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Issue:	PISA, PAYS® Program, COVID AAO, Pension Issues, Misc. Accounting, MO/KS Allocators
Witness:	Ronald A. Klote
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Evergy Missouri Metro
Case No.:	ER-2022-0129
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2022-0129

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

EVERGY MISSOURI METRO

Kansas City, Missouri
January 2022

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I. INTRODUCTION AND PURPOSE

Q: Please state your name and business address.

A: My name is Ronald A. Klote. My business address is 1200 Main, Kansas City, Missouri 64105.

Q: By whom and in what capacity are you employed?

A: I am employed by Evergy Metro, Inc. I serve as Senior Director – Regulatory Affairs for Evergy Metro, Inc. d/b/a as Evergy Missouri Metro ("Evergy Missouri Metro"), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"), Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("Evergy Kansas Metro"), and Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central ("Evergy Kansas Central") the operating utilities of Evergy, Inc.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri Metro.

Q: What are your responsibilities?

A: My responsibilities include the coordination, preparation and review of financial information and schedules associated with Company rate case filings, compliance filings and other regulatory filings.

Q: Please describe your education, experience and employment history.

A: In 1992, I received a Bachelor of Science Degree in Accountancy from the University of Missouri-Columbia. In May 2016, I completed my Master of Business Administration Degree from the University of Missouri – Kansas City. I am a Certified Public Accountant holding a certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995, I joined Water District No. 1 of Johnson County as a Senior Accountant. This position involved operational and financial analysis of water operations. In 1998, I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I joined Aquila, Inc. ("Aquila") holding various positions within the Regulatory department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. As a result of the acquisition of Aquila by Great Plains Energy Incorporated ("GPE"), I began my employment with Kansas City Power & Light Company ("KCP&L") as Senior Manager, Regulatory Accounting in July 2008. In April 2013, I joined the Regulatory Affairs department as a Senior Manager remaining in charge of Regulatory Accounting responsibilities. In December 2015, I became Director, Regulatory Affairs continuing my Regulatory Accounting responsibilities. In addition, I was responsible for the coordination, preparation and filing of rate cases and rider filings

in our electric jurisdictions. In October 2021, I became Senior Director of Regulatory Affairs and I continue in that position today with Evergy.

Q: Have you previously testified in a proceeding before the Missouri Public Service Commission ("Commission" or "MPSC") or before any other utility regulatory agency?

A: Yes. I have testified before the MPSC, Kansas Corporation Commission, California Public Utilities Commission, and the Public Utilities Commission of Colorado.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to: (i) describe the revenue requirement model and schedules that are used to support the rate increase Evergy Missouri Metro is requesting in this proceeding (Schedules RAK-1 through RAK-3 attached to this testimony); and (ii) to identify the witnesses who support various accounting adjustments listed on the Rate Base and Summary of Adjustments (Schedule RAK-2 and RAK-4 attached to this testimony) and provide support on various accounting adjustments. As discussed in Section IV and V of my Direct Testimony, these include but are not limited to adjustments for various pensions and Other Post Employment Benefits, Plant In Service Accounting ("PISA"), Pay As You Save ("PAYS®") Program, storm reserves, COVID AAO amortization and the proposed bad debt tracker, and the allocators used to allocate certain costs between the Missouri jurisdiction and Kansas jurisdiction.

II. REVENUE REQUIREMENT MODEL AND SCHEDULES

Q: What is the purpose of Schedules RAK-1 through RAK-3?

A: These schedules represent the key outputs of the Company's revenue requirement model used to support the rate increase that Evergy Missouri Metro requests in this proceeding.

Schedule RAK-1 shows the revenue requirement calculation. Schedule RAK-2 lists the rate base components, along with the sponsoring witnesses. Schedule RAK-3 is the adjusted income statement.

Q: Were the schedules prepared either by you or under your direction?

A: Yes, they were.

Q: Please describe the process the Company used to determine the requested rate increase.

A: We utilized our historical ratemaking preparation process to determine the rate increase request. We used historical test year data from the financial books and records of the Company as the basis for operating revenues, operating expenses and rate base. We then adjusted the historical test year data to reflect: (i) normal levels of revenues and expenses that would have occurred during the test year; (ii) annualizations of certain revenues and expenses; (iii) amortizations of regulatory assets and liabilities; and (iv) known and measurable changes that have been identified since the end of the historical test year. We then allocated the adjusted test year data to arrive at operating revenues, operating expenses, and rate base applicable to the Missouri jurisdiction. We subtracted operating expenses from operating revenues to arrive at operating income. We multiplied the net original cost of rate base times the requested rate of return to determine the net operating income requirement. This was compared with the net operating income available to determine the additional net operating income before income taxes that would be needed to achieve the requested rate of return. Additional current income taxes were then added to arrive at the gross revenue requirement. This requested rate increase is the amount necessary for the post-increase calculated rate of return to equal the rate of return

proposed by Evergy Missouri Metro witness Kirkland Andrews in his Direct Testimony and supported by Evergy Missouri Metro Witness Ann Bulkley in her Direct Testimony. Finally, Evergy Missouri Metro Witness Melissa Hardesty addresses the Company's proposed treatment of any federal corporate tax rate changes which may be enacted before the true-up period in this case.

