known as Winter Storm Uri.² EMW requests that such costs be financed through the use of Securitized Utility Tariff Bonds which will provide benefits to retail customers. EMW estimates that the securitization of the Qualified Extraordinary Costs caused by Winter Storm Uri will provide quantifiable net present value benefits to retail customers between \$64.5 million and \$121.3 million compared with the customary ratemaking treatment of such costs.

In support of this Petition, Evergy Missouri West states:

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

² Public Notice DA 21-189 at 1, Fed. Commun. Comm’n (Feb. 17, 2021) (“The Public Safety and Homeland Security Bureau, in Coordination with other Bureaus, Issues Procedures for Providing Emergency Communications in States Impacted by Winter Storm Uri”). See <https://en.wikipedia.org> (“The **February 13-17, 2021 North American winter storm**, unofficially referred to as *Winter Storm Uri*, was a major winter and ice storm that had widespread impacts across the United States, Northern Mexico, and parts of Canada”).

I. INTRODUCTION

1. This Petition for a Financing Order is filed pursuant to Section 393.1700. It is the key provision in a trio of statutes that EMW refers to as the “Securitization Law.”³ They were contained in House Bill (H.B.) 734 which was passed by the House of Representatives and the Senate on May 13, 2021 and signed by the Governor on July 6. H.B. 734 became effective August 28, 2021.

2. While the legislative process that led to the Securitization Law was underway in early 2021, Winter Storm Uri brought unseasonably cold weather to Missouri, the Midwest, and Texas in February 2021, causing rolling electrical blackouts and extreme natural gas price spikes. EMW and its affiliate Evergy Metro, Inc. acted to address the financial effects of Winter Storm Uri by preparing and submitting a joint application to the Commission that requested an accounting authority order (“AAO”) in June 2021.⁴ EMW filed the AAO case because the customary manner of addressing fluctuations in fuel and purchased power costs – the fuel adjustment clause (“FAC”) – would not be in the best interest of its customers.⁵

3. Although the Commission has not acted in the AAO case, it did approve EMW’s July 1, 2021 FAC tariff, as recommended by Staff, in which it proposed to defer over \$297.3 million in extraordinary fuel and purchased power costs which Winter Storm Uri caused.⁶

4. Winter Storm Uri was extreme and unusual, and falls within the meaning of “anomalous weather events” that cause electrical corporations like Evergy Missouri West to incur

³ The other two statutes in the Securitization Law are not relevant to this Petition. See §§ 393.1705 (investments in replacement resources); 393.1715 (ratemaking principles for the retirement of generating facilities).

⁴ In re Application of Evergy Mo. Metro and Evergy Mo. West for an Accounting Authority Order, No. EU-2021-0283 (filed June 30, 2021).

⁵ Application ¶¶ 30-31 at 10-11, id.

⁶ Order Approving Fuel Adjustment True-up and Approving Tariff to Change Fuel Adjustment Rates, In re Evergy Mo. West Application to Implement Rate Adjustment, No. ER-2022-0005 (Aug. 18, 2021). See Staff Recomm. for Approval of Tariff Sheet, id. (Aug. 2, 2021), citing the FAC Rule, 20 CSR 4240-2.090(8)(A)2.A(XI).

Qualified Extraordinary Costs. Such costs are defined as “costs incurred prudently ... of an extraordinary nature which would cause extreme customer rate impacts” if they were “reflected in retail customer rates” and “recovered through customary ratemaking.” See § 393.1700.1(13). Such costs include “but [are] not limited to those related to purchases of fuel or power.” Id.

5. Now that the Securitization Law is in effect, Evergy Missouri West requests that the Commission authorize the financing of its Qualified Extraordinary Costs under Section 393.1700 and grant the related requests set forth below, all of which will result in quantifiable net present value benefits to customers compared to the customary methods of financing and recovering such extraordinary costs. Evergy Missouri West incurred approximately \$295.6 million in fuel and purchased power costs (net of off-system sales revenues) caused by Winter Storm Uri, as well as non-fuel operation and maintenance expenses directly attributable to the storm. EMW also seeks to recover carrying charges incurred from March 1, 2021 through the issuance of the Securitized Utility Tariff Bonds (“Securitization Bonds”), as well as up-front Financing Costs and on-going Financing Costs. The Company proposes to finance 100% of these Qualified Extraordinary Costs using Securitization Bonds under Section 393.1700. If the Commission grants the Company’s Petition for a Financing Order, using Securitization Bonds to finance the Qualified Extraordinary Costs will result in estimated quantifiable net present value benefits to retail customers of \$64.5 million to \$121.3 million in comparison to the costs that would result from the application of customary methods of financing such costs.

6. In support of this Petition, EMW submits Direct Testimony from the following witnesses:

Witness	Subject Matter
Darrin R. Ives	(a) Overview of Winter Storm Uri and the Qualified Extraordinary Costs; (b) Securitization Statute and Process; and (c) Summary of Subjects Covered by Witnesses and Estimated Securitization Costs
John Bridson	(a) EMW’s Generation Fleet, and Fuel and Purchased Power Procurement Practices; (b) EMW’s operations during Winter Storm Uri on Procurement and Delivery of Fuel; (c) Adherence to Industry Standards and Good Utility Practices before and during Winter Storm Uri; and (d) Prudence of the Fuel, Purchased Power and Other Costs incurred as a result of Winter Storm Uri.
Jason Humphrey	(a) Estimate of Up-Front and Continuing Financing Costs; and (b) Role of the Special Purpose Entity
Ronald A. Klote	(a) Identify and Estimate the Revenue Requirement necessary to recover Qualified Extraordinary Costs of Winter Storm Uri; (b) Comparison of Estimated Net Present Value of Costs to Customers under Securitization v. Customary Ratemaking Methods to finance recovery of Extraordinary Costs; (c) Adjustments to Winter Storm Uri costs made since February 2021; (d) Formula-based True-up Mechanism to adjust under-collection/over-collection of Securitized Utility Tariff Charges; and (e) Ratemaking process to Reconcile actual Securitized Costs included in Securitization Bonds with final Securitized Costs
Bradley D. Lutz	(a) Proposed Tariff and Rate Schedules to Recover Qualified Extraordinary Costs in Securitized Utility Tariff Charges; (b) Calculation of Securitized Utility Tariff Charges; and (c) Implementation of Securitized Utility Tariff Charges and Allocation to Customer Classes
Matthew Gummig	Accounting entries required for the Securitized Utility Tariff Charges
Steffen Lunde (Citigroup Global Markets, Inc.)	(a) Overview of Utility Securitization Bonds; (b) Structure of the Transaction and Interest Rate Scenarios; and (c) Essential elements of the Commission’s Financing Order to enable the lowest Securitized Utility Tariff Charges available under current Market Conditions

