

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

In the Matter of Evergy Metro, Inc. d/b/a Evergy)	
Missouri Metro for Authority to Implement Rate)	<u>File No. ER-2022-0025</u>
Adjustments Required by 20 CSR 4240-20.090(8))	Tariff No. JE-2022-0024
and the Company's Approved Fuel and)	
Purchased Power Cost Recovery Mechanism)	

STAFF RECOMMENDATION TO REJECT TARIFF SHEET

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and for its *Staff Recommendation to Reject Tariff Sheet* states:

1. On July 30, 2021, Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”) filed one proposed tariff sheet, bearing an effective date of October 1, 2021, to revise its current period Fuel Adjustment Rates (“FARs”) for the 12th Accumulation Period (“AP12”) of its Fuel Adjustment Clause (“FAC”). The proposed tariff sheet is P.S.C. MO. No. 7 6th Revised Sheet No. 50.31 Canceling P.S.C. MO. No. 7 5th Revised Sheet No. 50.31. The Commission assigned it Tariff No. JE-2022-0024.

2. Concurrently on July 30, 2021, Evergy Missouri Metro submitted a FAC true-up filing in File No. EO-2022-0024 to identify the true-up amount of (\$477,623) for the ninth recovery period (“RP9”) of its FAC.

3. On July 30, 2021 the Commission ordered Staff to file a recommendation by August 27, 2021.

4. During AP12 Evergy Missouri Metro had increased fuel and purchased power costs due to Winter Storm Uri, but these costs were more than offset by increased off-system sales revenues, resulting in a net consumer benefit. Evergy Missouri Metro is seeking an accounting authority order (“AAO”), in file number EU-2021-0283, requesting

Commission permission to accumulate and defer to a regulatory liability the extraordinary costs and revenues incurred resulting from Winter Storm Uri. For this reason, Evergy Missouri Metro proposes to flow back the benefits of the AP12 off-system sales in a future FAC accumulation period.¹

5. Evergy Missouri Metro's reasoning for deferring these revenues is pursuant to its interpretation of 20 CSR 4240-20.090(8)(A)2.A.(XI).² However, Staff, in conjunction with its legal counsel, believes that if this rule allows Evergy Missouri Metro to defer extraordinary costs, it does not allow it to defer extraordinary revenues.

6. In the attached Staff *Memorandum*, marked Appendix A, Staff recommends the Commission issue an order rejecting Evergy Missouri Metro's proposed revised tariff and directing Evergy Missouri Metro to file a substituted tariff sheet that includes its AP12 net revenues. Staff further recommends that pursuant to 20 CSR 4240-20 CSR 4240-20.090(8)(H), the Commission suspend the timeline of the FAR adjustment filing, set a prehearing date, and order the parties to propose a procedural schedule.

WHEREFORE, Staff recommends the Commission issue an order rejecting the P.S.C. Mo. No. 7 6th Revised Sheet No. 50.31 Canceling 5th Revised Sheet No. 50.31.

¹ *Direct Testimony of Lisa A. Starkebaum*, 5:22 – 6:14.

² 20 CSR 4240-20.090(8)(A)2.A.(XI) states:

(A) When an electric utility files with the commission tariff sheet(s) to change its fuel adjustment rates and serves it upon parties, the filed tariff sheet(s) shall be accompanied by –

2. The following information in electronic format, where available, with formulas intact:

A. For the period of historical costs which are being used to propose the fuel adjustment rates –

(XI) Extraordinary costs not to be passed through, if any, due to such costs being an insured loss, or subject to reduction due to litigation or for any other reason;

Respectfully submitted,

/s/ Karen E. Bretz

Karen E. Bretz

Senior Counsel

Missouri Bar No. 70632

Attorney for the Staff of the

Missouri Public Service Commission

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CERTIFICATE OF SERVICE

I certify that copies of the foregoing have been emailed to all parties and/or counsel of record on this 27th day of August, 2021.

/s/ Karen E. Bretz

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ER-2022-0025, Tariff Tracking No. JE-2022-0024

FROM: Cynthia M. Tandy, Senior Utility Regulatory Auditor
Brooke Mastrogiannis, Utility Regulatory Supervisor

DATE: /s/Brad J. Fortson 08-27-2021 /s/ Karen Bretz 08-27-2021
Energy Resources Dept. / Date Staff Counsel's Office / Date

SUBJECT: Staff Recommendation for Rejection of Tariff Sheet Filed to Change Rates Related to Evergy Metro, Inc., d/b/a Evergy Missouri Metro's Fuel Adjustment Clause Pursuant to the Commission's *Report and Order and Order Regarding Compliance Tariff Sheets* in Case No. ER-2018-0145.

