



PSC NEWS

Missouri Public Service Commission

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FOR IMMEDIATE RELEASE

OCTOBER 11, 2022

PSC Issues Decision in Evergy Missouri West Securitization Case

JEFFERSON CITY--- The Missouri Public Service Commission has issued a financing order which authorizes Evergy Missouri West, Inc. d/b/a Evergy Missouri West (Evergy West) to issue securitized utility tariff bonds for qualified extraordinary costs incurred by Evergy West during a February 2021 winter weather event (Winter Storm Uri).

Based upon the evidence in this case, the Commission found that the proposed issuance of securitized utility tariff bonds are expected to provide quantifiable net present value benefits to customers as compared to the recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds. The Commission determined the utility tariff charge that will result from the issuance of securitized utility tariff bonds is just and reasonable and in the public interest when comparing securitization to recovery of those costs using traditional (non-securitization) methods of recovery such as through the Fuel Adjustment Clause (FAC) charge or general rate case filings.

“Under securitization the Commission authorizes the issuance of securitization bonds to finance the recovery of qualified extraordinary costs. The issuance of securitization bonds mitigates rate increases that would otherwise be necessary to recover those costs,” said the Commission.

“Securitization saves ratepayers money because the costs of securitization are lower than customary ratemaking.”

Winter Storm Uri: In February 2021, much of the Midwest, including Missouri, experienced unseasonably cold temperatures which resulted in rolling electrical blackouts and extreme natural gas price spikes. Temperatures for the period from February 6, 2021, to February 19, 2021, averaged more than 20 degrees below normal, the coldest 2-week period to impact Missouri in over 30 years, according to the Missouri Climate Center at the University of Missouri, College of Agriculture.

During that time, Evergy West incurred approximately \$11.8 million in fuel costs (an increase of \$8.3 million from its average February fuel costs over 2018-2020), and \$314.6 million in purchased power costs (an increase of \$299.8 million from its average February purchased power costs). After adjustments for transmission costs, disallowances, and off-system sales revenue, Evergy West’s total energy costs were \$315 million, an increase of \$296.5 million from its average February total energy costs. In this case, Evergy West sought to securitize “qualified extraordinary costs” associated with the

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anomalous weather event known as Winter Storm Uri. Evergy West sought approximately \$356.7 million for costs, including carrying costs and up-front financing costs, related to Winter Storm Uri.

The Commission determined that approximately \$307.8 million incurred in relation to Winter Storm Uri can be recovered through the issuance of securitized utility tariff bonds. As part of its decision, the Commission applied Evergy West's 95/5 FAC cost sharing mechanism.

"The Commission finds, based on the decisions in the following subsections, that Evergy West's costs in the amount of \$307,811,246 incurred in relation to Winter Storm Uri are prudently incurred costs of an extraordinary nature that would cause extreme customer rate impacts if reflected in customer rates recovered through customary ratemaking and as such are 'qualified extraordinary costs' as defined in Section 393.1700.1(13) RSMo," said the Commission. "The Commission finds that the recovery of this amount is just and reasonable, and in the public interest. The Commission further finds that Winter Storm Uri was an 'anomalous weather event' within the meaning of that statutory definition."

Securitization is a process authorized for the first time in Missouri by the legislature in the 2021 general legislative session. This case is the second securitization case decided by the Public Service Commission since the law was passed. The legislation permits investor-owned utilities such as Evergy West to securitize certain costs associated with natural disasters and the retirement of electric generating facilities. Generally, securitization takes existing debt of the investor-owned utility and turns it into customer-backed bonds which are sold in the financial markets.

Many details about the securitization bond's costs are not known and will not be known until the bonds are ready to be issued. "Commission Staff review of cost amounts prior to those costs being finalized is appropriate and provides a level of involvement that is beneficial to achieving the statutory net benefits objective," said the Commission.

The Commission authorized Evergy West to recover the securitized utility tariff costs and financing costs over a period of 15 years with a final maturity date not to exceed 17 years from the date the securitized utility tariff bonds are issued. Securitized utility tariff charges will be identified on each customer's bill as a separate line item and include both the rate and the amount of the charge on each bill.

Evergy West retains sole discretion regarding whether to cause the securitized utility tariff bonds to be issued, including the right to defer or postpone such sale, assignment, transfer or issuance.

Evergy Missouri West provides electric service to approximately 336,640 customers in Andrew, Atchison, Barton, Bates, Benton, Buchanan, Carroll, Cass, Cedar, Clay, Clinton, Dade, Daviess, DeKalb, Gentry, Grundy, Harrison, Henry, Holt, Jackson, Johnson, Lafayette, Livingston, Mercer, Nodaway, Pettis, Platte, Ray, St. Clair, Vernon and Worth counties.