

Exhibit No. 86

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Issue: Allocations
Witness: John Wolfram
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Evergy Missouri West and Evergy
Missouri Metro
Case No.: ER-2022-0129 / 0130
Date Testimony Prepared: July 13, 2022

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2022-0129 / 0130

REBUTTAL TESTIMONY

OF

JOHN WOLFRAM

ON BEHALF OF

**EVERGY MISSOURI METRO and
EVERGY MISSOURI WEST**

**Kansas City, Missouri
July 2022**

REBUTTAL TESTIMONY

OF

JOHN WOLFRAM

Case No. ER-2022-0129 / 0130

1

I. INTRODUCTION

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Q: Please state your name, position, and business address.

3

A: My name is John Wolfram. I am the founder and Principal of Catalyst Consulting LLC, a rate and regulatory consulting firm. My business address is 3308 Haddon Road, Louisville, Kentucky, 40241.

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Q: Are you the same John Wolfram who submitted direct testimony in File No. ER-2022-0130 on January 7, 2022?

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8

A: Yes.

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Q: On whose behalf are you testifying?

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A: I am testifying on behalf of Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy Missouri Metro”) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West”) (collectively, the “Company”).

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Q: What is the purpose of your rebuttal testimony?

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A: The purpose of my rebuttal testimony is to respond to the Direct Testimony of Greg R. Meyer on behalf of Midwest Energy Consumers Group (“Meyer Direct”).

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1 **Q: Mr. Meyer claims on page 20 that Evergy is essentially asking the**
2 **Commission to “ignore its statutory duty to set just and reasonable**
3 **rates” by adopting an averaging calculation based on a flawed**
4 **allocator, and that “just and reasonable rates cannot be achieved”**
5 **under this scenario. Do you agree?**

6 A: No. These claims are overstated and extreme. Evergy is not asking the
7 Commission to ignore any of its statutory duties. Instead, the Company
8 proposed adopting a method of allocating production demand costs aimed
9 at bridging the current gap between the jurisdictional history of Evergy Metro
10 operating in both Missouri and Kansas, which is well within the statutory
11 obligations of the Commission.

12 **Q: How do you summarize the foundation of Mr. Meyer’s argument?**

13 A: At bottom Mr. Meyer argues that the 12 CP approach is not appropriate
14 because of the results of the FERC tests. However, he implies equivalence
15 between (a) the Company proposal for averaging the 4 CP and 12 CP
16 amounts and (b) the use of the 12 CP approach. He indicates that because
17 of the results of FERC tests, the use of 12 CP data in any way whatsoever
18 in any other calculations renders such calculations unreasonable. But this
19 is not correct; the use of 12 CP data in the proposed averaging method does
20 not invalidate the Company proposal.

21 **Q: Why not?**

22 A: There are several reasons, but the main reason relates to the results of the
23 Company’s proposed calculation. The results of the FERC tests provided

1 in Schedule JW-2 of my direct testimony show that any of the CP
 2 approaches considered is more appropriate than the use of the 12 CP
 3 approach on its own. The results also show that the values across different
 4 CP approaches do not differ very much. See Table 1 with excerpts from
 5 Schedule JW-2.

6 **Table 1. Jurisdictional CP Ratios**

| # | Approach | Missouri | Kansas | Wholesale | Total |
|---|------------------------------|----------|--------|-----------|-------|
| 1 | 1 CP | 50.44% | 49.42% | 0.14% | 100% |
| 2 | 3 CP (JJA) | 51.31% | 48.55% | 0.14% | 100% |
| 3 | 3 CP (JAS) | 51.71% | 48.14% | 0.15% | 100% |
| 4 | 4 CP | 51.37% | 48.48% | 0.14% | 100% |
| 5 | 6 CP | 51.66% | 48.20% | 0.15% | 100% |
| 6 | 8 CP | 51.31% | 48.55% | 0.14% | 100% |
| 7 | 10 CP | 51.61% | 48.25% | 0.14% | 100% |
| 8 | 12 CP | 51.93% | 47.93% | 0.14% | 100% |
| 9 | Average of 4 CP and 12 CP | 51.65% | 48.21% | 0.14% | 100% |

7
 8 Note that the range of outputs for the Missouri CP allocator is relatively
 9 small. Here, the 3 CP (JJA) result is identical to the 8 CP result; the 3 CP
 10 (JAS) result is very similar to the 6 CP result and the 10 CP result.

11 More importantly, the table indicates that the Company's proposed
 12 method on line 9 is virtually equivalent to the result of the 6 CP analysis
 13 shown on line 5.

14 **Q: Why does this matter?**

15 A: Because the results matter more than the method. Under the statutory
 16 standard of just and reasonable, it is the result reached, not the method

1 employed, which is controlling.¹ This fundamental finding of the US
2 Supreme Court in the Hope Natural Gas case (“*Hope*”) is directly on point
3 here, because the Company’s approach achieves a result that is virtually
4 identical to that achieved using 6 CP, which is more appropriate than the
5 use of 12 CP according to the FERC tests. The result is also very similar
6 to the 3 CP (JAS) and the 10 CP results. Using this rationale, according to
7 *Hope*, the result reached by the Company’s proposed approach is
8 reasonable, regardless of the inputs to the calculation.

