

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. EO-2022-0105

FROM: David T. Buttig, PE, Engineering Analysis Department
Matthew R. Young, Auditing Department

/s/ David T. Buttig, PE 12-16-2021
Engineering Analysis Dept. / Date

/s/ Curtis Stokes 12-16-2021
Staff Counsel's Office / Date

SUBJECT: Staff Memorandum Recommending Approval of Sale of Assets

DATE: December 16, 2021

STAFF RECOMMENDATION

Staff of the Missouri Public Service Commission (“Staff”) recommends that the Missouri Public Service Commission (“Commission”) approve the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy Missouri Metro” or “Applicant”) for authority to sell assets to Show Me Ethanol, LLC (“Show Me Ethanol”), located at 26530 U. S. Highway 24 East, Carrollton, Missouri, 64633, per the terms stated in the Bill of Sale that has been included in the application as CONFIDENTIAL Exhibit 1. Staff finds that the transaction is not detrimental to the public interest pursuant to Section 393.190.1 RSMo, 20 CSR 4240-10.105, and the application complies with the requirements 20 CSR 4240-2.060.

OVERVIEW

On October 8, 2021, Evergy Missouri Metro filed an application to sell assets to Show Me Ethanol for a purchase price of ** [REDACTED] ** “as is,” subject to the terms and conditions set forth in the Bill of Sale. Evergy Missouri Metro requests that the Commission approve the transaction as not detrimental to the public interest pursuant to 20 CSR 4240-10.105 and 20 CSR 4240-2.060 and Section 393.190.1 RSMo.

On October 18, 2021, the Commission issued an *Order and Notice* in which the Commission directed its Data Center to send a copy of the order and the Application to the

county commissions of each county in the service area of Evergy Missouri Metro, including Carroll County, and directed its Public Information Officer to make notice of this order available to the members of the General Assembly representing the service area of Evergy Missouri Metro and the media serving those counties. No other party intervened prior to the intervention deadline of November 8, 2021.

Evergy Missouri Metro is a wholly-owned subsidiary of Evergy, Inc. It has no annual reports or regulatory assessment fees that are overdue. Staff is not aware of any other matter before the Commission that affects or is affected by this filing, nor is Staff aware of any pending or final unsatisfied decision against Evergy Missouri Metro from any state or federal court involving customer service or rates within the last three years that would affect or is affected by this filing. Show Me Ethanol is not subject to Commission Jurisdiction.

DISCUSSION OF THE APPLICATION

Show Me Ethanol is a corn dry-mill distillery located in Carrollton, Missouri where it mainly produces alcohol. From the conversion of grain to alcohol, animal feed is produced and sold as dried distillers grains with solubles and modified wet distillers grains with solubles. This process also produces distillers corn oil that is sold into the animal feed and biodiesel markets. Show Me Ethanol is not subject to the regulatory jurisdiction of the Commission, and will not become subject to the Commission's jurisdiction if the sale of the assets is approved.

The assets to be sold include transformers and associated equipment. With the sale of these assets, Show Me Ethanol would qualify to receive service under Evergy Missouri Metro's primary voltage customer rate¹. Show Me Ethanol wants to purchase these assets so that with the primary customer rate, it will have greater financial ability to grow its operation. Show Me Ethanol expects to increase its energy consumption by 2.5 to 3 MWs, upon completion of this transaction. Show Me Ethanol will assume all financial responsibility for the maintenance of the assets as stated in the Bill of Sale.

20 CSR 4240-10.105(1)(A)-(F) lays out the filing requirements for an electric utility to sell assets. These requirements include: a brief description of the property involved; a copy of the

¹ PSC MO No. 7 10th Revised Sheet 11B-11C.

contract or agreement of sale; verification of proper authority by the person signing the application or a certified copy of resolution of the board of directors of each applicant authorizing the proposed action; the reasons the proposed sale of the assets is not detrimental to the public interest; if the purchaser is subject to the jurisdiction of the commission, a balance sheet and income statement with adjustments showing the results of the acquisition of the property; and a statement of the impact, if any, the sale, assignment, lease, or transfer of assets will have on the tax revenues of the political subdivision in which any structures, facilities, or equipment of the companies involved are located.