III. TEST YEAR

Q: What historical test year did Evergy Missouri Metro use in determining rate base and operating income?

A: The revenue requirement schedules are based on a historical test year of the 12 months ending June 30, 2021, with known and measurable changes projected through May 31, 2022. At the true-up date, we plan to true up to actuals as part of the true-up process associated with this rate case proceeding.

Q: Why was this test year selected?

A: The Company used the 12-month period ending June 30, 2021 for the test year in this rate proceeding because that period reflects the most currently available quarterly financial information to provide adequate time to prepare the revenue requirement and rate design schedules for this case.

Q: Does test year expense reflect an appropriate allocation of Evergy Metro overhead to Evergy Missouri West ("Evergy Missouri West"), Evergy Kansas Central ("Evergy Kansas Central")and other affiliated companies?

A: Yes, Evergy Metro incurs costs for the benefit of Evergy Missouri West, Evergy Kansas Central and other affiliated companies and these costs are billed out as part of the normal accounting process. Certain projects and operating units are set up to allocate costs

among the various affiliated companies based on appropriate cost drivers while others are set up to assign costs directly to the benefiting affiliate.

Q: Does Evergy Missouri West and Evergy Kansas Central incur costs that are allocated to Evergy Metro?

A: Yes, costs are allocated from Evergy Missouri West and Evergy Kansas Central to the Evergy Metro jurisdictions.

Q: Why is a true-up period needed for this rate case?

A: Historically, rate cases have included true-up periods which provide for updates to test year data. This process allows for changes in cost levels included in the test year to be updated to the most current information as of a specified date which is closer to the date rates are effective. This allows for a proper matching of rate base, revenues and expenses to account for known and measureable changes that have occurred since the end of the test year. As stated above the Company is requesting a true-up date effective of May 31, 2022 in order to provide this update to rate base, revenues and expenses in this rate case.

IV. JURISDICTIONAL ALLOCATIONS

Q: Why is it necessary to allocate revenues, expenses and rate base to the Company's various jurisdictions?

A: Evergy Metro does not have separate operating systems for its Missouri, Kansas, and firm wholesale jurisdictions. It operates a single production and transmission system that is used to provide service to retail customers in Missouri and Kansas, as well as the full-requirements firm wholesale customers. Therefore, jurisdictional allocations of operating expenses, certain operating revenues and rate base are necessary.

Q: Why is the method by which the allocations are made critical?

A: First, the method of allocation is critical to ensure that the rates charged to each jurisdiction of customers reflect the full cost of serving those customers but not the cost of serving customers in other jurisdictions. Second, and very important, is the method of allocation must allow the Company the opportunity to recover fully its prudently incurred costs of serving those customers. That is, if the sum of the allocation factors allowed in each jurisdiction is less than 100%, then the Company is unable to recover its prudently incurred cost of service and return on rate base.

Q: What allocators did the Company use?

A: The allocators that were utilized can be classified as input allocators and calculated allocators. The input allocators are based on demand and weather-normalized energy, described in the Direct Testimony of Evergy Missouri Metro witness Albert R. Bass, Jr. and external expert witness John Wolfram. Attached as Schedule RAK-6 is a listing of the allocation factors for this rate proceeding. The calculated allocators are, at their root, based on the Demand, Energy, and Customer allocators. The calculated allocators are calculated as a combination of amounts that have previously been allocated using one or more of the input allocators.

Q: Please describe the Demand allocator.

A: The Demand allocator being proposed in this case is described in the Direct Testimony of Evergy Missouri Metro witness John Wolfram. He discusses how demand allocators have been addressed in previous rate filings in Missouri and Kansas. He also discusses how the utilization of different demand allocators often result in inappropriate recovery for a multi-jurisdictional utility such as Evergy Metro.

Q: Has the Company indicated to the Commission and the KCC that it would propose a solution to correct the allocation problem that develops from the use of two different demand allocation methods in Missouri and Kansas?

A: Yes. In filings in Missouri and Kansas regarding Winter Storm Uri and the associated costs, Evergy indicated that it would propose a solution to correct this allocation problem on a prospective basis in its next rate case filings in Missouri and Kansas. John Wolfram's testimony includes Evergy's proposed solution to this problem. In his testimony, Evergy proposes to use a Demand Allocator in its rate filings with both this Commission and the KCC that is the arithmetic average of the values derived from the 4 CP method (method used historically in Missouri) and the 12 CP method (method used historically in Kansas).

Q: What is the goal of Evergy with respect to Demand allocators in this case?

A: The Company's goal with respect to the Demand allocator is to secure approval by both the Missouri Commission and the Kansas Commission of a single, comprehensive determination of the jurisdictional Demand allocator to be consistently applied in both the retail jurisdictions of Evergy Metro.

Q: How will the Company pursue this goal?

