

**BEFORE THE PUBLIC SERVICE COMMISSION
FOR 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)
Adjustments Required by)
20 CRS 4240-20.090(8) and the Company's)
Approved Fuel and Purchased Power Cost)
Recovery Mechanism)

File No. ER-2023-0011
Tracking No. JE-2023-0005

EVERGY MISSOURI WEST'S STATEMENT OF POSITIONS

COME NOW Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“EMW” or the “Company”), by and through their counsel and, for their *Statement of Positions* (“Position Statement”) states as follows:

1. *Should the Commission approve EMW's request to defer \$31 million of FAC-fuel and purchased power costs for further treatment in a subsequent general rate case.*

Position: Yes. This deferral treatment is explicitly provided for in section 393.1655.5 RSMo. The Company's FAC related costs are significantly impacted by factors outside of its control and have been subject to inflationary pressures not seen for many years due to the extraordinary events of the pandemic and Russia's war on Ukraine. Ives Direct, pp. 11-12. The Company estimated a deferral amount of \$31 million based on information in the general rate case available at the time of filing on July 1, 2022. This amount has changed based on settlement of issues and true-up positions taken in the rate case, and may change further based on decisions the Commission makes regarding litigated issues. There is no question that over 100% of the increase above the PISA base impacting the compound annual growth rate limitation set forth in subsection 3 of Section 393.1655 results from increases in fuel and purchased power (FPP), either through FAC accumulation period updates or from the FAC-required rebase of fuel and purchased power in EMW's general

rate case. As such, the Commission should decide the rate case and then ask the parties to quantify the amount of the deferral necessary to comply with section 393.1655.

2. *Should the Commission consider the FAC rate adjustment mechanism's requirement that fuel and purchased power costs will be rebased in EMW's general rate case (No. ER-2022-0130) in determining the amount of EMW's requested deferral in this FAC proceeding?*

Position: Yes. Section 393.1655.5 provides that “[I]f a change in any rates charged under a rate adjustment mechanism approved by the commission under section 386.266 ... would cause an electrical corporation’s average overall rate to exceed the compound annual growth rate limitation set forth in subsection 3 . . . of this section, the electrical corporation shall reduce the rates charged under that rate adjustment mechanism in an amount sufficient to ensure that the compound annual growth rate limitation set forth in subsection 3 ... of this section is not exceeded due to the application of the rate charged under such mechanism and the performance penalties under such subsections are not triggered.” The FAC rule (20 CSR 4240-20.090(2)) requires the re-base of fuel and purchased power costs in each general rate case in which the fuel adjustment clause is adopted or continued. Therefore, the full impact of FPP costs on rates can only be understood and measured by calculating all FPP costs, meaning the base level and the difference from the base level that is recovered through the fuel adjustment rate. Both the base fuel costs and the difference from the base fuel costs are charged under the FAC, a rate adjustment mechanism adopted by the Commission.

As stated in its position in Position Statement 1 above, the Company recommends that the Commission decide the rate case, and then ask the parties to quantify the amount of the deferral needed to comply with section 393.1655.5. This will ensure that the

compound annual growth rate limitation is not exceeded and will limit the magnitude of the deferral to no more than the amount needed to achieve that purpose.

3. *What is the full amount of the current FPA for the 30th accumulation period?*

Position: The full amount of the current FPA for the 30th accumulation period is \$44,604,020. Starkebaum Direct, Schedule LAS-1.

4. *If EMW's current FAC rate is changed to allow for full recovery of the FPA or the 30th accumulation period and no other changes were made to the rates currently in effect, what would the resulting average overall rate for EMW be?*

Position: If EMW's current FAC rate is changed to allow for the full recovery of the FPA amounting to \$44,604,020 for this 30th accumulation period, the resulting average overall rate for EMW would be \$0.10223 per kWh. Mantle Rebuttal, LMM-R-4 Page 4 of 63.

a. *What is the percentage difference between this rate and EMW's average overall rate as of the date new base rates were set in EMW's most recent general rate proceeding concluded prior to the date the EMW gave notice under section 393.1400?*

Position: When considering only the FPA for this 30th accumulation period, the percentage difference in the resulting average overall rate of \$0.10223/kWh and the average overall rate as of the date new base rates were set in EMW's most recent general rate case of \$0.09367/kWh, is 9.14%. Mantle Rebuttal, LMM-R-4 Page 4 of 63. However, when the two FAC accumulation periods (29th and 30th) covering the periods of June 2021 through May 2022 are considered together with the FAC RAM rebase for the May 31, 2022 true-up period that is currently reflected in parties' August 30, 2022 settlement agreement approved by the Commission in EMW's current pending rate case, the calculation results in 17.2% increase. The table below provides the three components that are impacting customers' average overall rates

MO West Fuel Impact on Overall Rates				
	Rates Effective Dec 6, 2018	Settled Effective Dec 6, 2022	Fuel Increase Before Adj./Deferral	Percentage Increase
Base Retail Rates - Fuel	\$ 189,453,834	\$ 245,512,953	\$ 56,059,119	7.5%
FAC Accumulation - Part 1	8,315,398	47,488,718	39,173,320	5.2%
FAC Accumulation - Part 2	11,366,822	44,603,622	33,236,800	4.4%
Total			\$ 128,469,239	17.2%
			December 6, 2022 Average Overall Rate Cap	12.55%

The impact of fuel cost alone on customers rates as show in the table above of 17.2% exceeds the average overall rate cap of 12.55% as of December 6, 2022, the effective date of new rates in the pending rate case.

5. *Does allowing for recovery of the full FPA for the 30th FAC accumulation period through EMW's FAC result in a change in the rates charged under EMW's FAC that would cause EMW's average overall rate to exceed the 3% annual compound growth rate cap set forth in section 393.1655.3 RSMo.?*

Position: This issue statement is incomplete because it ignores the re-base of base energy costs in EMW's ongoing general rate case that is required by 20 CSR 4240-20.090(2) of the FAC rule. To consider the FAC accumulation period impacts while ignoring the re-base of base energy costs in EMW's ongoing general rate case is contrary to the language and intent of Section 393.1655. The issue is properly framed in Position Statements 1 and 2, above.

6. *Should EMW be permitted to defer any portion of the costs related to the 30th accumulation period on the basis of the company's claim that those costs are extraordinary?*

Position: Yes, see response to Position Statement 1, above.

a. *If so, what accounting treatment should the deferral receive?*

Position: Amounts deferred pursuant to section 393.1655.5 should be recorded to the PISA regulatory asset account in compliance with section 393.1400.2. Under section 393.1400.2, the deferred amount shall be included in rate base in EMW's next general rate case. Amounts of the regulatory asset not yet being recovered in rates shall include carrying costs at EMW's weighted average cost of capital including applicable taxes. Amounts to be recovered in the next general rate case shall be recovered over 20 years with the unrecovered regulatory asset reflected in rate base and earning EMW's then current weighted average cost of capital including applicable taxes, pursuant to section 393.1400.2(3).

WHEREFORE, Evergy Missouri West respectfully submits its Position Statement to the Commission.

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, the Office of the Public Counsel, and all parties of record, this 27th day of September 2022.

/s/ Roger W. Steiner

Attorney for Evergy Missouri West