

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

In the Matter of the Application of Evergy West,)
Inc. d/b/a Evergy Missouri West for Authority)
To Implement Rate Adjustments Required by) **File No. ER-2023-0444**
20 CSR 4240-20.090(8) and the Company’s) Tracking No. JE-2023-0229
Approved Fuel and Purchased Power Cost)
Recovery Mechanism)

STAFF RECOMMENDATION FOR REJECTION OF TARIFF SHEET

COMES NOW Staff of the Missouri Public Service Commission and for its Staff Recommendation for Rejection of Tariff Sheet respectfully states:

1. On June 30, 2023, Evergy Missouri West, Inc., d/b/a Evergy Missouri West (“Evergy Missouri West” or “EMW” or “Company”) filed one (1) tariff sheet, P.S.C. Mo. No. 1 1st Revised Sheet No. 127.34, bearing a proposed effective date of September 1, 2023. This tariff is to revise Evergy Missouri West’s current annual Fuel Adjustment Rates (“FARs”) (lines 16, 19, 22, and 25 on 1st Revised Sheet No. 127.34) of its Fuel Adjustment Clause (“FAC”) for Accumulation Period (“AP”) 32. Evergy Missouri West also filed the direct testimony of Lisa A. Starkebaum on June 30, 2023, and submitted to Staff work papers in support of the direct testimony and filed tariff sheet.

2. In the previous FAR filing for AP31 in Case No. ER-2023-0210, there was a *Non-Unanimous Stipulation and Agreement* (“Agreement”) filed on June 21, 2023. Within that Agreement, the Company, Staff, and the Office of the Public Counsel (“OPC”) agreed to include a portion of the 31st accumulation period disputed balance of \$85,420,087 that does not exceed the 2% Large Power Plant-in-Service-Accounting (“PISA”) cap. This results in an additional \$45,262,522 of Fuel and Purchased Power

Adjustment (“FPA”) that can be included in this, the 32nd accumulation period. The remaining \$40,257,565 of FPA will be included for recovery in the 33rd accumulation period with interest included. Although this Agreement still has not been approved by the Commission, it is included within this AP32 filing. Staff supports the inclusion of a portion of AP31 in this AP32 filing.

3. However, as a separate matter, the Company entered into a Stipulation and Agreement in the last Evergy Missouri West general rate proceeding, ER-2022-0130, that reiterated and reinforced terms established with the approval of the Special Incremental Load tariff, Schedule SIL, in EO-2019-0244. Beginning in January 2023, Evergy Missouri West began tracking operational events at Nucor.¹ Evergy Missouri West established a new procedure to account for hourly Nucor load data to establish the Day Ahead demand bid in the Southwest Power Pool (“SPP”) Integrated Market for EMW and track costs pursuant to the event balancing discussed in the Nucor stipulation and agreement in Case No. EO-2019-0244. As explained further in the Nucor Discussion section of Staff’s Memorandum filed concurrently herewith, Staff does not agree with Evergy Missouri West’s identification and calculation method. Therefore, Staff recommends the Commission issue an order **REJECTING** the proposed 1st Revised Sheet No. 127.34, and direct Evergy Missouri West to file a substitute tariff sheet that includes a \$48,018.52 reduction adjustment to purchased power expense.

¹ Staff notes that Evergy has been required to “identify additional SPP related costs resulting from unexpected operational events” since the stipulation and agreement was approved in Case No. EO-2019-0244.

4. Under Commission Rule 20 CSR 4240-20.090(8)(H)3,² 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 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 points out that 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 be \$0.00590, and the rates on lines 16, 19, 22, and 25 would be reflected accordingly.

5. For the reasons discussed in Staff's Memorandum filed concurrently herewith, 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 would reduce the ANEC to \$124,394,491, resulting in the current period

² Commission Rule 20 CSR 4240-20.090(8)(H)3. states:

H. Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either – 1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs; 2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order; or 3. If it determines the adjustment to the FARs is not in accordance with the provisions of this rule, section 386.266 RSMo, and the FAC mechanism established in the electric utility's most recent general rate proceeding, 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 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.

FAR on line 13 to be \$0.00590, and the rates on lines 16, 19, 22, and 25 would be reflected accordingly.

6. Staff has verified that Evergy Missouri West is not delinquent on any assessment and has filed its 2022 Annual Report. Evergy 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 Evergy Missouri West's RP29 true-up filing in File No. EO-2023-0445 (also filed on June 30, 2023), and the Non-Unanimous Stipulation and Agreement in File No. ER-2023-0210 pending Commission approval, 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 Evergy Missouri West's calculations, and is not indicative of the prudence of the fuel costs during AP32.