II. GENERAL INFORMATION

7. Evergy Missouri West is a Delaware corporation with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. It is engaged in the generation, transmission, distribution, and sale of electricity in western Missouri, including the suburban Kansas City metropolitan area, St. Joseph, and surrounding counties. Evergy Missouri West is an “electrical corporation” and a “public utility” subject to the jurisdiction, supervision, and control of the Commission under Chapters 386 and 393. EMW is a wholly owned subsidiary of Evergy, Inc.

8. A certificate of authority for EMW, as a foreign corporation, to do business Missouri was filed with the Commission in Case No. EN-2020-0064 and is incorporated by reference pursuant to 20 CSR 4240-2.060(1)(G).

9. Evergy Missouri West is a wholly owned subsidiary of Evergy, Inc. (“Evergy”). It has no annual report or regulatory assessment fees that are overdue.

10. Evergy Missouri West has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involved customer services or rates, which action, judgment or decision has occurred within three years of the date of this application.

11. In addition to serving counsel named below, all correspondence, pleadings, notices, orders and other communications regarding this proceeding should also be sent to:

Darrin R. Ives
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Evergy, Inc.
1200 Main Street
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12. Evergy Missouri West filed its Notice of Intended Case Filing to comply with the 60-day notice provisions of 20 CSR 4240-4.017(1) on December 10, 2021.

13. Data requests related to this Petition should be submitted to Regulatory.Affairs@Evergy.com.

III. WINTER STORM URI AND ITS EXTRAORDINARY COSTS

14. As a result of an outbreak of cold air that migrated in early February 2021 from the North Pole to southern Canada and the north central United States, cold temperatures, wind chills and snow began to arrive in North Dakota, traveling through Missouri and other Midwestern states, ultimately hitting Texas and portions of the Gulf Coast.⁷ To prepare for this event now known as Winter Storm Uri, Southwest Power Pool, Inc. (“SPP”) declared a period of conservative operations for its 14-state balancing authority area at midnight on February 9, 2021.⁸ Evergy Missouri West is a member of SPP, a regional transmission organization (“RTO”) mandated by the Federal Energy Regulatory Commission (“FERC”) to ensure the reliable supply of power, as well as adequate transmission infrastructure and competitive wholesale electricity prices.

⁷ “February 2021 Weather and its Impacts on Missouri” at 1, Missouri Climate Center, Univ. of Mo. (P. Guinan, State Climatologist) (Mar. 2021), <http://climate.missouri.edu> (hereafter “Missouri Climate Center February 2021 Report”). See Exhibit A (attached). See also “Assessing the U.S. Climate in February 2021” at 1-2, Nat’l Oceanic & Atmospheric Admin. (NOAA), U.S. Dep’t of Commerce (Mar. 2021) (hereafter, “NOAA February 2021 Report”).

⁸ “Southwest Power Pool preparing for worsening system conditions due to extreme cold,” SPP News Release (Feb. 14, 2021).

15. After weather conditions worsened on February 14, SPP declared an Energy Emergency Alert (“EEA”) Level 1 effective at 5:00 a.m. on Monday, February 15.⁹ The EEA 1 indicated that SPP foresaw or was experiencing conditions where all available resources were scheduled to meet firm load obligations and that it might not be able to sustain its required contingency reserves.

16. As Winter Storm Uri’s persistent and extreme cold weather continued, SPP declared an EEA Level 2 at 7:22 a.m. on February 15. This meant that SPP was no longer able to provide its expected energy requirements (although it was able to maintain minimum contingency reserve requirements). Therefore, SPP directed its members to issue public conservation appeals.¹⁰ Evergy, Inc., on behalf of EMW and its affiliates, had previously asked its customers on February 14 (Sunday) to conserve electricity through February 17 (Wednesday), in response to SPP’s earlier requests to conserve electricity use.¹¹

17. Less than three hours after its EEA 2 announcement on February 15, SPP declared at 10:08 a.m. an EEA Level 3, signaling that its operating reserves fell below the required minimum.¹² A short time later the SPP system reached a peak electricity usage of 43,661 MW. After committing all of its reserves and exhausting other avenues, including importing power from other regions, available generation in SPP fell about 641 MW short of demand just after Noon. As

⁹ *Id.* Energy Emergency Alerts are defined by the North American Electric Reliability Corporation (“NERC”) in Reliability Standard EOP-011-2 (eff. Apr. 1, 2017). See www.nerc.com/pa/rrm/ea/Pages/Energy-Emergency-Alerts.aspx.

¹⁰ “SPP issues new energy emergency alert due to extreme cold,” SPP News Release (Feb. 15, 2020).

¹¹ “Evergy Asks Customers to Conserve Electricity – Record-setting cold temperatures across the Midwest have potential to impact power supply” (Feb. 14, 2021).

¹² “SPP elevates Energy Emergency Alert to Level 3 as grid conditions tighten further,” SPP News Release (Feb. 15, 2021).

a result, SPP directed its member utilities to implement controlled interruptions of service to curtail electricity use by 641 MW.¹³

18. Evergy Missouri West received SPP's operating instruction to shed load at 12:04 p.m. on February 15 and began to interrupt service to customers.

19. At 2:00 p.m. on February 15, SPP cancelled the EEA Level 3 and re-entered an EEA Level 2. SPP was able to restore load to its balancing authority area because it had regained sufficient generation to meet demand throughout its footprint, as well as to meet its minimum reserve requirements.¹⁴ It warned that its forecasts anticipated high load and persistent cold weather, advising that it was "likely its system will fluctuate between EEA Levels 2 and 3 over the next 48 hours" and that it "may have to direct further interruptions of service if available generation is inadequate to meet high demand."¹⁵

20. The forecasts were accurate. Early on the morning of February 16, SPP declared an EEA Level 3 for the entire 14-state balancing authority area because system-wide generating capacity had dropped below its "current load of approximately 42 gigawatts (GW) due to extremely low temperatures and inadequate supplies of gas."¹⁶ SPP stated that it would again work with its members "to implement controlled interruptions of electric service throughout" its region "as a last resort to preserve the reliability of the electric system as a whole." It anticipated a morning peak above 44.6 GW at 9:00 a.m.¹⁷

21. Evergy Missouri West received SPP's operating instructions to shed load at 6:44 a.m. and at 7:17 a.m. on February 16, and interrupted service to customers accordingly.