DATE: August 27, 2021

On July 30, 2021, Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro"), f/k/a Kansas City Power & Light Company ("KCP&L"), filed with the Missouri Public Service Commission ("Commission") one tariff sheet, P.S.C. MO. No. 7 6th Revised Sheet No. 50.31, bearing a proposed effective date of October 1, 2021, and cancelling P.S.C. MO. No. 7 5th Revised Sheet No. 50.31. The Commission assigned the new tariff sheet Tariff Tracking No. JE-2022-0024 and ordered Staff to file its recommendation by August 27, 2021. In this tariff sheet, Evergy Missouri Metro proposes to revise its Fuel Adjustment Rates ("FARs") of its Fuel Adjustment Clause ("FAC") for Accumulation Period 12 ("AP12"). AP12 was January 1, 2021 through June 30, 2021. Staff recommends that the Commission issue an order rejecting the proposed tariff rate sheet, suspend the timeline of the FAR adjustment filing, set a prehearing date, direct the parties to propose a procedural schedule, and direct Evergy Missouri Metro to file a substituted tariff sheet that includes its AP12 net revenues. Under Commission Rule 20 CSR 4240-20.090(8)(H)3.¹ 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.

Discussion

During AP12, Actual Net Energy Costs ("ANEC") incurred amounted to \$58.2 million under base rates, or \$33.1 million Missouri jurisdictional. Under normal circumstances, Evergy Missouri Metro would return 95% of this credit to customers, or \$31.5 million before true-up and interest. Evergy Missouri Metro had increased fuel and purchased power costs due to Winter Storm Uri but

¹ 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 –

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."

was able to more than offset these costs with an increase in off-system sales revenues, resulting in a net customer benefit. However, in Case No. EU-2021-0283, the Company is seeking an accounting authority order (“AAO”) requesting permission to accumulate and defer to a regulatory liability all extraordinary costs and revenues incurred resulting from Winter Storm Uri. Evergy Missouri Metro is proposing to use a future FAC accumulation period to flow back the benefits that have accumulated from off-system sales as a result of Winter Storm Uri.²

Evergy Missouri Metro’s reasoning for deferring these revenues is pursuant to its interpretation of Commission Rule 20 CSR 4240-20.090(8)(A)2.A.(XI), which states, “For the period of historical costs which are being used to propose the fuel adjustment rates... Extraordinary costs not to be passed through, if any, due to such costs being an insured loss, or subject to reduction due to litigation or for any other reason.”³ However, Staff, in conjunction with legal counsel, believes that if this rule allows Evergy Missouri Metro to defer extraordinary costs, it does not allow it to defer extraordinary revenues. Therefore Staff recommends the Commission issue an order directing Evergy Missouri Metro to file a substituted tariff sheet that includes its AP12 net revenues.

Calculation of Total Company Fuel and Purchased Power Difference

Evergy Missouri Metro’s work papers for AP12 contain data and calculations for ANEC of \$123,257,771 (line 1), and Net Base Energy Cost (“B”)⁴ of \$124,634,288 (line 2). For this filing, B equals sales of 7,440,853,000 kWh for January 2021 through June 2021 (line 2.2), multiplied by the Base Factor (“BF”) of \$0.01675 per kWh (line 2.1). The difference between ANEC and Net Base Energy Cost is (\$1,376,517) and this is the amount on line 3, Total Fuel and Purchased Power Difference.

The Accumulation Periods, Recovery Periods, and other specifications of Evergy Missouri Metro’s FAC are set out in its tariff sheets designated Original Sheet Nos. 50.21 through 50.31.

Calculation of FPA Amount

Evergy Missouri Metro’s work papers and proposed 6th Revised Sheet No. 50.31 show the FPA amount of (\$1,257,169) on line 11 is the sum of:

1. 95% of the difference between the ANEC and the Net Base Energy Cost for AP12, which is (\$719,479) (line 7);
2. The true-up amount for Recovery Period 9 (“RP9”) of (\$477,623)⁵ (line 8); and,

² Direct Testimony of Lisa A. Starkebaum, 5:22 – 6:14.

³ Direct Testimony of Lisa A. Starkebaum, 6:16 – 22.

⁴ B = Base Factor multiplied by the accumulation period sales reflected on lines 2, 2.1, and 2.2 of 6th Revised Sheet No. 50.31.

⁵ See Staff Recommendation in File No. EO-2022-0024.