7. Further explanation of this recommendation is provided in Staff's Memorandum filed concurrently herewith.

WHEREFORE Staff recommends the Commission issue an order **REJECTING** the proposed 1st Revised Sheet No. 127.34, and directing Evergy Missouri West to file a substitute tariff sheet that includes a \$48,018.52 reduction adjustment to purchased power expense as discussed above and in Staff's Memorandum filed concurrently herewith.

Respectfully submitted,

/s/ Jeffrey A. Keevil

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Missouri Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 31st day of July 2023.

/s/ Jeffrey A. Keevil

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2023-0444, Tariff Tracking No. JE-2023-0229

FROM: Brooke Mastrogiannis, Utility Regulatory Audit Supervisor

DATE: /s/ Brooke Mastrogiannis 07-31-2023 /s/ Ron Irving 07-31-2023
Energy Resources Department / Date Staff Counsel Department / Date

SUBJECT: Staff Recommendation for Rejection 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-2020-0130

DATE: July 31, 2023

Staff Recommendation

On June 30, 2023, Evergy Missouri West, Inc., d/b/a Evergy Missouri West (“Evergy Missouri West” or “EMW” or “Company”) filed one (1) tariff sheet, P.S.C. Mo. No. 1 1st Revised Sheet No. 127.34, Canceling Original Sheet No. 127.34¹, bearing a proposed effective date of September 1, 2023. This tariff is to revise Evergy Missouri West’s current annual Fuel Adjustment Rates (“FARs”) (lines 16, 19, 22, and 25 on 1st Revised Sheet No. 127.34) of its Fuel Adjustment Clause (“FAC”) for Accumulation Period (“AP”) 32. Evergy Missouri West also filed the direct testimony of Lisa A. Starkebaum on June 30, 2023, and submitted to Staff work papers in support of the direct testimony and filed tariff sheet.

In the previous FAR filing for AP31 in Case No. ER-2023-0210, there was a *Non-Unanimous Stipulation and Agreement* (“Agreement”) filed on June 21, 2023. Within that Agreement, the Company, Staff, and the Office of the Public Counsel (“OPC”) agreed to include a portion of the 31st accumulation period disputed balance of \$85,420,087 that does not exceed the 2% Large Power Plant-in-Service-Accounting (“PISA”) cap. This results in an additional \$45,262,522 of Fuel and Purchased Power Adjustment (“FPA”) that can be included in the 32nd accumulation period. The remaining \$40,257,565 of FPA will be included for recovery in the 33rd accumulation period with interest included. Although this Agreement still has not been approved by the Commission, it is included within this AP32 filing. Staff supports the inclusion of a portion of AP31 in this AP32 filing.

¹ The currently effective tariff sheet is 9th Revised Sheet No. 127.23, as it is in effect until August 2023.

Separately, the Company entered into a Stipulation and Agreement in the last Eversource Missouri West general rate proceeding, ER-2022-0130, that reiterated and reinforced terms established with the approval of the Special Incremental Load tariff, Schedule SIL, in EO-2019-0244. Beginning in January 2023, Eversource Missouri West began tracking operational events at Nucor.² Eversource Missouri West established a new procedure to account for hourly Nucor load data to establish the Day Ahead demand bid in the Southwest Power Pool (“SPP”) Integrated Market for EMW and track costs pursuant to the event balancing discussed in the Nucor stipulation and agreement in Case No. EO-2019-0244. As explained further in the Nucor Discussion section below, Staff does not agree with Eversource Missouri West’s identification and calculation method. Therefore, Staff recommends the Commission issue an order rejecting the proposed 1st Revised Sheet No. 127.34, and direct Eversource Missouri West to file a substitute tariff sheet that includes a \$48,018.52 reduction adjustment to purchased power expense. This is the result of Staff’s interpretation of the Nucor adjustment from the stipulation and agreement in Case No. EO-2019-0244, accounting for additional purchased power costs caused by operational events as described in paragraph 7d of the Stipulation & Agreement. Under Commission Rule 20 CSR 4240-20.090(8)(H)3,³ 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 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 points out that 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

² Staff notes that Eversource has been required to “identify additional SPP related costs resulting from unexpected operational events” since the stipulation and agreement was approved in Case No. EO-2019-0244.