¹³ "SPP restores load, anticipates that regional grid conditions will continue to evolve," SPP News Release (Feb. 15, 2021).

¹⁴ Id.

¹⁵ Id.

¹⁶ "Grid Conditions Update (Feb. 16, 2021 6:46 a.m.): EEA3 declared effective immediately," SPP News Release (Feb. 16, 2021).

¹⁷ Id.

22. Later in the morning of February 16, SPP ended the EEA Level 3 and restored the previous EEA Level 2. As conditions improved, SPP declared a move from EEA Level 2 to EEA Level 1 at 10:59 on February 17. This action indicated that all of SPP's available resources had been committed to meet obligations, but it was not at risk of failing to meet its required operating reserves.¹⁸ As conditions slowly improved, SPP ended the EEA Level 1 at 9:30 a.m. on February 18, while maintaining conservative operations due to continuing high loads and other effects of Winter Storm Uri. In announcing the end of the emergency alerts, SPP stated that it had ordered two interruptions of service: (a) one for approximately 50 minutes on the morning of February 15, and (b) the other for a little more than three hours on the morning of February 16.¹⁹ Except for these two SPP-directed load shedding events, Evergy Missouri West continuously served its customers throughout Winter Storm Uri and the month of February.

23. A subsequent report prepared by SPP staff and members found that Winter Storm Uri “was historic in nature, requiring SPP to take steps to preserve the reliability of the regional power grid that it has not previously taken in its 80-year history.”²⁰

24. The SPP Market Monitoring Unit (“Market Monitor”) issued its “State of the Market: Winter 2021” report in early April 2021, concluding that energy imports during February played a significant role in meeting load, with a net of nearly \$52 million in market-to-market payments being paid by SPP to the Midcontinent Independent System Operator (“MISO”).²¹ “This is the highest amount of monthly market-to-market payments since the start of the [SPP] market-

¹⁸ “SPP ends Energy Emergency Alert, remains in conservative operations,” SPP News Release (Feb. 18, 2021).

¹⁹ *Id.*

²⁰ Comprehensive Review of Southwest Power Pool’s Response to the February 2021 Winter Storm: Analysis and Recommendations at 24 (July 19, 2021) (“SPP Comprehensive Review”).

²¹ SPP Market Monitoring Unit, State of the Market: Winter 2021 at 1, 68 (Apr. 6, 2021).

to-market process, and can be mostly attributed to congestion because of high levels of imports due to the winter weather event.”²²

25. The Market Monitor found that Winter Storm Uri had a major impact on prices during February, as spot natural gas prices at some trading hubs exceeded \$1,000/MMBtu. The average gas price at the eight hubs used most frequently by SPP generators ranged from \$129.78/MMBtu (ONG at Tulsa) to \$5.35/MMBtu (Henry Hub), with the Panhandle Eastern hub at \$21.91/MMBtu.²³ These high gas costs were reflected in SPP’s day-ahead electricity prices which reached a peak of \$4,393/MWh early on February 18, while real-time prices reached a peak of \$4,029/MWh early on February 16.²⁴ The State of the Market Report explained that although offers could not exceed the hard cap of \$2,000/MWh, prices can exceed the cap for reasons related to scarcity pricing when operating resources and regulation service are short, as well as when congestion and system losses occur.²⁵

26. The SPP Market Monitor noted the significant increase in both day-ahead and real-time make-whole payments made to market participants when a committed resource’s costs exceed its revenues. The State of the Market Report advised that such payments are subject to changes as actual gas costs and other factors are reviewed that could adjust figures in the initial S7 settlement statements on subsequent S53 and S120 statements.²⁶ SPP’s Comprehensive Review stated that as a result of the extreme cold, increased electricity use, high gas prices, and limited generation, “SPP experienced historically high market settlements for the impacted operating days: \$16.3 billion have been settled for Feb. 13-19.”²⁷

²² Id. at 1, 13.

²³ Id. at 3, 31.

²⁴ Id. at 72.

²⁵ Id.

²⁶ Id. at 74-76

²⁷ SPP Comprehensive Review at 72.

27. NOAA reported that February 2021 ranked among the ten coldest months of February on record for Missouri, as well as Kansas, Iowa, Nebraska, Oklahoma, and Arkansas. Based on preliminary data, it stated that 62 all-time daily cold minimum temperature records were broken during February 11-16 and 69 all-time daily cold maximum temperature records on February 15-16.²⁸ In the Kansas City metropolitan area, the Johnson County Industrial Airport in Olathe, Kansas reported a record coldest minimum temperature of -15°F. Record-breaking coldest maximum temperatures were reported in Missouri in Albany (-3°F), Nevada (0°F), and St. Joseph (-2°F)²⁹ which are located in counties served by Evergy Missouri West.

28. The Missouri Climate Center at the University of Missouri College of Agriculture reported that temperatures for the period February 6-19, 2021 “averaged more than 20 degrees below normal,” with preliminary data indicating “it was the coldest 2-week period to impact Missouri in over 30 years.”³⁰ Two locations in Atchison and Clay Counties – counties that Evergy Missouri West serves – reported morning low temperatures of -26°F on the morning of February 16.³¹ SPP advised that the National Weather Service found Winter Storm Uri “[c]omparable to the historical cold snaps of 1899 & 1905.”³²

29. The Energy Information Administration (“EIA”) of the U.S. Department of Energy stated that the February spot price of natural gas at the Henry Hub of \$5.35/MMBtu was the highest nominal monthly average Henry Hub spot increase since February 2014.³³ The price increases

²⁸ NOAA February 2021 Report at 2.

²⁹ See www.ncdc.noaa.gov/sotc/national/202102/supplemental/page-6#MIN (“All-time Records Set in February,” National Climate Report - February 2021).