Evergy Missouri Metro included an asset list with its application as CONFIDENTIAL Exhibit 1 to satisfy the requirements of 20 CSR 4240-10.105(1)(A). Also included with CONFIDENTIAL Exhibit 1 is the Bill of Sale signed by both Evergy Metro, Inc. and Show Me Ethanol and a verified pleading signed by Darren Ives, Vice President of Regulatory Affairs for Evergy, Inc., to satisfy the requirements of 20 CSR 4240-10.105(1)(B)–(C). To satisfy the requirements of 20 CSR 4240-10.105(1)(D), the application states that the sale of assets will not be detrimental to the public interest because Evergy Missouri Metro is being compensated the fair market value of the assets which was agreed upon by both Evergy Missouri Metro and Show Me Ethanol. This transfer will reduce the operation and maintenance expense since Evergy Missouri Metro will no longer own and operate the assets, and Evergy Missouri Metro will increase its sale of energy to Show Me Ethanol if Show Me Ethanol does in fact increase its energy consumption as planned. Show Me Ethanol is not subject to the jurisdiction of the Commission, so 20 CSR 4240-10.105(1)(E) is not applicable. Finally, to satisfy the requirements of 20 CSR 4240-10.105(E), Evergy Missouri Metro states that the proposed sale of assets should not have an impact upon the tax revenues of the political subdivision in which the assets are located.

IMPACT OF THE APPLICATION

Show Me Ethanol is planning to install a carbon dioxide (CO₂) capture facility to its plant. This addition would account for the potential increase in energy usage by Show Me Ethanol. Through data requests, Evergy Missouri Metro indicated that the load factor for Show Me Ethanol was 77% for the last 12 months. Staff does not anticipate that this will change dramatically. Evergy

Missouri Metro's distribution planning completed a study of the system with its current loading and the additional 3 MW Show Me Ethanol is anticipating, and no upgrades or modifications will be needed for the load increase. The circuit that is serving Show Me Ethanol has no other customers. The system in place should have enough capacity for the anticipated load growth of Show Me Ethanol. Staff has no reason to disagree with the assessment of Evergy Missouri Metro.

The ratemaking impacts of this transaction will likely have a negligible negative short-term effect on the general body of Evergy Missouri Metro's ratepayers and will have a positive long-term effect if the expected load growth materializes. The negligible negative short-term effect is attributable to Evergy Missouri Metro's loss of retail revenues that will be generated by Show Me Ethanol switching to the rates in its new tariff. However, the reduction to Evergy Missouri Metro's earnings from the loss of revenue will be mitigated by a decrease to depreciation expense that is generated by the property to be sold. Additionally, Evergy Missouri Metro will book the cash proceeds from the transaction as positive salvage value resulting from the disposition of the assets. Recording the proceeds as salvage will reduce the rate base charged to ratepayers in future general rate proceedings. Staff expects the short-term impact to Evergy Missouri Metro's revenue requirement to be less than \$40,000 if all else is held equal.

In response to Staff data requests, Evergy Missouri Metro was unable to quantify a meaningful amount of operation and maintenance costs related to the property to be sold. Also, the taxes the utility pays to Carroll County will not be affected by the transaction due to the way Evergy Missouri Metro is assessed by the taxing authorities. As such, these costs will not have a detrimental impact to the public or to the general body of ratepayers.

CONCLUSION

Staff recommends the Commission approve Evergy Missouri Metro's request to sell the listed assets for the purchase price of ** [REDACTED] ** "as is", subject to the terms and conditions set forth in the Bill of Sale. Based on Staff's review of the application, review of data requests, and general knowledge of Evergy's operations, Staff concludes that the sale of the assets is not detrimental to the public interest pursuant to Section 393.190.1 RSMo, 20 CSR 4240-10.105, and 20 CSR 4240-2.060.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

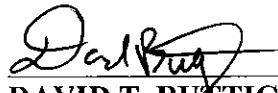
In the Matter of the Application of Evergy)
Metro, Inc. d/b/a Evergy Missouri Metro for)
Authority to Sell Assets located in Carroll)
County, Missouri)
File No. EO-2022-0105

AFFIDAVIT OF DAVID T. BUTTIG, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DAVID T. BUTTIG, PE, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

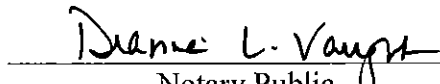
Further the Affiant sayeth not.



DAVID T. BUTTIG, PE

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 15th day of December, 2021.



Notary Public