³ Commission Rule 20 CSR 4240-20.090(8)(H)3. states:

H. Within sixty (60) days after the electric utility files its testimony and tariff sheet(s) to adjust its FARs, the commission shall either – 1. Issue an interim rate adjustment order approving the tariff sheet(s) and the adjustments to the FARs; 2. Allow the tariff sheet(s) and the adjustments to the FARs to take effect without commission order; or 3. If it determines the adjustment to the FARs is not in accordance with the provisions of this rule, section 386.266 RSMo, and the FAC mechanism established in the electric utility’s most recent general rate proceeding, 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 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.

on line 13 to be \$0.00590, and the rates on lines 16, 19, 22, and 25 would be reflected accordingly.
See Staff's table below for further detail by service class:

| Service | EMW Proposed 1st Revised Sheet No. 127.34 | Staff Proposed 1st Revised Sheet No. 127.34 |
|------------------------------|--|--|
| Secondary Non-Large Power | 0.00856 | 0.00855 |
| Primary Non-Large Power | 0.00838 | 0.00837 |
| Substation Non-Large Power | 0.00828 | 0.00827 |
| Transmission Non-Large Power | 0.00822 | 0.00821 |

Nucor Discussion

Ms. Starkebaum states in her Direct Testimony:

In the EMW general rate proceeding, ER-2022-0130, the Company entered into a Stipulation and Agreement that reiterated and reinforced terms established with the approval of the Special Incremental Load tariff, Schedule SIL in EO-2019-0244. In compliance with these provisions, Evergy Missouri West revised its approach for tracking operational events at Nucor to enhance cost tracking underway since approval of the SIL rate. Starting in November 2022, Evergy worked directly with Nucor plant operations to determine data available to inform an hourly load forecast for use by the Company in its day ahead resource planning. The revised approach relies on prior year actual hourly load data supplemented by annual outage schedules, monthly planning updates and same-day outage communications from Nucor operations. Specifically, the load estimate is the annual average hourly load for a 24-hour period.

EMW established a new procedure to use this hourly load data to establish the Day Ahead demand bid in the Southwest Power Pool ("SPP") Integrated Market for EMW and track costs pursuant to the event balancing discussed in the Nucor stipulation and agreement in Case No. EO-2019-0244. EMW then adjusted existing Nucor cost tracking spreadsheets to incorporate the cost difference comparing real time to day ahead costs for all hours meeting the established operational conditions. These cost differences, positive or negative, are used to adjust the costs before being processed through the FAC. These processes were applied to all hourly loads and used to adjust costs starting in January 2023, consistent with the effective date of rates from the 2022 Case.

During the 32nd accumulation period of December 2022 through May 2023, the impact of using the Nucor tracking procedure beginning January 2023 through April actuals in this filing results in a net decrease in Nucor's load costs by \$9,469. This amount was first recorded in the general ledger in the month of May and will be recorded monthly going forward on a one-month lag. Consistent with the language in the Non-Unanimous Stipulation and Agreement reached in Case No. EO-2019-0244, since the analysis for this accumulation period results in a net decrease in Nucor's load costs, which in turn would result in an increase in costs for non-Nucor customers, the \$9,469 has been removed from the ANEC in the Purchased Power line item and is reflected in the work paper support included with this filing.

Paragraph 7d of the stipulation in the EO-2019-0244 case states:

GMO will monitor Nucor operations and will identify additional SPP-related costs resulting from unexpected operational events. If 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 GMO day-ahead commitments, GMO will quantify the balancing relationship between the hourly and day-ahead prices to identify the effect of the unplanned load change to apportion any additional SPP balancing charges and will incorporate the effect attributed to Nucor into the tracking of Nucor costs. 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.

Staff will now refer to this 25% deviation from the expected Nucor load for more than 4 hours as an "event".

Staff notes there may be some inconsistency between Ms. Starkebaum's testimony above and what Staff understands to now be Evergy Missouri West's position on this issue. She states this amount was first recorded in the month of May, 2023, but will be recorded monthly going forward.

Then, In follow up discussions prior to filing this memorandum, Evergy Missouri West personnel explained that the adjustment will be made by taking the summation of the net effects of each month of the accumulation period, and one adjustment will be made at the end of the accumulation period, instead of monthly.

It was also explained in another follow up discussion that Evergy's estimate of the effect of calculated Nucor load imbalances for observed events during this accumulation period was an estimated decrease in costs for non-Nucor customers, and the \$9,469 that was removed from the ANEC was just to offset the original entry EMW made to increase the ANEC.