³⁰ Missouri Climate Center February 2021 Report at 1.

³¹ *Id.*

³² SPP Market Monitoring Unit, *State of the Market Winter 2021* at 60 (Apr. 6, 2021).

³³ Short-Term Energy Outlook at 2, U.S. Energy Information Administration (March 2020).

“were amplified because the rise in demand occurred amid a drop in natural gas production due to well freeze-offs.”³⁴

30. The cold February weather caused demand for natural gas to soar nationally as it was needed to provide heat to homes and businesses, and to produce power at electric generating plants. The EIA estimated that total natural gas consumption in February was the highest on record at 111.8 billion cubic feet per day (“Bcf/d”), and that inventory withdrawals reached 829 Bcf, “the largest February withdrawal on record.”³⁵

31. In response to the Winter Storm Uri and related weather events, the Commission ordered its Regulatory Analysis and Customer Experience Departments “to investigate Missouri’s electrical and natural gas utilities’ preparation for and response to” the extreme cold of February 2021 and to report its findings.³⁶ Issued in April 2021, the Staff Report observed: “The extreme cold temperatures, extended period of those temperatures, and precipitation contributed to what some have described as an ‘85 year event’ [and] this was the first time in SPP history that it had to move to EEA2 or EEA 3 status.”³⁷

32. The Staff Report described Evergy’s actions³⁸ that began on February 3 to verify cold weather preparedness and review cold weather procedures with plant operators, including the readiness of freeze protection equipment and cold-weather fuel handling procedures at coal plants.³⁹ On February 6 Evergy’s coal units were placed into “self-commit” status in SPP’s energy

³⁴ Id. In mid-February shale basins from West Texas to North Dakota “were hit by a historic wave of wellhead freeze-offs,” as “U.S. production dropped 17 Bcf/d, or more than 18%.” Megawatt Daily at 6 (Mar. 15, 2021).

³⁵ Short-Term Energy Outlook at 3, U.S. Energy Information Administration (March 2020).

³⁶ Order Directing Staff to Investigate and Submit Report, In re Cause of Feb. 2021 Cold Weather Event, No. AO-2021-0264 (Feb. 24, 2021).

³⁷ Staff Report at 3, Id. (Apr. 30, 2021).

³⁸ Staff refers to Evergy Missouri West and Evergy Metro, Inc. collectively as “Evergy.” Id. at 66.

³⁹ Id.

markets to avoid start-up/shut-down problems; on February 8 EMW's natural gas Greenwood Units 1-4 and Lake Road Units 1-5 began switching to fuel oil in the face of gas curtailments.⁴⁰

33. On February 16, 2021 FERC and NERC opened a joint inquiry into the operations of the bulk-power system during the extreme weather conditions that occurred in mid-February.⁴¹ A joint FERC/NERC Staff Report issued in November 2021 stated that the load shedding that occurred during the storm was “the largest controlled firm load shed event in U.S. history,” and that “unplanned generation outages” of 65,622 MW “were more than four times as large as the previous largest event” in 2011 at 14,702 MW.⁴²

34. In serving customers during Winter Storm Uri and the month of February, Eversource Missouri West estimates that it incurred \$11.8 million in fuel costs (an increase of \$8.3 million from its average February fuel costs), and \$314.6 million in purchased power costs (an increase of \$299.8 million from its average February purchased power costs). The Company also incurred extraordinary non-fuel operation and maintenance (“O&M”) expenses directly attributable to Winter Storm Uri estimated at \$274,934. After adjustments for transmission costs, disallowances, and off-system sales revenue, Eversource Missouri West's total energy costs were \$315.0 million (an increase of \$296.5 million from its average February total energy costs). When O&M costs are included and the retail jurisdiction allocation factor is applied, the Company under-collected \$295.6 million in February as a result of the effects of Winter Storm Uri. These expenses were incurred during Winter Storm Uri, an anomalous weather event under the Securitization Law, as the Company served its customers. EMW's actions were consistent with recognized electric utility

⁴⁰ *Id.* at 67-68.

⁴¹ “FERC, NERC to Open Joint Inquiry into 2021 Cold Weather Grid Operations,” FERC News Release R21-18 (Feb. 16, 2021)

⁴² FERC-NERC-Regional Entity Staff Report, The February 2021 Cold Outages in Texas and the South Central United States at 9 (Nov. 2021), www.ferc.gov/media/february-2021-cold-weather-outages-texas-and-south-central-united-states. See News Release, “FERC, NERC Staff Review 2021 Winter Freeze, Recommend Standards Improvements” at 2 (Sept. 23, 2021).

standards and good utility practices, and these costs were prudently incurred. As a result, they are Qualified Extraordinary Costs that are appropriate for recovery under the Securitization Law through the issuance of Securitization Bonds under a Financing Order. EMW proposes to finance and recover through Securitization Bonds under Section 393.1700, 100% of these Qualified Extraordinary Costs, including carrying costs at the Company’s weighted average cost of capital (“WACC”) plus applicable taxes through the issuance date of the Securitization Bonds.

IV. FINANCING THE RECOVERY OF QUALIFIED EXTRAORDINARY COSTS UNDER SECTION 393.1700

35. Section 393.1700 authorized a new mechanism that allows the securitization of prudent Qualified Extraordinary Costs that a regulated electrical corporation incurs during anomalous weather events. See §393.1700.2(2).⁴³ Instead of the utility recovering such costs through more traditional means like fuel adjustment clauses, AAOs, and rate cases, and financed at the utility’s overall WACC, the Commission can allow these costs to be financed and recovered through relatively lower cost Securitization Bonds⁴⁴. These Securitization Bonds are secured by an irrevocable right to impose, bill, charge, collect and receive Securitized Utility Tariff Charges (“Charge” or “Charges”) that are subject to periodic adjustment. This irrevocable right is ⁴⁵ (“Securitized Property”), and is sold by the utility to its wholly owned, bankruptcy-remote Special Purpose Entity (“SPE”) that issues the Securitization Bonds.

36. Section 393.1700.2(2) requires that a Petition for a Financing Order address six specific topics which the following table identifies, and indicates where they are addressed in the Petition and in the direct testimony of Company witnesses:

⁴³ Section 393.1700.2(1), an analogous section not at issue in this case, also permits the securitization of utility assets to recover Energy Transition Costs relating to retired electric generating facilities.