A: In addition to the testimony filed by John Wolfram requesting Commission approval in Missouri of the Company's proposed solution, the Company will endeavor to have joint discussions with Missouri and Kansas Staff to gain agreement in both jurisdictions on the appropriateness of aligning our demand allocator in each state during the pendency of this rate case.

Q: Please describe the Energy allocator.

A: The Energy allocator is based on the total weather-normalized kilowatt-hour usage by the Missouri and Kansas retail customers and the firm wholesale jurisdictional customers which covered the test period July 2020 to June 2021 with customer growth through May 2022.

Q: Please describe the Customer allocator.

A: The Customer allocator is based on the average number of customers in Missouri, Kansas, and the firm wholesale jurisdiction which covered the test period July 2020 to June 2021 with customer growth through May 2022.

Q: Please explain how the various revenue, expense and rate base components are allocated among Evergy Metro's regulatory jurisdictions.

A: Attached as Schedule RAK-7 is a narrative describing the allocation methodology.

V. ACCOUNTING ADJUSTMENTS

Q: Please discuss Schedule RAK-4.

A: This schedule presents a listing of adjustments to net operating income for the 12 months ended June 30, 2021, along with the sponsoring Company witnesses. Various Company witnesses will support, in their direct testimonies, the need for each of these adjustments.

Q: Please explain the adjustments to reflect normal levels of revenues and expenses.

A: Adjustments are made to reflect "normal" levels of revenues and expenses; for example, retail revenues are adjusted to reflect if the weather had been "normal" during the test year.

Q: Please explain the adjustments to annualize certain revenues and expenses.

A: Revenues are annualized to reflect anticipated customer growth during the true-up period. Annualization adjustments have been made to reflect an annual level of expense in cost of service, such as the annualization of payroll and depreciation expenses. The former reflects a full year's impact of recent and expected pay increases, while the latter reflects the impact of a full year's depreciation on plant additions included in rate base.

Q: Please explain the adjustments to amortize regulatory assets and liabilities.

A: Various regulatory assets and liabilities have been established in past Missouri rate cases. These assets/liabilities are then amortized over the number of years authorized in the orders for the applicable rate cases. Adjustments are sometimes necessary to annualize the amortization amount included in the test year or remove amortizations that have ceased prior to or during the test year.

Q: Did the Company comply with the prospective tracking of regulatory assets and liabilities as agreed to in the Non-Unanimous Partial Stipulation and Agreement from Rate Case No. ER-2018-0145 ("2018 Case")?

A: Yes. In this rate case filing Evergy Missouri Metro complied with this agreement and reflected the prospective tracking treatment of regulatory assets and liabilities in accordance with this agreement. Please see the individual regulatory asset and regulatory liability adjustments that describe the prospective treatment where applicable in the Direct Testimony of Company witness Linda Nunn.

Q: Please explain the adjustments to reflect known and measurable changes that have been identified since the end of the historical test year.

A: These adjustments are made to reflect changes in the level of revenue, expense, rate base and cost of capital that either have occurred or are expected to occur prior to the true-up date in this case. For example, payroll expense and fuel costs have been adjusted for known and measurable changes through May 31, 2022.

Q: Do the adjustments listed on Schedule RAK-4 and discussed throughout the remainder of this testimony and other Evergy Missouri Metro witnesses' testimony entail an adjustment of test year amounts?

A: Yes, the adjustments summarized on Schedule RAK-4 and discussed in this testimony and other Evergy Missouri Metro witnesses' testimony reflect adjustments to the test year ended June 30, 2021.

RB-20 PLANT IN SERVICE

Q: Please explain adjustment RB-20.

A: Evergy Metro rolled the test year ended June 30, 2021 plant balances forward to May 31, 2022, by using the Company's actual results through June 2021 and the 2021-2022 capital budgets for subsequent additional capital additions post June 2021. Projected plant additions net of projected retirements were added to actual balances through June 2021 to arrive at projected plant balances at May 31, 2022.

Q: What significant capital additions through the true-up date of May 31, 2022 are included in projections?

A: Plant in service has been projected through the true-up date of May 31, 2022. These projections include projects such as Communications Infrastructure, Rebuild 161kv line

Brunswick/Carrolton, Rebuild Gladstone/Shoal Creek 161kv Line, Rebuild Overhead, Transformer replacements, Land Mobile Radio (LMR) Upgrade, Uplight Software, Generation Enterprise Asset Management (GEAM) software, and Data Center Next Generation to mention a few. These plant projections will be replaced with actual plant placed in service for projects at the true-up date of May 31, 2022.

RB-30 RESERVE FOR DEPRECIATION

Q: Please explain adjustment RB-30.

A: This adjustment rolls forward the Missouri-basis Reserve for Depreciation from June 30, 2021 to balances projected as of May 31, 2022.

Q: How was this roll-forward accomplished?

