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 and Evergy Missouri West, Inc. d/b/a Evergy Missouri West for the Issuance of a Depreciation Authority Order Relating to their Electrical Operations	))))))))	Case No. EO-2025-0040

RESPONSE TO COMMISSION ORDER AND EVERGY'S REPLY

COMES NOW the Office of the Public Counsel ("OPC") and for its *Response to Commission Order and Evergy's Reply*, states as follows:

<u>Procedural Background</u>

1. Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Metro") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy West"), collectively ("Evergy"), filed an application for a depreciation authority order in the above styled case on December 13, 2024.

2. As part of that request Evergy Metro included a specific request for three new depreciation/amortization rates. The second of these was described in Evergy's filing as follows:

> (2) Intangible Account 30316 for three-year Software. The company amortizes a few software packages in this account over a three-year life or 33.33% amortization rate. The majority of software in this account currently is for a three-year agreement with Microsoft for the 2023 Microsoft Windows Enterprise Software. Under the new FERC rule, Account 30316 will be transferred to the new account 397021

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3. On December 18, 2024, the Public Service Commission ("the Commission") ordered its Staff ("Staff") to file a recommendation regarding the above request no later than January 13, 2025.

4. Staff filed a status report in this case on January 13, 2025, requesting the Commission grant Staff until February 11, 2025, to file its recommendation, which the Commission granted on January 31, 2025.

5. Pursuant to this *Order*, Staff filed its recommendation in the above styled case on February 11, 2025.

6. Staff's recommendation was, in part, that the Commission issue an order approving Evergy's request regarding intangible account 30316 and included as an attachment a memorandum in support of the recommendation developed by Staff's engineering department.

7. On February 20, 2025, the OPC filed its response to Staff's recommendation outlining concerns with the request for a 33.33% amortization rate for the assets recorded in intangible account 30316 "because it is not clear that the majority of the software which has been booked to Account 30316 is actually fixed to a three-year term and because Evergy has failed to distinguish how the software at issue in this account is different from any current piece of software or how it replaces what functions are currently performed by another software, which has traditionally been required for a depreciation authority order to issue." The OPC filed its own memorandum as an attachment to support and explain the OPC's concerns.

8. On February 27, 2025, Staff filed a *Request for Leave to File Corrected Depreciation Rate Schedules* to correct the depreciation schedules that Staff had previously filed alongside its recommendation.

9. On March 14, 2025, the Commission issued an *Order Granting Motion for Leave to File Corrected Depreciation Schedules and Directing Response* that granted Staff's request to file its corrected depreciation schedules and ordered Evergy to respond to the filings made in response to its request by March 21 and further allowed any party wishing to file a response to Evergy to do so by March 27.

10. Evergy filed its reply to the OPC's response on March 21, 2025.

11. Pursuant to the Commission's March 14th order, the OPC files this response to Evergy's Reply

<u>**Explanation of the Current Situation**</u>

The current matter at hand appears to be born out of a simple failure by Evergy to communicate. When the Company first filed its request, it identified that it "amortizes <u>a few</u> software packages in [account 30316] over a three-year life or 33.33% amortization rate." (Emphasis added) The emphasis in that sentence is on the phrase "a few." Evergy's filing was not clear, given that statement, about just how much of the software the three-year life applied to. In fact, that phrasing makes it sound like it did <u>not</u> apply to the majority of the account. However, the Company went on in its filing to state "[t]he majority of software in this account currently is for a three-year agreement with Microsoft for the 2023 Microsoft Windows Enterprise Software." This concerned the OPC because it was inconsistent with the information the Company had provided. While the Microsoft software was and is the *largest* single value in the account, it only made up approximately 35% of the total value in the account. Finally, the Company had not offered anything to explain how the Microsoft 2023 software differed from any of software the Company currently had in place or how it replaced functions currently performed by another software. These are concepts that are generally considered requirements for the issuance of a depreciation authority order (as explained in the memorandum attached to the OPC's initial response).

None of the concepts identified above were addressed in the Staff's response to the Company's request. Staff's memorandum only stated "Evergy has a few new accounts since its last depreciation study for which the Commission has not already ordered a depreciation rate" and identified that account 30316 was one of those accounts with no ordered depreciation rates. There was no indication of how much of account 30316 was actually three-year software, so the OPC filed its response to Staff's recommendation in order to outline the concerns stated above.

Both prior to and after filing its response, the OPC continued to communicate with the Company and investigate the issue. Eventually the OPC requested copies of invoices and master service agreement/contracts for 14 out of 34 of the software assets[1] that were booked to account 30316 (which made up **_____ ** out of **_____ ** or 93% of the dollars in the account) to verify the timeframe of the contracts. What

[1] The OPC requested information for every asset over **________ ** that had been booked to the account.

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the OPC determined from this information that it had to request was that all of these software contracts were for three-years or less. This supports the argument that the software in this account should have a three-year life, which, now that the OPC has verified it, the OPC acknowledges.

Based on the above refenced discovery, additional discovery performed by the OPC not yet mentioned, and the Company's sparse response to the OPC's filing, the OPC's understanding of the present issue now is as follows:

- Prior to its last general rate case, Evergy Metro had intangible plant subaccounts for 15-year, 10-year, and 5-year software and each of these subaccounts had a corresponding amortization rate that matched the software contract life.
- Concurrent with the ongoing Evergy Kansas rate case, which occurred after its last rate case here in Missouri, Evergy Metro created a new subaccount (30316) for 3-year software and moved what the OPC now assumes is <u>all</u> the software with a three-year life (or less) out of its existing 5-year sub account and into this new, 3-year sub account.
- Because this was done after its last rate case, Evergy Metro did not have a Missouri authorized depreciation rate for the 3-year subaccount when it was created.

Based on this information, which was gathered through further OPC investigation, the OPC no longer contests the adoption of a three-year amortization rate for the software now moved to account 30316.

WHEREFORE, the Office of the Public Counsel respectfully withdraws its objection to Evergy Metro's request for a three year or 33.33% amortization rate for software in account 30316.

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Respectfully submitted,

By: /s/ John Clizer
John Clizer (#69043)
Senior Counsel
Missouri Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65102
Telephone: (573) 751-5324
Facsimile: (573) 751-5562
E-mail: john.clizer@opc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the forgoing have been mailed, emailed, or hand-delivered to all counsel of record this twenty-seventh day of March, 2025.

/s/ John Clizer

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