⁴⁴ Securitized Utility Tariff Bonds are defined in Section 393.1700.1(15).

⁴⁵ Securitized Utility Tariff Property is defined in Section 393.1700.1(18).

Statutory Requirements of Petition	Petition Reference	Witness
<p>§ 393.1700.2(2)(a): Description of Qualified Extraordinary Costs, their Magnitude, Reasons for Being Incurred, and Retail Customer Rate Impact that would Result from Customary Ratemaking Treatment of such Costs</p>	<p>Para. 14-34, 55-57</p>	<p>Darrin R. Ives John Bridson Ronald A. Klote</p>
<p>§ 393.1700.2(2)(b): Whether the Electrical Corporation Proposes to Finance All or a Portion of the Qualified Extraordinary Costs using Securitized Utility Tariff Bonds</p>	<p>Para. 5, 33</p>	<p>Darrin R. Ives Ronald A. Klote</p>
<p>§ 393.1700.2(2)(c): Estimate of the Financing Costs related to the Securitized Utility Tariff Bonds</p>	<p>Para. 39</p>	<p>Jason Humphrey</p>
<p>§ 393.1700.2(2)(d): Estimate of the Securitized Utility Tariff Charges necessary to Recover the Qualified Extraordinary Costs and the Financing Costs, and the Period of Recovery of such Costs</p>	<p>Para. 55-56</p>	<p>Ronald A. Klote</p>
<p>§ 393.1700.2(2)(e): Comparison of the Net Present Value of Costs to Customers Estimated to Result from the Securitized Utility Tariff Bonds v. the Costs from the Application of Customary Method of Financing and Reflecting Qualified Extraordinary Costs in Customer Rates.</p> <p>Comparison should Demonstrate that Securitization is expected to provide Quantifiable Net Present Value Benefits to Retail Customers.</p>	<p>Para. 57</p>	<p>Ronald A. Klote</p>
<p>§ 393.1700.2(2)(f): Proposed Future Ratemaking Process to Reconcile Differences between Securitized Utility Tariff Costs financed by the Securitized Bonds and the Final Securitized Costs incurred by the Electrical Corporation or Assignee.</p> <p>The Reconciliation shall not Affect the Amount of the Securitized Bonds or Securitized Charges paid by Customers.</p>	<p>Para. 59</p>	<p>Ronald A. Klote</p>

37. Section 393.1700.5(1)(c) requires that the SPE be “created for the limited purpose” of acquiring and administering the Securitized Property, including the right to bill and collect the

charges, and to issue the Securitization Bonds. Because the securitization process results in the issuance of highly rated Securitization Bonds, typically with a AAA or equivalent rating, sufficient capital is raised (a) to reimburse the electrical corporation for the Qualified Extraordinary Costs that it incurred, (b) to pay the associated Financing Costs⁴⁶ related to issuing the Securitization Bonds, and (c) to maintain the structure to ensure timely payment of debt service on the Securitization Bonds and other fees, costs and charges with respect to the Securitization Bonds. This lower cost method of financing and recovery through rates, compared to customary financial and ratemaking methods, will make it possible to reduce Evergy Missouri West's overall revenue requirement associated with Winter Storm Uri and, therefore, reduce costs that would otherwise be borne by customers.

38. Given the extraordinary nature of Winter Storm Uri and the resulting costs to the Company, Evergy Missouri West requests that the Commission allow it to finance its Qualified Extraordinary Costs of \$295.6 million plus carrying costs of \$54.6 million in a Financing Order issued under Section 393.1700.2(3).

39. The Company also requests that its up-front Financing Costs associated with the securitization process and Securitization Bond issuance be included in the principal amount of the Securitization Bonds, as permitted by Section 393.1700.1(15).⁴⁷ Principal, interest, and on-going Financing Costs, including but not limited to the costs of servicing and maintaining the Securitization Bonds, will be recovered through a Charge⁴⁸ authorized by the Financing Order issued by the Commission. EMW estimates that its up-front Financing Costs will be \$6.6 million and that its on-going Financing Costs of the Securitization Bonds will be approximately \$.6 million

⁴⁶ Financing Costs are defined in Section 393.1700.1(8).

⁴⁷ Under Section 393.1700.1(15), the proceeds of the Bonds "are used directly or indirectly to recover" both the Financing Costs and the Qualified Extraordinary Costs (a category of Securitized Utility Tariff Costs).

⁴⁸ Defined in Section 393.1700.1(16).

annually. These estimates are based on the Company acting as the servicing agent for the SPE, as described in more detail below.

40. As Mr. Humphrey explains in his Direct Testimony, several components of the up-front Financing Costs will vary depending upon the size of the final issuance of the Securitization Bonds. The U.S. Securities and Exchange Commission (“SEC”) registration fee and the underwriters’ fees are typically proportional to the amount of a Securitization Bond issuance. Other up-front costs (such as legal, consulting and accounting fees and expenses, rating agency fees, printing expenses, and trustee costs) will not be known until the Securitization Bonds are issued and final invoices are submitted.⁴⁹ Finally, the costs incurred by the Commission for any outside consultants or counsel who are retained in connection with the securitization are also considered up-front Financing Costs under Section 393.1700.2(4). Accordingly, final up-front Financing Costs will not be known until after the final terms of the issuance of the Securitization Bonds have been established.

41. The Securitization Bonds can be issued in a registered public offering or an unregistered exempt offering. They will be structured to achieve the highest possible credit rating from rating agencies, consistent with flexibility granted by the Commission regarding the terms and conditions of the Securitization Bonds, as contemplated by Section 393.1700.2(3)(c)g and Section 393.1700.2(3)(g). In either case, there will be extensive marketing of the Securitization Bonds to ensure a broad solicitation of potential unaffiliated investors.