A: The depreciation/amortization provision component was calculated in two steps: (i) the June 2021 depreciation provision was multiplied by eleven months to approximate the provision that will be charged to the Reserve for Depreciation from July 2021 through May 2022 for plant existing at June 30, 2021; and (ii) by estimating the depreciation/amortization through May 31, 2022 attributable to projected net plant additions from July 2021 through May 2022. In the second step, we assumed the net plant additions occurred ratably over this period.

Q: Was the impact of retirements included in the roll-forward?

A: Yes. Projected retirements for the period July 2021 through May 2022 were based on actual test period retirements except for Heavy Trucks and General Plant Amortization accounts. For Heavy Truck vehicles, the company projected retirements based on a 2 year average due to the high number of retirements that occurred in the test period. For

General Plant Amortization accounts, the company used the actual amount of retirements that are expected to occur in December 2021 as the value is already known.

Q: What additional adjustment to the accumulated reserve was made?

A: In the 2018 Case, the Company entered into a Non-unanimous Partial Stipulation and Agreement regarding the deferral of depreciation expenses for plants included in the revenue requirement that were subsequently retired. Specifically, the agreement identified Montrose Unit 2 and 3, including common plant. The Stipulation provided that upon retirement depreciation expense included in the revenue requirement would be deferred into a regulatory liability and subsequently moved to the accumulated reserve. The Company has included the forecasted amount of this regulatory liability as of November 2022 in the accumulated reserve in this case which increases the total accumulated reserve balance.

Q: **Has the Company undertaken a decommissioning project since the Company's last rate case?**

A: Yes. Subsequent to the retirement of the Montrose Generating Station the Company undertook the project of a complete full dismantlement of the facility.

Q: Please describe this project.

A: Evergy retained Burns & McDonnell Engineering Company, Inc. ("Burns & McDonnell") to assist, as Owner's Engineer, with the demolition of the former Montrose Generating Station located at 400 SW County Road P, Clinton, Missouri (Site). Simultaneously, in a separate scope of work, impoundment closure and restoration activities were conducted at the Site which included: closure of an onsite coal combustion residual (CCR) pond, several process ponds and a sanitary lagoon; establishment of a soil

borrow area, final grading and restoration. Demolition was completed by Brandenburg and Civil Activities were completed by Kissick Construction. Demolition and abatement began on January 10, 2020. Abatement of all friable asbestos was completed on July 7, 2020. Abatement of additional non-friable materials was conducted periodically from August 10, 2020 to October 14, 2020, aside from asbestos located in the Lodge, which was added to the scope of the project at a later date and completed on January 29, 2021. Other regulated and hazardous materials were removed from the facility prior to demolition, and additional sampling was performed as required during abatement/demolition activities. Demolition Substantial Completion was met, and Brandenburg demobilized from the Site on July 30, 2021. Demolition Final Completion of Brandenburg's scope was met on December 10, 2021.

Q: What are the expected costs of the full dismantlement of the Montrose Generating Station?

A: The estimated total decommissioning including full dismantlement of the facility costs is approximately $44M.

Q: Is this project expected to be completed before the true-up date in this rate case?

A: Yes. The project was substantially complete by December 31, 2021.

Q: Explain how expenditures associated with decommissioning a plant are recorded?

A: Expenditures for decommissioning a plant are recorded as cost of removal to accumulated depreciation. The cost of removal relates to either asset retirement obligations ("ARO") or normal retired plant in-service. The cost of removal related to an ARO offsets the liability until the ARO is completed. Once the ARO is complete, then it is recorded to accumulated depreciation as cost of removal. The cost of removal

related to normal retired plant in-service is recorded to accumulated depreciation as cost of removal. Decommissioning costs are incorporated into depreciation studies by including them in the reserve and historically been recovered over the life of the other facilities.

Q: How are the costs associated with the Montrose Generating Station decommissioning project proposed to be recovered?

A: Since the costs associated with the Montrose Generating Station have not previously been recovered in depreciation expense in prior periods, the costs as previously discussed have been recorded to the accumulated reserve as a debit decreasing the total accumulated reserve account thus increasing net plant. This activity will be included in rate base at the true-up in this rate case and ultimately recovered like all other capital expenditures which includes both a return on amount and a return of amount included in depreciation expense. This is the proper regulatory accounting treatment of decommissioning capital expenditures that have been recorded associated with the Montrose Generating Station. The Company requests the Commission approve this recovery in this rate case.

RB-85 PLANT IN SERVICE ACCOUNTING ("PISA") REGULATORY ASSET/ CS-93 AMORTIZATION OF PISA REGULATORY ASSET

Q: Please explain the background that led to adjustment RB-85.

A: On January 1, 2019, the Company elected to participate in PISA pursuant to Missouri Senate Bill 564, which became law on June 1, 2018. It is effective for five years until December 2023 with an option to re-elect for another five years with Commission approval. PISA allows deferral into a regulatory asset the depreciation expense and return on investment associated with 85% of qualifying rate base additions between rate cases including carrying costs at the Company's weighted average cost of capital. At

least 25% of annual capital expenditures must consist of grid modernization projects as broadly defined in the statute. Another key provision of PISA is it prevents rate increases from exceeding a compound annual growth rate in excess of 3.0%, and enables increased renewable energy investments. PISA is similar to construction accounting in that it permits the utility to partially recover the cost of investing in capital projects, thus reducing the disincentive to invest created by regulatory lag.