It is Staff's understanding that it is still EMW's intention to make an adjustment at the end of the accumulation period only if the result is an increase to non-Nucor customers. However, in another subsequent follow-up call with EMW personnel they indicated the Company will be tracking the effects of each month, on a cumulative basis, so in the next accumulation period they will be taking the net effect for months outside of that accumulation period. Staff is unclear when or how the Company will quantify any future adjustment, and exactly how this will work going forward. For example, if future periods result in an estimated overall reduction in purchased power expense based on the calculated load imbalances from Nucor operational events, but the period prior to those the Company already made an adjustment because that sum was an estimated increase in costs to non-Nucor customers, Staff is unclear if that original adjustment will be altered by Evergy. In addition, it appears Evergy Missouri West may be violating the FAC tariffs to make an adjustment in an accumulation period for months outside of the accumulation period. With only 30 days to write a recommendation, the 15-day data request turnaround time, and what seems to be Evergy's inability to determine a consistent process for making the adjustment, Staff was unable to get the understanding needed before Staff's recommendation was due.

Evergy Missouri West's new method of accounting for operational events appears to be inconsistent with the statements and agreements made by the Company to isolate costs caused by Nucor from non-Nucor ratepayers in past cases. Staff's opinion of this new method is that by taking the net effect of the six-month accumulation period undercounts the variance impact of what the adjustment would be if it were made for when each event occurs. This is especially true by tracking this on a cumulative basis for up to a ten-year period, as that perpetually claws back an adjustment completely going forward and shifts away with what the stipulation language was intended for in the first place. Staff's calculation is accounting for only operational events that result in an increase to non-Nucor customers, therefore, the total adjustments made for the

accumulation period would be approximately \$48,018.52⁴ that would reduce purchased power costs for non-Nucor customers. The adjustments are dependent on market conditions and the accuracy of EMW's forecasted Nucor load meaning that the magnitude can vary substantially depending on market conditions.

Lastly, Eversource Missouri West underestimates the effects of each operational event by excluding the cost impacts of the first four hours of each event⁵. As the Stipulation and Agreement states above:

If 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 GMO day-ahead commitments, GMO will quantify the balancing relationship between the hourly and day-ahead prices to identify the effect of the unplanned load change to apportion any additional SPP balancing charges and will incorporate the effect attributed to Nucor into the tracking of Nucor costs.

Once an event occurs⁶, the effect of the unplanned load change must be quantified and any additional balancing charges should be removed from purchased power expense. Eversource Missouri West's method does not quantify, nor remove, the full effects of additional SPP balancing charges from purchased power expense.

Based on 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 be \$0.00590, and the rates on lines 16, 19, 22, and 25 would be reflected accordingly. The amount in question is approximately \$48,018.52, so the amount in question here is small with minimal effects on the overall rate in this FAR filing. However, the argument both parties are making and the methodology behind this adjustment is more at issue and what is still in question. In future FAR filings if an event such as Storm Uri occurred again, the amount in question could be much larger.

⁴ This amount is calculated by using Staff's approach of including the first four hours of every event there is a 25% deviation from load, and also only including the events where the result is an increase to non-Nucor customers.

⁵ In addition to the inconsistencies and confusion stated on page 4 above, this was another piece to EMW's calculation that initially started with EMW excluding the cost impacts of the last four hours of each event, but after having a follow-up call with Eversource personnel, it was stated and additional workpapers were provided to support the cost impacts of excluding the first four hours of each event.

⁶ Nucor's load experiences a 25% deviation from the expected Nucor load for more than 4 hours and that load change is not reflected in the GMO day-ahead commitments.

Accumulation Period 32 FARs

The testimony and work papers include information supporting Eversource Missouri West's calculation of the Fuel and Purchased Power Adjustment ("FPA") amount of \$52,450,000 line 11⁷ of 1st Revised Sheet No. 127.34, for AP32 (December 1, 2022 through May 31, 2023) reflecting the sum of:

1. The amount of \$3,086,758 on line 7 of 1st Revised Sheet No. 127.34, which is equal to 95% of the difference between: a) Eversource Missouri West's Missouri jurisdiction⁸ 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 amount⁹ reflected on line 8 of 1st Revised Sheet No. 127.34, of \$44,878,064; and,
3. The interest amount reflected on line 9 of 1st Revised Sheet No. 127.34, of \$4,485,178.

The proposed Current Period Eversource Missouri West FAR of \$.00591 per kWh (line 13 1st Revised Sheet No. 127.34) is equal to Eversource Missouri West's FPA amount of \$52,450,000 divided by the estimated Recovery Period 32 ("RP32")¹⁰ Retail Net System Input ("RNSI") at the generator level¹¹ ("SRP") of 8,874,311,293 kWh (line 12 of 1st Revised Sheet No. 127.34).

⁷ 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.

⁸ See line 4 of 1st Revised Sheet No. 127.34 and definition of J on Original Sheet No. 127.31.