3. The interest amount of (\$60,067) (line 9), which includes all interest for RP9 and AP12⁶.

Calculation of FAR

The proposed FAR of (\$0.00014) per kWh (line 13), is equal to the FPA amount of (\$1,257,169) divided by the estimated recovery period retail net system input (“NSI”) of 8,812,567,934 kWh (line 12). This proposed FAR would be in effect for Recovery Period 12, which is Evergy Missouri Metro’s billing months of October 2021 through September 2022.

Voltage Level FARs

Because of differences in line losses for transmission, substation, primary and secondary voltage service levels,⁷ lines 15, 19, 23, and 27 reflect different FARs for service taken at transmission, substation, primary, and secondary voltage service levels, respectively.

The proposed FARs for transmission, substation, primary, and secondary service voltage levels are on lines 17, 21, 25, and 29. They are the sum of the current period FARs and Evergy Missouri Metro’s prior period FARs.

Listed below are Evergy Missouri Metro’s proposed AP12 FARs, the current AP11 FARs, and the difference between them for Transmission, Substation, Primary and Secondary voltage service.

Proposed and Current Annual Fuel Adjustment Rates \$ per kWh			
Service	Proposed AP12 Annual FAR	Current AP11 Annual FAR	Difference
Transmission	(\$0.00039)	(\$0.00014)	\$0.00025 Decrease
Substation	(\$0.00039)	(\$0.00014)	\$0.00025 Decrease
Primary	(\$0.00041)	(\$0.00015)	\$0.00026 Decrease
Secondary	(\$0.00041)	(\$0.00014)	\$0.00027 Decrease

⁶ Interest is defined on Evergy Missouri Metro, P.S.C.MO. No. 7, Original Sheet No. 50.28 as: Interest applicable to (i) the difference between Missouri Retail ANEC and B for all kWh of energy supplied during an AP until those costs have been recovered; (ii) refunds due to prudence reviews (“P”), if any; and (iii) all under- or over-recovery balances created through operation of this FAC, as determined in the true-up filings (“T”) provided for herein. Interest shall be calculated monthly at a rate equal to the weighted average interest paid on the Company’s short-term debt, applied to the month-end balance of items (i) through (iii) in the preceding sentence.

⁷ The voltage adjustment factors (VAFs) for transmission, substation, primary and secondary voltage service levels are included on lines 30 through 33, respectively, of 6th Revised Sheet No. 50.31.

Based on a monthly usage of 1,000 kWh per month, the proposed change to the secondary FAR would result in a decrease of the FAR of a typical Evergy Missouri Metro residential customer's bill⁸ by \$0.27 per month, from (\$0.14) to (\$0.41).

Plant in Service Accounting ("PISA") Deferrals Permitted Under Section 393.1400, RSMo, and Limitations on Rate Modifications Permitted Under Section 393.1655, RSMo

Evergy Missouri Metro stated in its tariff filing letter,

In Case No. EO-2019-0047, the Company elected to make the plant in service accounting ("PISA") deferrals permitted under section 393.1400 RSMo, effective January 1, 2019. After removing the extraordinary costs and revenues associated with Winter Storm Uri, the Company performed the PISA calculations to determine the impact, if any, of this adjusted semi-annual FAR filing on the Average Overall Rate and Class Average Overall Rate for the Large Power customer class as set forth in the rule under the provisions of section 393.1655 RSMo, rate cap limitations. As explained in direct testimony, there are no PISA adjustments impacting this FAR filing.

Based upon its FAR filing, Evergy Missouri Metro is not required to have separate rates for Large Power Service customers and Non-Large Power Service customers, pursuant to Section 393.1655, RSMo. Nor is it required to have separate rates for customer classes. Staff agrees that the overall outcome of the Compound Annual Growth Rate ("CAGR") calculation of the 8.6972% for the overall rate cap and 5.7445% for the class average overall rate cap in Evergy Missouri Metro's work papers does not result in separate rates for Large Power customers and Non-Large Power customers.

Staff Review

Staff reviewed the proposed 6th Revised Sheet No. 50.31, filed on July 30, 2021, Ms. Starkebaum's direct testimony and all the accompanying work papers, as well as Evergy Missouri Metro's monthly information reports filed in compliance with 20 CSR 4240-20.090(5) for AP12. Staff verified that the actual fuel costs, net emissions allowances, purchased power costs and transmission costs, and renewable energy credit revenues match the fuel costs, net emissions allowances, purchased power costs, and transmission costs, and renewable energy credit revenues on line 1 of Evergy Missouri Metro's proposed 6th Revised Sheet No. 50.31 filed on July 30, 2021, along with Ms. Starkebaum's supporting work papers⁹. Staff also reviewed Evergy Missouri Metro's monthly interest rates that are applied to 95% of the jurisdictional monthly cumulative under/over-recovery of base fuel and purchased power costs and verified that the monthly interest rates and calculations of monthly interest amounts are correct.