Q: What are the benefits associated with the PISA regulatory asset?

A: Please see the testimony of Company witness Darrin Ives which includes a discussion of the benefits associated with the PISA regulatory asset.

Q: Please explain what is included in qualifying rate base additions?

A: Qualifying electric plant is defined in section 393.1400 of Senate Bill 564 as follows:

> All rate base additions, except rate base additions for new coal-fired generating units, new nuclear generation units, new natural gas units, or rate base additions that increase revenues by allowing service to new customer premises.

The Company has calculated its PISA deferrals associated with rate base additions that follow these guidelines.

Q: What recovery does 393.1400 RSMo. prescribe for the PISA regulatory asset that has been established?

A: 393.1400 RSMo. allows for the regulatory asset that has been accumulated to be included in rate base. The Company has forecasted the amount expected at the time of the true up in this rate case and included it in rate base in its revenue requirement calculation. In addition, the regulatory asset will be amortized over a 20 year period according to the statute.

Q: Please explain adjustment RB-85.

A: Adjustment RB-85 includes the projected deferral of the PISA regulatory asset balance at May 31, 2022, in rate base. This regulatory asset deferral includes 85% of the deprecation expense recorded once the asset has been placed in service. In addition, the deferral includes 85% of the return on the plant that has been placed in service between rate cases.

Q: Please explain adjustment CS-93.

A: The projected deferral of the PISA regulatory asset balance at May 31, 2022, will be amortized over 20 years as set out in the statute. An annual amortization amount was included in Adjustment CS-93.

RB-86 PAY AS YOU SAVE ("PAYS") REGULATORY ASSET/
R-40 PAYS REVENUE OFFSET NORMALIZATION/
CS-135 PAYS AMORTIZATION ANNUALIZATION

Q: Please explain the PAYS program?

A: Pursuant to the Amended Report and Order in File No. EO-2019-0132, the Company was required to offer a one-year Pay As You Save ("PAYS") pilot program ("Pilot") to move forward with MEEIA Cycle 3. The Pilot program costs are to be recovered from customers in two ways. First, customers directly participating in the Pilot will pay a monthly service charge, as defined in the PAYS tariff. Second, a portion of the Pilot program costs will be recovered through the Company's Missouri Energy Efficiency Investment Act ("MEEIA") Demand Side Investment Mechanism ("DSIM") rider and through the Company's base retail rates. After installation of equipment and customer financing arrangements have been made, the equipment costs are recorded as a regulatory asset. The MEEIA DSIM rider will recover the temporary difference between the 3% equipment financing costs paid by the participant and our standard weighted average cost

of capital rate of return, from the point of when the participant initiates the installation of the customer equipment until when program equipment costs are included in the Company's base rates. This amount will cease to be recovered through the MEEIA DSIM rider once the regulatory asset is included in base rates. The program costs accumulated in the regulatory asset are then included in the rate base and the regulatory asset will be amortized over a period not to exceed 12 years. This will allow for recovery of a return on and of the costs recorded in the regulatory asset.

Q: Please explain adjustment RB-86.

A: Adjustment RB-86 includes the PAYS-financed regulatory asset projected at the true-up date May 31, 2022 which is included in rate base in the Company's revenue requirement proposed in this rate case.

Q: Please explain adjustment R-40.

Included in the revenue requirement calculation is an annualized level of PAYS revenue which includes principal and interest payments associated with the equipment installed associated with the PAYS program. Adjustment R-40 recognizes expected annualized revenue at May 31, 2022.

Q: Please explain adjustment CS-135.

A: Adjustment CS-135 reflects annualized amortization of the PAYS-financed regulatory asset expected at the true-up date over twelve years.

CS-61/RB-61 OTHER POST-EMPLOYMENT BENEFITS

Q: Please explain adjustments CS-61 and RB-61.

A: CS-61 is the adjustment for Other Post-Employment Benefits ("OPEB") expense as recorded under Accounting Standards Codification No. 715, Compensation-Retirement

Benefits to an annualized level for ratemaking purposes for Metro's portion of the Evergy postretirement benefit plans. Previously the accounting guidance was referred to as Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106) and this description will continue to be used in the regulatory process. CS-61 also includes an adjustment for the Wolf Creek Nuclear Operating Corporation's (WCNOC) OPEB expense based on the cash paid for OPEB costs rather than the FAS 106 expense amount.

RB-61 is the roll forward of the FAS 106 regulatory liability and the prepaid OPEB regulatory asset to the projected true-up date of May 31, 2022.

Q: Do these adjustments take into consideration OPEB expense billed to joint partners, billed to affiliated companies, and charged to capital?

A: Yes, for adjustment CS-61 total company costs are adjusted for projected billings to affiliates and joint partners and charges to capital, based on data from the payroll adjustment discussed later in this testimony (adjustment CS-50). Adjustment RB-61 also takes into account billings to joint partners and affiliates, but the balances are before charges to capital.