⁹ The true-up amount was requested by Eversource Missouri West in its June 30, 2022 filing in File No. EO-2023-0445. The True-Up amount includes a Non-Unanimous Stipulation and Agreement amount of \$45,262,522, from Case No. ER-2023-0210.

¹⁰ RP32 includes September 1, 2023 through August 31, 2024.

¹¹ See definition of SRP on Original Sheet No. 127.32.

Because of differences in line losses for secondary, primary, substation, and transmission voltage service levels,¹² 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 AP32 are set out in its tariff sheets identified in the following table:

| For Service Provided January 9, 2023 and Thereafter |
|--|
| Original Sheet No. 127.24 |
| Original Sheet No. 127.25 |
| Original Sheet No 127.26 |
| Original Sheet No. 127.27 |
| Original Sheet No. 127.28 |
| Original Sheet No. 127.29 |
| Original Sheet No. 127.30 |
| Original Sheet No. 127.31 |
| Original Sheet No. 127.32 |
| Original Sheet No. 127.33 |

Listed below are Evergy Missouri West's proposed Current Annual FARs on 1st Revised Sheet No. 127.34, and the Evergy Missouri West Current Annual FARs on 9th Revised Sheet No. 127.23 together with the changes between them for primary, secondary, substation, and transmission voltage service levels.

¹² 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 1st Revised Sheet No. 127.34.

| Evergy Missouri West Current Annual Fuel Adjustment Rate \$ per kWh | | | |
|---|---|---|------------------|
| Service | Proposed 1st Revised Sheet No. 127.34 | Now Effective 9th Revised Sheet No. 127.23 | Difference |
| Secondary Large Power | 0.00856 | 0.00386 | 0.00470 Increase |
| Secondary Non-Large Power | 0.00856 | 0.00885 | 0.00029 Decrease |
| Primary Large Power | 0.00838 | 0.00380 | 0.00458 Increase |
| Primary Non-Large Power | 0.00838 | 0.00872 | 0.00034 Decrease |
| Substation Large Power | 0.00828 | 0.00375 | 0.00453 Increase |
| Substation Non-Large Power | 0.00828 | 0.00860 | 0.00032 Decrease |
| Transmission Large Power | 0.00822 | 0.00374 | 0.00448 Increase |
| Transmission Non-Large Power | 0.00822 | 0.00857 | 0.00035 Decrease |

The proposed changes to FARs would result in a decrease to the typical Evergy Missouri West residential customer’s monthly bill (based on 1,000 kWh) before taxes of \$.29, i.e. from \$8.85 to \$8.56.

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 \$3.3 million. When compared to the prior 31st accumulation period, the ANEC are \$88.9 million lower in the 32nd accumulation. This is due to a \$74 million, or 43%, decrease in purchase power expense and a \$41.7 million, or 60%, decrease in fuel costs offset by a \$25.4 million decrease in off-system sales revenue. The 32nd accumulation period of December 2022 through May 2023 typically has lower retail load requirements than the previous 31st accumulation period of June through November 2022. In addition, winter weather was 13% warmer than normal by 318 heating degree days and the month of May was 13% warmer than normal by 28 cooling degree days, resulting in a 9% decrease in retail load demand over the 31st accumulation period. This contributed to lower purchased power requirements which were also impacted by lower natural gas prices. For December 2022 through May 2023, the published NYMEX natural gas contract settlement price averaged \$3.51, which is 54% lower than the \$7.59 averaged in 31st accumulation period. Lastly, the decrease in fuel costs driven by 55% less

generation, due to generating units offline, and lower natural gas prices contributed to the decrease in off-system sales revenue.¹³

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 2022 Case that became effective January 9, 2023. The compound annual growth rate (“CAGR”) cap provisions of section 393.1655 RSMo applied to this FAR filing are 15.0393% for the average overall rate cap and 9.8387% for the class average overall rate cap for Large Power customers. The FAC charge proposed in this filing does not exceed the average overall rate by more than 15.0393% and, as such, the provisions of section 393.1655.5 do not affect this FAR filing. 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 not exceed 9.8387% of the class average overall rate cap for this rate class and, as such, the provisions of section 393.1655.6 do not affect this FAR filing.¹⁴

Staff Review

Staff reviewed Eversource Missouri West’s proposed 1st Revised Sheet No. 127.34, Canceling Original Sheet No. 127.34, the direct testimony of Eversource Missouri West witness Lisa A. Starkebaum and the work papers in this filing including additional workpapers requested in Data Request 0001, in addition to Eversource Missouri West’s monthly information reports filed in compliance with 20 CSR 4240-20.090(5) for AP32.