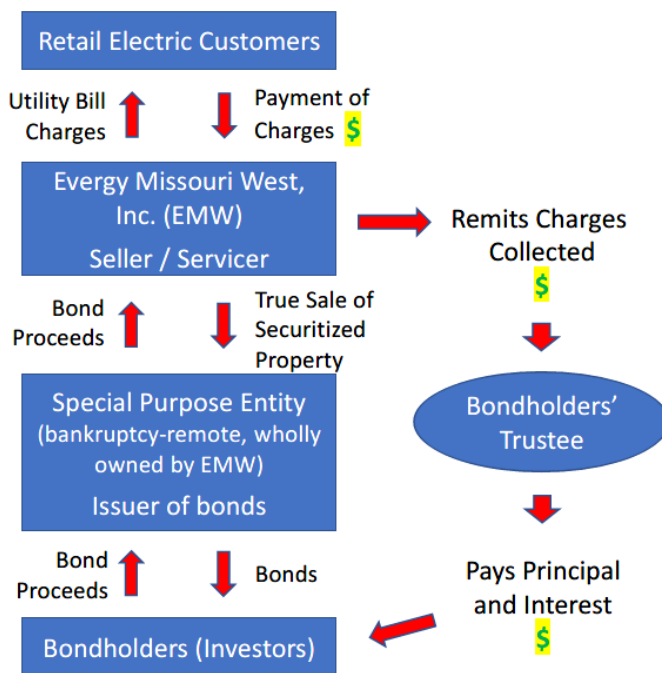
42. To the extent that the SPE established in the securitization process, pursuant to Section 393.1700.5(1)(c), may be viewed as an affiliate of Evergy Missouri West, the Company requests that the Commission find that its Affiliate Transactions Rule, 20 CSR § 4240-20.015

⁴⁹ Such costs are included in the definition of Financing Costs in Section 393.1700.1(8).

(“Rule”), does not apply under the circumstances of this proceeding. As explained in the Direct Testimony of Mr. Humphrey and Mr. Lunde, the SPE’s activities will be restricted to the limited purpose of acquiring the Securitized Property, issuing the Charges, and paying principal and interest on the Securitization Bonds to the bondholders. The SPE will be overseen by an independent director or manager to ensure that it only takes actions consistent with its obligations as the holder of the equity interest in the Securitized Property. Alternatively, EMW requests that the Commission grant a waiver of the Rule in this case, pursuant to Section 10(A)(1) of the Rule and 20 CSR 4240-2.015 and 2.060(4).

43. The structure of the securitization process and the issuance of the Securitization Bonds, as described in the Direct Testimony of Mr. Humphrey and of Mr. Lunde, is depicted below:

Securitized Bonds Transaction Structure



44. To facilitate the securitization, the bankruptcy-remote SPE, which will have purchased the Securitized Property at the time of the issuance of the Securitization Bonds, will

issue the Securitization Bonds and transfer the net proceeds from their sale to Evergy Missouri West as consideration for EMW's transfer of the Securitized Property to the SPE. Therefore, the SPE will be the transferee, purchaser, acquirer, assignee, or pledgee of the Securitized Property. See § 393.1700.5(1)(c), (e).

45. To maximize the benefits to customers from the securitization of the Qualified Extraordinary Costs, it is necessary to obtain AAA-equivalent credit ratings for the Securitization Bonds. Among the necessary elements to obtain such a credit rating are:

- (1) The non-bypassability of the Charges, provided by Section 393.1700.2(3)(c)d;
- (2) A true sale of the Securitized Property to a bankruptcy-remote issuer which will be the Company's SPE, as recognized in Section 393.1700.5(3)(a);
- (3) A mandatory periodic formula-based true-up mechanism, as provided for by Section 393.1700.2(3)(c)e, to adjust the Charges to ensure that the Securitization Bond's debt service, on-going Financing Costs and other required amounts and charges are paid on time as scheduled;
- (4) The requirement that the Commission will not amend, modify, or terminate the Financing Order or otherwise adjust the Charges, except for the periodic true-ups, as required by Section 393.1700.2(3)(f);
- (5) The pledge to the Securitization Bonds' holders of the SPE collection accounts established to secure the Securitization Bonds and ensure the timely payment of the Charges, as permitted by Section 393.1700.2(3)(d), as well as Section 393.1700.5(2);

- (6) A statutory pledge that neither the State of Missouri nor the Commission may impair the rights of the Securitization Bonds' holders, as provided by Section 393.1700.11(1)(a)-(d);
- (7) Provisions for successor services and related fees, as discussed by Mr. Lunde in his Direct Testimony, and
- (8) A demonstration that the proposed transaction structure is designed to satisfy specific rating agency stress case flow scenarios, which is also discussed by Mr. Lunde.

46. Section 393.1700.2(3)(c) requires that a Financing Order include 14 elements (listed as "a" through "n" in this provision), some of which have been discussed above. The proposed Financing Order, attached as a schedule to the direct testimony of Mr. Lunde, includes these elements:

- (1) The amount of the Qualified Extraordinary Costs to be financed using the Securitization Bonds, and a finding that their recovery is "just and reasonable" and "in the public interest." It shall also describe and estimate the amount of Financing Costs that may be recovered through the Charges, and specify the period over which the Qualified Extraordinary Costs and the Financing Costs may be recovered. [§ 393.1700.2(3)(c)a; Financing Order, p. 41]
- (2) A finding that the Securitization Bonds and the Charge are "just and reasonable and in the public interest." It must also find that they "are expected to provide qualifiable net present value benefits to customers as compared to recovery of the components of [Qualified Extraordinary Costs]

... that would have been incurred absence the issuance of [the Securitization Bonds]” [§ 393.1700.2(3)(c)b; Financing Order, p. 41]

- (3) A finding that the “proposed structuring and pricing of the [Securitization Bonds] are reasonably expected to result in the lowest [Charges] consistent with market conditions at the time the [Securitization Bonds] are priced and the terms of the financing order.” [§ 393.1700.2(3)(c)c; Financing Order, p. 41]
- (4) A requirement that for so long as the Securitization Bonds are outstanding and until all Financing Costs have been paid in full, “the imposition and collection of [Charges] ... authorized under” the Financing Order “shall be non-bypassable and paid by all existing and future retail customers receiving electrical service from the electrical corporation” or its successor under Commission-approved rate schedules. This requirement will apply “even if a retail customer elects to purchase electricity from an alternative supplier following a fundamental change in regulation of public utilities” in Missouri. However, customers receiving electrical service under special contracts on August 28, 2021 are excluded from this obligation. [§ 393.1700.2(3)(c)d; Financing Order, p. 32.]
- (5) A “formula-based true-up mechanism for making, at least annually, expeditious periodic adjustments” in the Charges, and for making any adjustments “to correct for any overcollection or undercollection” of Charges or “to otherwise ensure the timely payment of” the Securitization Bonds, Financing Costs, and other required amounts and charges payable

under the Securitization Bonds. [§ 393.1700.2(3)(c)e; Financing Order, p. 34]