Q: Please explain the components of adjustment CS-61.

A: CS-61 has three components which include (1) the annualized FAS 106 expense for the Company's OPEB plans based on the projected 2022 cost provided by the Company's actuary, Willis Towers Watson; (2) the Company's portion of the WCNOC OPEB benefits based on the amount contributed to the plan to pay for OPEB costs, also referred to as the "pay as you go" amount; and (3) the five-year amortization of the FAS 106 regulatory liability.

Q: Was annualized OPEB expense determined in accordance with established regulatory practice?

A: Yes, annualized OPEB expense was determined based on the methodology established in the Non-Unanimous Stipulation and Agreement in the 2018 Case.

Q: What is the amount of FAS 106 expense on a total company Missouri basis currently built into rates?

A: The Non-Unanimous Stipulation and Agreement in the 2018 Case established the annual FAS 106 amount in rates at $1,851,966 (total company), after removal of capitalized amounts and the portion of Metro's annual OPEB cost allocated to Metro's joint partners, but before the inclusion of FAS 106 amortization and the Company's portion of WCNOC OPEB benefits.

Q: What is the comparable level of FAS 106 expense on a total company Missouri basis included in cost of service for this case?

A: The comparable amount included in cost of service in this case is $603,448.

Q: Please explain the FAS 106 regulatory liability.

A: The regulatory liability represents the cumulative unamortized difference in FAS 106 OPEB expense for ratemaking purposes and the postretirement expense built into rates.

Q: How was the FAS 106 regulatory liability rolled forward to the May 31, 2022 balance?

A: The total company FAS 106 OPEB regulatory liability balance at June 30, 2018 was adjusted by the projected total company difference between FAS 106 expense for Missouri ratemaking purposes and the FAS 106 amount built into rates for the period July 1, 2018 through May 31, 2022. The balance was also adjusted for the projected

amortizations for the July 1, 2018 through May 31, 2022 time period. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

Q: Was the Company's portion of WCNOC costs included in the FAS 106 regulatory liability adjustment for the January 1, 2021 through May 31, 2022 period?

A: No, the WCNOC portion was not included per the Non-Unanimous Stipulation and Agreement in the 2018 Case.

Q: What is the projected FAS 106 regulatory liability balance at May 31, 2022 on a total company basis?

A: The FAS 106 regulatory liability on a total company basis is projected to be $5,198,212 at May 31, 2022.

Q: Is the FAS 106 regulatory liability properly includable in rate base?

A: Yes, the FAS 106 regulatory liability is included in rate base consistent with the Non-Unanimous Stipulation and Agreement in the 2018 Case.

Q: Does the Company request to continue the regulatory treatment of OPEB costs?

A: Evergy would like to propose a change to the method used for regulatory accounting purposes for OPEB expense. Evergy is currently maintaining OPEB expense calculations on different accounting methods to meets its various reporting requirements which creates a complicated series of calculations. Evergy would like to continue the trend of delivering customer savings by simplifying prospective OPEB expense calculations and utilizing the Evergy Generally Accepted Accounting Principles ("GAAP") accounting method for regulatory purposes. Simplifying the OPEB expense calculation would reduce actuarial and accounting costs for the plan resulting in annual customer savings.

In order to maintain rate neutrality, the difference in unrecognized losses between the regulatory method and the Evergy GAAP method would need to be amortized as an additional fixed adjustment for regulatory purposes. See my discussion below included in CS-65/RB-65 Pension Costs section which explains this request more fully.

CS-65/RB-65 PENSION COSTS

Q: Please explain adjustments CS-65 and RB-65.

A: CS-65 is the adjustment of pension expense as recorded under Accounting Standards Codification No. 715, Compensation-Retirement Benefits to an annualized level for ratemaking purposes. Previously the accounting guidance was referred to as Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" (FAS 87) and No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (FAS 88) and these descriptions will continue to be used in the regulatory process.

RB-65 is the roll forward of the FAS 87, FAS 88 and prepaid pension regulatory assets to the projected May 31, 2022 balance.

Q: Do these pension adjustments take into consideration pension expense billed to joint partners, billed to affiliated companies, and charged to capital?

A: Adjustment CS-65 takes into account billings to joint partners and affiliates and charges to capital based on data from the payroll adjustment CS-50. Adjustment RB-65 also takes into account billings to joint partners and affiliates but the balances are before charges to capital.

Q: Do these pension adjustments include the effects of the Company's interest in the Wolf Creek generating station pension plan?

A: Yes.

Q: Please explain the components of adjustment CS-65, pension expense.

A: The FAS 87 cost was annualized based on the projected 2022 total company cost provided by the Company's actuarial firm, Willis Towers Watson. In addition, annualized pension expense includes the five-year amortization of the FAS 87 and FAS 88 regulatory assets.

Q: Was annualized pension expense determined in accordance with established regulatory practice?