Attachment A includes three charts providing a summary of Eversource Missouri West’s thirty-two (32) FAC rate adjustment filings. Chart 1 illustrates a) Eversource Missouri West’s actual net

¹³ Eversource Missouri West witness Lisa A. Starkebaum, Direct Testimony, pg. 5 ln. 17 through pg. 6, ln. 10

¹⁴ Eversource Missouri West witness Lisa A. Starkebaum, Direct Testimony, pg. 7 ln. 12 through pg. 8, ln. 4

energy cost, net base energy cost and under- (over-) recovery amounts for each accumulation period, and b) that there have been twenty-seven (27) accumulation periods with under-recovered amounts and five (5) accumulation periods with over-recovered amounts (AP10, AP16, AP17, AP18, and AP26). Chart 2 illustrates Eversource Missouri West's FAC cumulative under-recovered amount at the end of each accumulation period with the cumulative under-recovered amount through AP32 of approximately \$483¹⁵million. Chart 3 illustrates Eversource Missouri West's FAC cumulative under-recovered percentage at the end of each accumulation period with the cumulative under-recovered percentage through AP32 of approximately 13%.

Staff Recommendation

As explained above, the Company entered into a Stipulation and Agreement in the last Eversource Missouri West general rate proceeding, ER-2022-0130, that reiterated and reinforced terms established with the approval of the Special Incremental Load tariff, Schedule SIL, in EO-2019-0244. Staff concludes that the 1st Revised Tariff Sheet No. 127.34 does not comply with the Commission's *Report and Order* in Case No. ER-2022-0130, Commission Rule 20 CSR 4240-20.090, Section 393.1400.5 RSMo, and Eversource Missouri West's FAC, as embodied in its tariff, because Eversource Missouri West's method of accounting for operational events is inconsistent with the statements and agreements made by the Company to isolate costs caused by Nucor from non-Nucor ratepayers in past cases.

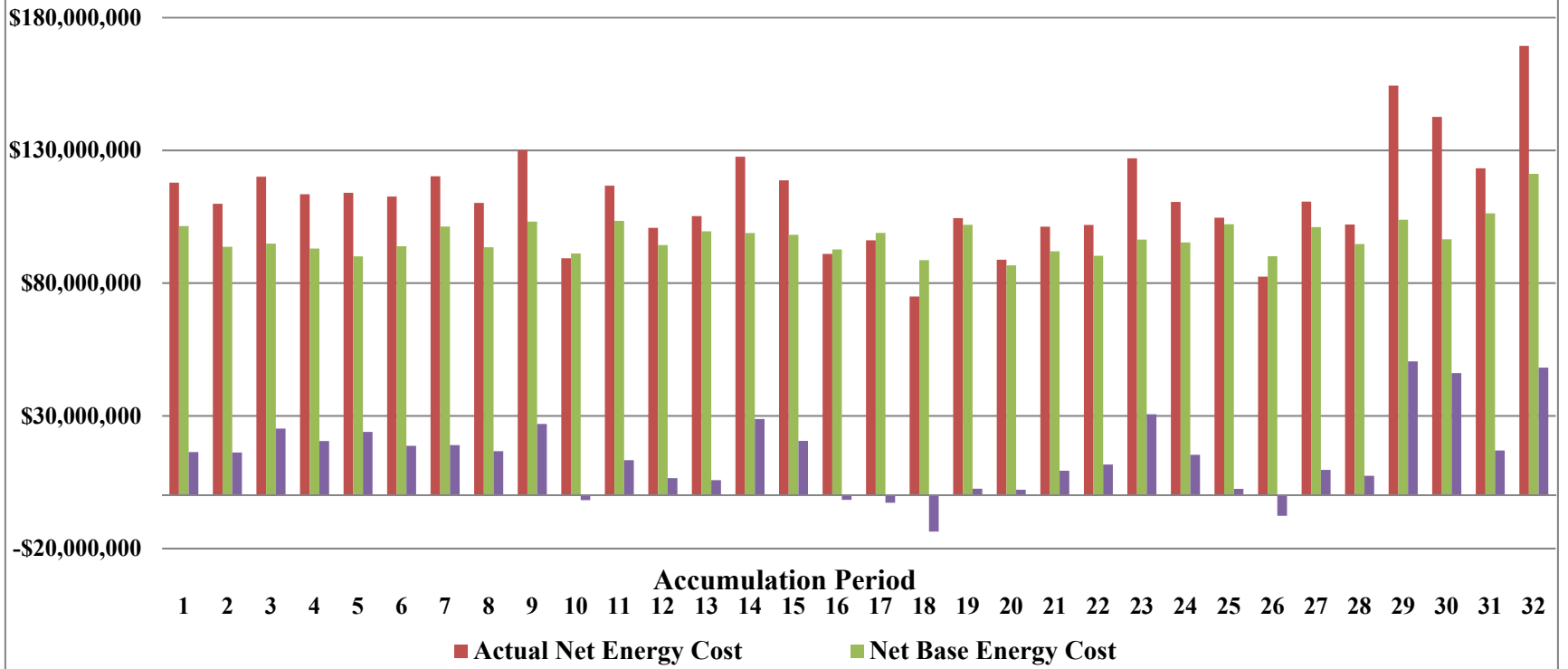
Eversource Missouri West requested that the 1st Revised Tariff Sheet No. 127.34, Canceling Original Tariff Sheet No. 127.34, become effective September 1, 2023. The Company filed the tariff sheet with 60 days' notice. Although the Company's filing is timely, for the reasons discussed above, Staff recommends the Commission issue an order rejecting the proposed 1st Revised Sheet No. 127.34, and issue an order directing Eversource Missouri West to file a substitute tariff sheet that includes a \$48,018.52 reduction adjustment to purchased power expense, which is the result of Staff's interpretation of the Nucor adjustment from the stipulation and agreement in Case No. EO-2019-0244, accounting for additional purchased power costs caused by operational events as