- (6) A description of the Securitized Property that is created in favor of an electrical corporation, or its successors or assignees, and is used “to pay or secure” the Securitization Bonds and approved Financing Costs. [§ 393.1700.2(3)(c)f; Financing Order, p. 18.]
- (7) State the “degree of flexibility to be afforded the electrical corporation in establishing the terms and conditions” of the Securitization Bonds, “including, but not limited, to repayment schedules, expected interest rates, and other financing costs.” [§ 393.1700.2(3)(c)g; Financing Order, p. 60]
- (8) State how the Charges “will be allocated among retail customer classes.” [§ 393.1700.2(3)(c)h; Financing Order, p. 33]
- (9) A requirement that after the terms of an issuance of the Securitization Bonds have been established and before the issuance of the Securitization Bonds, the electrical corporation determines the resulting Charge in accordance with the Financing Order, and that the Charge “be final and effective upon the issuance” of the Securitization Bonds “with such Charge to be reflected on a compliance tariff sheet bearing such Charge.” [§ 393.1700.2(3)(c)i; Financing Order, p. 18]
- (10) A “method of tracing funds” collected as Charges or other proceeds of the Securitized Property and “determining the identifiable cash proceeds of any” Securitized Property subject to a Financing Order. [§393.1700.2(3)(c)j; Financing Order, p. 19]

- (11) A “future ratemaking process to reconcile any differences between the actual securitized” Qualified Extraordinary Costs financed by the Securitization Bonds, and “the final” Qualified Extraordinary Costs “incurred by the electrical corporation or assignee, provided that any such reconciliation shall not affect the amount of the” Securitization Bonds or the Charges paid by customers. [§ 393.1700.2(3)(c)k; Financing Order, p. 47]
- (12) A “procedure that shall allow the electrical corporation to earn a return, at the cost of capital authorized” by the Commission “on any moneys advanced” by the electrical corporation “to fund reserves, if any, or capital accounts established under the terms of any indenture” or other agreements “pertaining to the” Securitization Bonds. [§ 393.1700.2(3)(c)l; Financing Order, p. 19]
- (13) A procedure stated in the Financing Order “for the treatment of accumulated deferred income taxes and excess deferred income taxes in connection with ... retired or abandoned facility costs,” as specified. [§ 393.1700.2(3)(c)m]
Note: There are no such facility costs to the Qualified Extraordinary Costs that are the subject of this Petition.
- (14) An “outside date, which shall not be earlier than one year after the date the financing order is no longer subject to appeal, when the authority to issue” the Securitization Bonds that is granted in a Financing Order “shall expire.” [§393.1700.2(3)(c)n; Financing Order, p. 60]

47. The Financing Order shall also specify the form and contents of the Issuance Advice Letter (“IAL”), described below. See § 393.1700.2(3)(h). A proposed form of the Issuance

Advice Letter is attached to the form of Financing Order attached to Mr. Lunde's Direct Testimony.

48. When the actual structure and pricing of the Securitization Bonds are determined, no later than one day after that occurs an IAL will be provided by Evergy Missouri West to the Commission advising of the pricing, terms, and conditions of the Securitization Bonds, as well as the best available estimate of total ongoing Financing Costs. The Commission may designate members of its Staff (who may be advised by independent advisors and counsel) to opine on the reasonableness of the pricing, terms, and conditions of the Securitization Bonds on an expedited basis. Neither Staff nor its advisors have authority to direct how EMW places the Securitization Bonds to market, but are permitted to attend all meetings convened by EMW to address the placement of the Securitization Bonds to market. Unless the Commission directs that the Securitization Bonds not be issued in a disapproval letter that is issued prior to noon on the fourth business day after the Commission receives the IAL, the Company may proceed with the issuance of the Securitization Bonds. This process is described in Section 393.170.2(3)(h), as well as in the Direct Testimony of Mr. Lunde of Citi.

V. CHARGES AND TARIFFS UNDER THE FINANCING ORDER

49. Pursuant to a servicing agreement between Evergy Missouri West and the SPE, the Company will act as the initial servicer for the SPE of the Charges to be securitized for the Qualified Extraordinary Costs. As the servicer, EMW will bill, receive, and collect the Charges from its retail customers and will remit these collections to an indenture trustee for each series of Securitization Bonds on behalf of and for the account of the SPE.

50. Evergy Missouri West, as the servicer, will be responsible for making any required or allowed true-ups of the Charges, as provided in the Financing Order. The Charges collected by EMW under the servicing agreement will be calculated to ensure the collection of an amount

sufficient to make timely payments of principal and interest on the Securitization Bonds and the on-going Financing Costs and other charges. The Charges will be allocated to the various customer classes in the manner determined by the Commission and set forth in the Financing Order. The Company estimates that the annual on-going Financing Costs related to the Securitization Bonds are approximately \$.6 million.

51. The Charges will be billed, received, and collected pursuant to EMW's tariff entitled Securitized Utility Tariff Charge, a draft of which is attached as Exhibit BDI-1 1 to the Direct Testimony of Mr. Lutz.

52. The Company envisions that the tariff sheets necessary to effectuate the Charge will occur in two steps, as outlined in the testimony of Mr. Ives and Mr. Lutz. In the first step, the tariff sheets setting forth the Securitized Utility Tariff Rider ("Schedule SUR"), attached as Exhibit BDL-1 to Mr. Lutz's direct testimony – with the rate elements on Sheet No. # left blank – will be approved by the Commission in the Financing Order or in a compliance tariff filing as directed in the Financing Order. Then, in the second step, the tariff sheet setting forth the rate elements of the Charge applicable to the Company's various customer classes and calculated in the basis of the final pricing, terms and conditions of the Securitization Bonds as detailed in the IAL will be submitted by the Company as a compliance tariff filing at the time it provides the IAL to the Commission. Assuming the Commission allows the Securitization Bonds to be issued, the compliance tariff will become effective as a matter of law on the date the Securitization Bonds are issued, as required by Section 393.1700.2(3)(c)i.