A: Yes, except Evergy is proposing to develop the annualized pension expense based on the Evergy GAAP method in order to create more efficiencies in the accounting of pension costs across jurisdictions. I have provided a more detailed explanation later in my testimony.

Q: What is the amount of FAS 87 expense on a total company Missouri basis currently built into rates?

A: The Non-Unanimous Stipulation and Agreement in the 2018 Case established the annual amount built into rates at $45,770,829 (total company), after removal of capitalized amounts and the portion of Evergy Metro's annual pension cost that is allocated to Evergy Metro's joint partners associated with the Iatan and La Cygne generating stations, and before inclusion of the amortization of the FAS 87 and FAS 88 regulatory assets and Supplemental Executive Retirement Plan ("SERP") expense.

Q: What is the comparable level of FAS 87 expense on a total company Missouri basis included in cost of service for this case?

A: The comparable amount included in cost of service in this rate case is $29,409,808 (total company).

Q: Please explain the FAS 87 regulatory asset.

A: This regulatory asset represents the cumulative unamortized difference in FAS 87 pension expense for ratemaking purposes and pension expense built into rates for the corresponding periods.

Q: How was the FAS 87 regulatory asset rolled forward to the May 31, 2022 balance?

A: The total company FAS 87 pension regulatory asset balance at June 30, 2018 was adjusted by the projected total company difference between FAS 87 expense for Missouri ratemaking purposes and the FAS 87 expense built into rates for the period July 1, 2018 through May 31, 2022. The regulatory asset balance was also reduced by the projected amortizations for the July 1, 2018 through May 31, 2022 period. Before inclusion in rate base, the appropriate Missouri jurisdictional allocation factor was applied to the total company amount.

Q: What is the projected FAS 87 regulatory asset balance at May 31, 2022 on a total company basis?

A: The FAS 87 regulatory asset on a total company basis is projected to be $2,328,285 at May 31, 2022.

Q: Is the FAS 87 regulatory asset properly includable in rate base?

A: Yes, it is included in rate base per the Non-Unanimous Stipulation and Agreement in the 2018 Case.

Q: Please explain the FAS 88 regulatory asset.

A: This regulatory asset represents the cumulative deferred costs for pension plan settlements accounted for under FAS 88. Because these do not occur on a regular basis, they are tracked by vintage for ease of calculation and discussion. This case will include four vintages: (1) the 2017 vintage for settlements related to the Joint Trusteed Pension Plan during 2017 which was approved in the 2018 Case for amortization over five years; (2) 2019, 2020, and 2021 settlement costs.

Q: What is the cumulative FAS 88 regulatory balance at May 31, 2022 on a total company basis?

A: The projected FAS 88 regulatory asset at May 31, 2022 is $24,390,733 on a total company basis. The balance consists of $2,685,960 for the 2017 vintage, $9,726,978 for the 2019 vintage, $6,300,114 for the 2020 vintage, and $5,677,681 for the 2021 vintage. The 2021 vintage includes settlement charges through September 30, 2021 and will need to be adjusted to include final 2021 settlement charges once those amounts are available from the actuaries.

Q: Why was a five-year amortization period used for the FAS 88 regulatory asset?

A: A five-year amortization period was used consistent with the Non-Unanimous Stipulation and Agreement in the 2018 Case.

Q: Is the FAS 88 regulatory asset included in rate base?

A: No, it is not included in rate base consistent with the Non-Unanimous Stipulation and Agreement in the 2018 Case.

Q: Please explain the prepaid pension regulatory asset.

A: This asset represents the cumulative projected difference between pension expense computed under FAS 87 and contributions to the pension trusts. This adjustment was

made to roll forward the prepaid pension regulatory asset to May 31, 2022 in order to determine the proper amount of the prepaid pension asset to be included in rate base.

Q: What is the projected cumulative prepaid pension regulatory balance at May 31, 2022 on a total company Missouri basis?

A: The balance for the prepaid pension regulatory asset as of May 31, 2022 is projected to be $0.

Q: Does the Company request to continue the regulatory treatment of pension costs?

A: Yes. However, as stated previously in order to create efficiencies in the accounting of pension and OPEB costs, Evergy would like to propose a change to the method used for regulatory accounting purposes for pension expense. Evergy is currently maintaining pension expense calculations on different accounting methods to meet its various reporting requirements, which creates a complicated series of calculations to track pension expenses. These different pension expense calculations are referred to by the following:

Evergy GAAP – This is GAAP accounting used for Evergy corporate accounting and reflects acquisition accounting.

GPE GAAP – This is GAAP accounting used for legacy GPE legal entity reporting and does not reflect acquisition accounting.

GPE Regulatory – This is regulatory accounting used for regulatory purposes for the legacy GPE entities and does not reflect acquisition accounting.

These different pension and OPEB accounting methodologies create a complex set of assumptions and calculations that must be maintained annually. Evergy would like to continue the trend of delivering customer savings by simplifying prospective pension and

OPEB expense calculations and utilize the Evergy GAAP accounting method for regulatory purposes. Simplifying the pension and OPEB expense calculation would reduce actuarial and accounting costs over time for the pension and OPEB plans resulting in annual customer savings.