¹⁵ Staff manually included \$44,878,064 in the ANEC for AP32, because it was originally in the ANEC for AP31, but part of those costs were deferred to AP32. They were included in AP32 but under the true-up line instead of the ANEC.

described in paragraph 7d of the Stipulation & Agreement. If the Commission chooses to reject the proposed tariff sheets and instead 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 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 would reduce the ANEC to \$124,394,491, resulting in the current period FAR on line 13 to be \$0.00590, and the rates on lines 16, 19, 22, and 25 would be reflected accordingly.

Staff has verified that Eversource Missouri West is not delinquent on any assessment and has filed its 2022 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 RP29 true-up filing in File No. EO-2023-0445 (also filed on June 30, 2023), and the Non-Unanimous Stipulation and Agreement in File No. ER-2023-0210 pending Commission approval, 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 AP32.

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



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

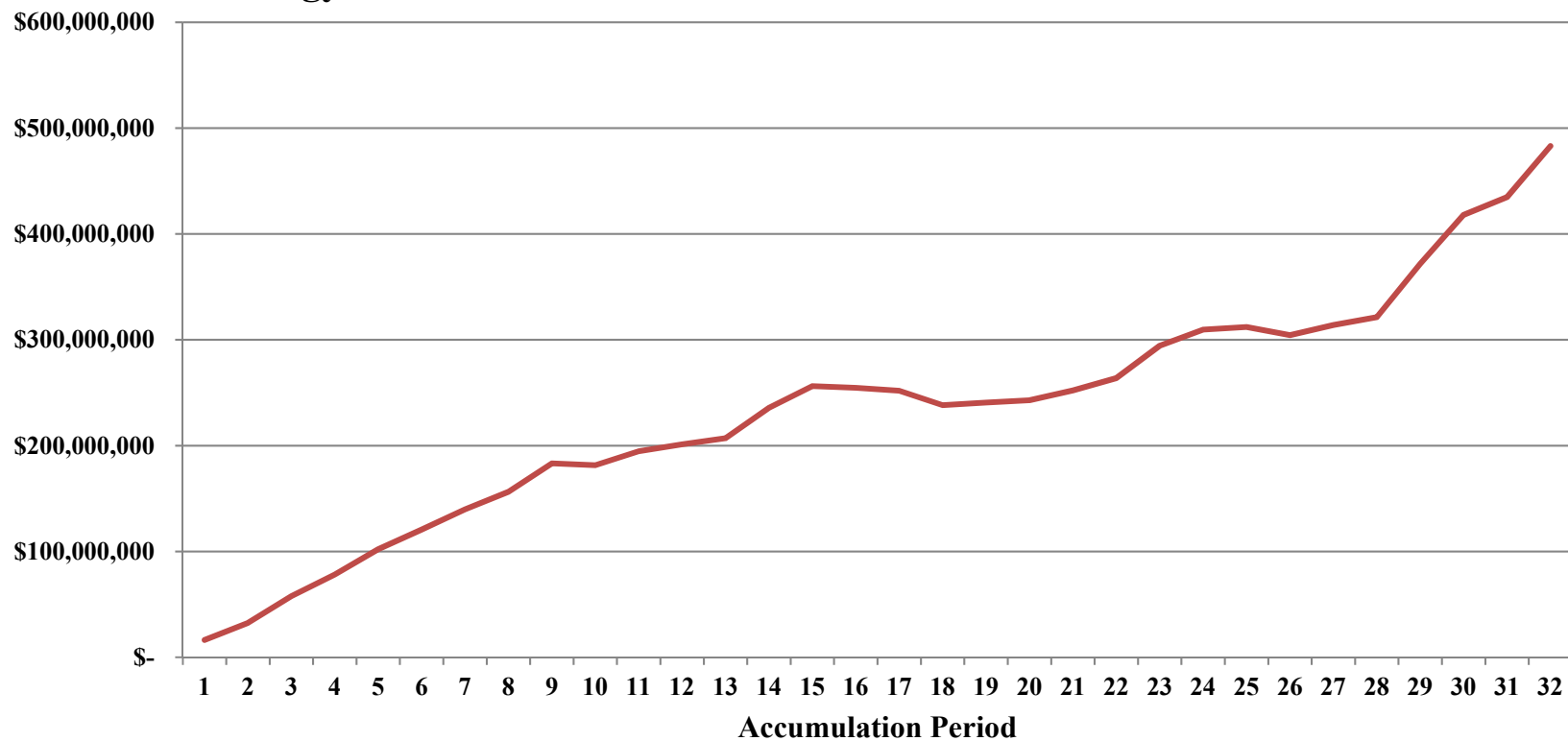
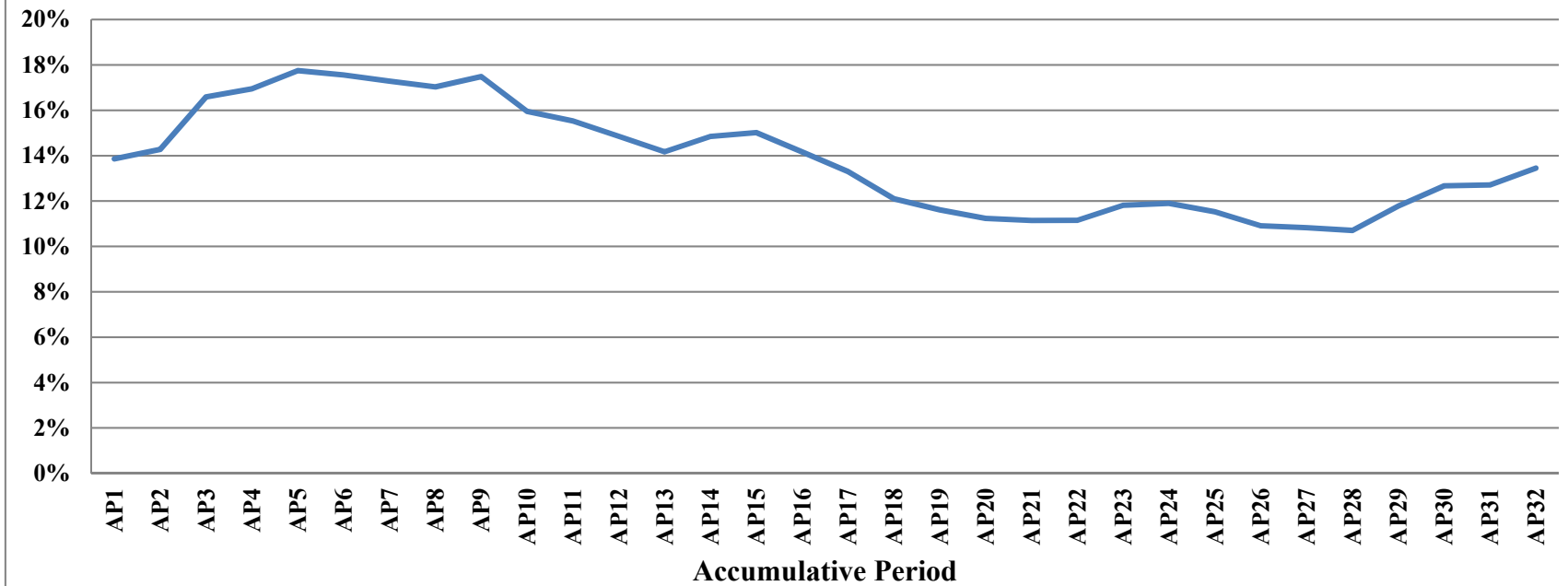


Chart 3: Evergy MO West FAC Cumulative Under-Recovered Percent



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-2023-0444</u> |
| Adjustments Required by 20 CSR 4240- |) | <u>Tariff No. JE-2023-0229</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

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 31st day of July, 2023.





Notary Public