53. To synchronize the collection of the Charges with the first payment on the Securitization Bonds, the Charges will become effective as of the date of the issuance of the Securitization Bonds. EMW will make at least annual adjustments to the Charges to (a) correct for any under-collection or over-collection, or (b) ensure the timely payment of the Securitization

Bonds, ongoing Financing Costs, and other required amounts and charges payable under the Securitization Bonds, pursuant to Section 393.1700.2(3)(c)e.

**VI. BENEFITS PROVIDED BY SECURITIZING
QUALIFIED EXTRAORDINARY WINTER STORM URI COSTS**

54. Section 393.1700.2(2)(e) requires Evergy Missouri West to demonstrate that the issuance of the Securitization Bonds and the imposition of the Charges to recover the Qualified Extraordinary Costs “are expected to provide quantifiable net present value benefits to retail customers.” Accordingly, EMW has prepared a comparison of (a) the net present value of the costs to customers estimated to result from the issuance of the Securitization Bonds with (b) the costs that would result from applying the customary method of financing and reflecting the Qualified Extraordinary Costs in customer rates.

55. The total amount of fuel and purchased power costs along with excess O&M costs that Evergy Missouri West incurred as a result of Winter Storm Uri was \$295.6 million on a retail jurisdictional basis. [\$297.3 million as updated]. As Mr. Bridson explains, these costs were necessary to serve customers during the storm and were prudently incurred. Because Qualified Extraordinary Costs are defined under Section 393.1700.1(13) to be “inclusive of carrying charges,” the Company estimates the amount of such charges associated with the increased overall costs associated with Winter Storm Uri are \$350.2 million as of January 31, 2023. EMW also anticipates up-front Financing Costs of \$6.6 million and ongoing costs of \$.6 million per year. The total amount of these Qualified Extraordinary Costs and up-front Financing Costs is \$356.8 million plus the ongoing annual costs.

56. Based on the above, Evergy Missouri West estimates that the Charges necessary to recover the timely payment of the debt service on the Securitization Bonds and the Financing Costs

are \$2,596,476 per month over a period of 15 years or \$467.4 million over the course of the 15 years.

57. By comparison, if EMW did not rely on the Securitization Law and rather amortized its costs from Winter Storm Uri over a period of equal length with a carrying charge equal to the Company's weighted average cost of capital, it would need to recover about \$3.6 million per month from customers, with such payments totaling approximately \$643.5million for the 15-year period. Therefore, the issuance of the Securitization Bonds and the imposition of the Charges are expected to provide quantifiable net present value benefits to retail customers of approximately \$121.3 million.

58. Mr. Lutz explains how the Charges will be allocated among retail customer classes by kWh in his Direct Testimony and in an accompanying schedule. Although the exact calculation of the Charges cannot be made until the final terms of the Securitization Bonds are known, the Company estimates that the initial Charge on the monthly electric bill of an EMW residential customer using 1,020 kilowatts ("kWh") of electricity will be \$4.71 per month. This charge is necessary to ensure the timely payment of the Securitization Bonds, ongoing Financing Costs, and other required amounts and charges payable in connection with the Securitization Bonds over a period of approximately 15 years as discussed in the testimony of Company witness Lunde.

59. Mr. Klote proposes a future ratemaking process to reconcile differences between the Qualified Extraordinary Costs (which under Section 393.1700.1(17) financed by the issuance of the Securitization Bonds and the final securitized costs incurred by Evergy Missouri West or its assignee. Any such reconciliation shall not affect the amount of the Securitization Bonds or the associated Charges paid by customers.

VII. CONCLUSION

60. The expenses that Winter Storm Uri caused to Evergy Missouri West clearly meet the Securitization Law's definition of Qualified Extraordinary Costs under Section 393.1700.1(13) as they were prudently incurred as a result of an anomalous weather event and would cause extreme customer rate impacts if recovered in retail rates through customary ratemaking. To serve its customers safely and reliably during the storm's sustained period of sub-zero, blizzard conditions, the Company was compelled to procure fuel and purchased power at the prevailing market prices, and to incur other necessary costs, now in excess of \$295.6 million.

61. Financing these Qualified Extraordinary Costs through securitization will result in a lower revenue requirement for Evergy Missouri West and provide quantifiable net present value benefits to customers that would otherwise not be available, in comparison with the customary methods of financing and recovery costs related to such an extraordinary event like Winter Storm Uri.

WHEREFORE, Evergy Missouri West, Inc. respectfully requests that no later than 215 days after the date this Petition is filed, as specified in Section 393.1700.2(3)(a)b, the Commission:

(1) Grant authorization for the financing of Evergy Missouri West's Qualified Extraordinary Costs that are found to be reasonable and prudently incurred as a result of Winter Storm Uri using the securitization structure permitted by Section 393.1700;

(2) Find that the Company's Qualified Extraordinary Costs and up-front Financing Costs are appropriately financed by debt which is secured by Securitized Utility Tariff Property;

(3) Issue a Financing Order that is consistent with the Form of Financing Order, attached as a schedule to Mr. Lunde's direct testimony, which fulfills the requirements of Section 393.1700 and the expectations of credit rating agencies to enable Evergy Missouri West to recover its prudently incurred Qualified Extraordinary Costs;

- (4) Approve the Securitized Utility Tariff Charges;
- (5) Approve the form of tariff proposed by Evergy Missouri West; and
- (6) Find that the Commission's Affiliate Transactions Rule does not apply to this proceeding or, in the alternative, grant a waiver from its terms, pursuant to the Rule's Section 10(A)(1) and 4240 CSR Sections 2.015 and 2.060(4).
- (7) Provide any further relief that the Commission believes just, reasonable, and in the public interest.

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 11th day of March, 2022.

/s/ Roger W. Steiner

Attorney for Evergy Missouri West

VERIFICATION

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

I, Darrin R. Ives, state that I am Vice President of Regulatory Affairs for Evergy, Inc., that I have reviewed the foregoing Petition, that I am familiar with its contents, and that the statements contained therein are true and correct to the best of my knowledge and belief.

Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.⁵⁰



Darrin R. Ives

⁵⁰ Relying on Section 509.030, the Commission has stated that “any person may file an affidavit in any matter before the Commission without being notarized so long as the affidavit contains the following declaration: ‘Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.’” See Commission Letter to Whom it May Concern (Mar. 24, 2020).