9 **Q: Do you consider the 12 CP method to be unreasonable or flawed such**
10 **that its use in any way should be disqualified, even as an input to an**
11 **allocator calculation, as Mr. Meyer implies?**

12 A: No. As I stated in direct testimony, the FERC test results indicate that using
13 a seasonal peak determination is more appropriate than using 12 CP for
14 determining the demand allocator, but that is not the same as saying that
15 the 12 CP allocator is unreasonable or flawed. Furthermore, I also
16 acknowledged that there are other factors that the FERC Tests do not
17 address that must be considered, and that while the FERC Tests are a
18 strong indicator for appropriate development of the demand allocator, they
19 are not the sole criteria to use when making this decision. I explained this
20 thoroughly in my direct testimony. For these reasons, in addition to those

¹ *Federal Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 602 (1944).

1 explained before, the use of the 12 CP as an input to the Company's
2 proposed allocation calculation should not be dismissed out of hand.

3 **Q: For what other reasons does use of 12 CP data in the proposed**
4 **averaging method not invalidate the Company proposal as Mr. Meyer**
5 **suggests?**

6 A: The Company's proposal is reasonable on its own merits. In my direct
7 testimony I explained why the proposed method is consistent with traditional
8 ratemaking principles, is objective, is consistent with the treatment afforded
9 other utilities that operate in multiple retail jurisdictions, and is appropriate
10 for the new paradigm in which the Company operates as a member of SPP.
11 I supported each of these points in detail, and for the reasons I explained,
12 the approach is just and reasonable.

13 **Q: Did Mr. Meyer respond to any of Evergy's points?**

14 A: No. Mr. Meyer made no mention of any of these points. He narrowly used
15 an excerpt of my conclusions about the results of the FERC tests regarding
16 the use of 12 CP, but the points I made supporting the reasonableness of
17 the Company approach remain uncontroverted.

18 **Q: Did Mr. Meyer dispute the merits of the Company's goal for achieving**
19 **a consistent demand allocator between the two state jurisdictions?**

20 A: No. Mr. Meyer did not oppose the Company's goal. Mr. Meyer described
21 historical efforts towards that goal undertaken in the 1980s but did not
22 dispute that the current arrangement places the Company in the untenable
23 position of recovering less than one hundred percent of its demand-related

1 production costs. Instead, Mr. Meyer basically states that 37 years ago,
2 Missouri was willing to compromise, but Kansas was not; he then suggests
3 that the Company pursue the historical Missouri 4 CP approach in Kansas.
4 The Company has attempted to resolve this difference on numerous
5 occasions in both states, and neither state Commission has expressed
6 interest in adopting the other's approach. The Company considers its
7 proposal to be not only a contemporary and practical way to bridge the
8 current gap between the jurisdictional history of the Company retail
9 operations in Missouri and Kansas, but also a way to allocate demand costs
10 that is fair, just and reasonable.

11 **Q: Is it important for the Company to resolve this problem?**

12 A: Yes. The Company has the right to recover its cost of service, but this is
13 not possible today given the differences between the demand allocations in
14 the Missouri and Kansas jurisdictions. I noted in my direct testimony that
15 the impacts of Winter Storm Uri are a recent example of this problem and
16 the importance of resolving it prospectively. As Mr. Klote explains, this
17 difference in cost recovery results in the Company being treated differently
18 than any single-state utility under either state commission. Such treatment
19 is unwarranted. The Company proposes to use the average of the 4 CP
20 and the 12 CP allocators to allocate demand-related production costs as a
21 way to achieve interjurisdictional harmony. The problem can be resolved
22 by this compromise position if both Commission's simply recognize and
23 address this inequity. The claims by Mr. Meyer that just and reasonable

1 rates cannot be achieved by using the Company's proposed method are
2 flawed, and the Company's support for the method is unrefuted in the
3 record. For these reasons the Company's proposal for allocating demand-
4 related projection costs should be approved as filed.

5 **Q: Does that conclude your testimony?**

6 **A:** Yes, it does.

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

In the Matter of Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro's Request for Authority to) Case No. ER-2022-0129
Implement A General Rate Increase for Electric)
Service)
In the Matter of Evergy Missouri West, Inc. d/b/a)
Evergy Missouri West's Request for Authority to) Case No. ER-2022-0130
Implement A General Rate Increase for Electric)
Service)

AFFIDAVIT OF JOHN WOLFRAM

STATE OF KENTUCKY)
) ss
COUNTY OF JEFFERSON)

John Wolfram, being first duly sworn on her oath, states:

1. My name is John Wolfram. I work in Louisville, Kentucky, and I am founder and Principal of Catalyst Consulting LLC.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy Metro West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West") consisting of eight (8) pages, having been prepared in written form for introduction into evidence in the above-captioned dockets.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



John Wolfram

Subscribed and sworn before me this 11 day of July 2022.



Notary Public

My commission expires: 06-09-2023

GEOFFREY LEASE
Notary Public - State at Large
Kentucky
My Commission Expires June 09, 2023
Notary ID 623546