⁸ All residential customers take service at secondary voltage.

⁹ Due to adjustments for Winter Storm Uri the actual February amounts are not included in this proposed 6th Revised Sheet No. 50.31.

Attachment A includes three charts summarizing Evergy Missouri Metro's twelve FAC rate adjustment filings. Chart 1 illustrates: (1) Evergy Missouri Metro's ANEC, Net Base Energy Cost and under- (over-) recovery amounts for each accumulation period, and (2) that nine accumulation periods have under-recovered amounts and three accumulation period have over-recovered amounts. Chart 2 illustrates Evergy Missouri Metro's FAC cumulative under-recovered amount at the end of each accumulation period, with the cumulative under-recovered amount through AP12 of approximately \$245 million. Chart 3 illustrates that for Evergy Missouri Metro's accumulation periods one through twelve, Evergy Missouri Metro under-recovered an average of 15% of its ANEC.

Staff Recommendation

Evergy Missouri Metro timely filed its 6th Revised Sheet No. 50.31 on July 30, 2021.

Commission Rule 20 CSR 4240-20.090(8)(H)¹⁰ provides in part:

(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 rate 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;

Evergy Missouri Metro requests that its proposed 6th Revised Sheet No. 50.31, filed July 30, 2021, become effective on October 1, 2021. The Company filed the tariff sheet with 60 days' notice. Although the Company's filing is timely, for the reasons discussed above, Staff recommends that the Commission:

- Issue an order rejecting the proposed tariff rate sheets;
- Suspend the timeline of the FAR adjustment filing;
- Set a prehearing date and direct the parties to propose a procedural schedule; and
- Issue an order directing Evergy Missouri Metro to file a substituted tariff sheet that includes its AP12 net revenues.

¹⁰ Effective January 30, 2019.

Staff verified that Evergy Missouri Metro is not delinquent on any assessment and filed its 2020 Annual Report. Evergy Missouri Metro is current on its submission of its Surveillance Monitoring reports, required by 20 CSR 4240-20.090(6), and its monthly reports, required by 20 CSR 4240-20.090(5). Except for Evergy Missouri Metro's RP9 true-up filing in File No. EO-2022-0024 and its request for an AAO in Case No. EU-2021-0283 related to Winter Storm Uri, Staff is not aware of any other matter before the Commission that affects or is affected by this filing. Staff's recommendation for approval of the Current Period FARs in this case is solely based on the accuracy of Evergy Missouri Metro's calculations and is not indicative of the prudence of the actual net energy costs incurred during AP12.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

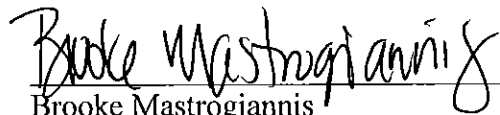
In the Matter of the Application of Evergy)
Metro, Inc. d/b/a Evergy Missouri Metro for) **File No. ER-2022-0025**
Authority to Implement Rate Adjustments) Tracking No. JE-2022-0024
Required by 20 CSR 4240-20.090(8) and the)
Company's Approved Fuel and Purchased Power)
Cost Recovery Mechanism)

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

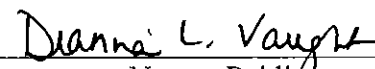
COMES NOW, Brooke Mastrogiannis, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

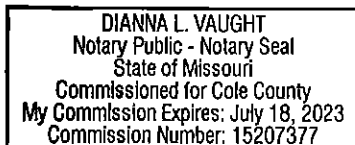


Brooke Mastrogiannis

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 27th day of August, 2021.



Notary Public



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

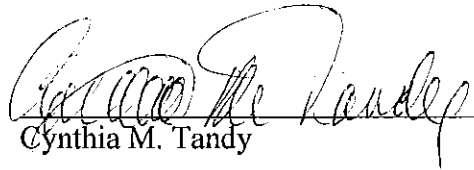
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Required by 20 CSR 4240-20.090(8) and the)
Company's Approved Fuel and Purchased Power)
Cost Recovery Mechanism)

AFFIDAVIT OF CYNTHIA M. TANDY

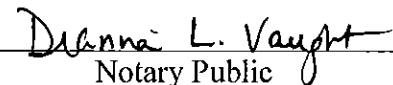
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW, Cynthia M. Tandy, and on her oath declares that she is of sound mind and lawful age; that she contributed to the attached *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.


Cynthia M. Tandy

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 27th day of August, 2021.


Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377