Q: Why is Evergy required to maintain different accounting methods for both pension and OPEB accounting?

A: There are various reporting requirements impacting both pension and OPEB accounting which include both SEC and regulatory accounting reporting. For SEC reporting purposes, Evergy Kansas Central was considered the acquiring entity in the company merger and GAAP required Evergy to adopt acquisition accounting for the Evergy Metro and Evergy Missouri West portion of pension and OPEB costs. This accounting methodology is referred to as Evergy GAAP. In addition, for regulatory purposes. Evergy Metro and Evergy Missouri West maintain a separate method of accounting (GPE Regulatory) for regulatory purposes, which continues to maintain the unrecognized losses that were included in acquisition accounting in Evergy GAAP.

Q: Why does it make sense to make the transition and consolidate pension accounting methodologies from a GPE Regulatory method to an Evergy GAAP methodology?

A: To state it simply, it will reduce complexity and create efficiencies between two pension accounting calculations that are closely aligned on key pension accounting methodologies such as asset smoothing periods and gain/loss amortization periods. For instance, asset gains/losses are smoothed over a four year period for Evergy GAAP. For GPE Regulatory, these asset gains/losses are smoothed over a five-year period. Another example are net unrecognized gains/losses are amortized over the average remaining

service period which currently equates to 11.7 years for Evergy GAAP. For GPE Regulatory, net unrecognized gains/losses are amortized over a period of 10 years. Therefore, you can see the two pension accounting calculations are quite similar in these approaches.

Q: What is the impact of transitioning to the Evergy GAAP accounting method for regulatory accounting purposes?

A: Pension expense as measured under both the Evergy GAAP accounting method and the GPE Regulatory accounting methodology are expected to result in a declining trend of pension expense over time. Evergy is proposing to create a one-time adjustment to transition from the GPE Regulatory accounting method to the Evergy GAAP accounting method. This one time adjustment results in the amortization of unrecognized losses that have already been recognized in Evergy GAAP due to the impacts of acquisition accounting, but have not been amortized into pension expense for GPE Regulatory accounting. By making this one time adjustment and amortizing it over an extended period of time, the GPE Regulatory methodology can be transitioned to Evergy GAAP and benefits can be realized for both customers and the Company.

Q: What are these benefits that customers and the Company will see by making this transition?

A: As mentioned earlier, simplifying and consolidating ongoing pension and OPEB accounting calculations will reduce long term actuarial and accounting costs for the pension plan through efficiencies gained. In addition, by amortizing the unrecognized losses over an extended period of time customers will be kept neutral over the period and will create actual annualized pension expense savings over the next 5 years.

Q: Does the Company have to make a change in pension accounting methodologies and move to Evergy GAAP?

A: No. It's important for this Commission to know that the Company does not have to make the change to simplify pension accounting methodologies and can continue to have their actuary and internal accountants maintain different sets of pension accounting calculations and methodologies leaving the complexity that exists today. But, the Company believes this transition is in the best interest of the Company and customers and requests this Commission to approve its transition to Evergy GAAP.

Q: Have adjustments CS-61 and CS-65 been prepared using the Evergy GAAP transition to calculate its annualized level of pension and OPEB expense?

A: Yes.

CASH WORKING CAPITAL

Q: Please discuss Cash Working Capital ("CWC").

A: CWC is included in rate base as summarized on Schedule RAK-5.

Q: Why is it necessary to calculate an amount of CWC?

A: CWC is the amount of cash required by a utility to pay the day-to-day expenses incurred to provide utility service to its customers. A lead/lag study is generally used to analyze the cash inflows from payments received by the company and the cash outflows for disbursements paid by the company. When the utility receives payment from its retail customers for utility service less quickly than it makes the disbursements for utility expenses, then the company has a positive CWC requirement. Conversely, when the utility receives payment from its retail customers for utility service more quickly than it makes the disbursements for utility expenses it has a negative CWC requirement.

Q: How did you determine the amount of CWC for this rate case?

A: We partnered with Concentric Energy Advisors to perform a comprehensive lead/lag study. In general the work is consistent with the Company's previous rate cases. The application of the individual lead/lag factors to applicable amounts is shown on Schedule RAK-5. Please see the testimony of Evergy Missouri Metro Witness Michael Adams of Concentric Energy Advisors for discussion of work performed in supporting the lead/lag study.

R-82 TRANSMISSION REVENUE – ANNUALIZED

Q: **Please explain adjustment R-82.**

A: The Company annualized transmission revenue recorded in FERC accounts 456009 (Miscellaneous Elec Oper Rev-Trans) and 456100 (Rev Trans For Othrs) based on forecasted levels from January 2022 to May 2022.

Q: What is the annualized amount of adjustment R-82 Transmission Revenue - Annualized that the Company has included in its revenue requirement calculation in this case?

A: Evergy Missouri Metro included an annualized amount of $19,590,053 (total company) in adjustment R-82.

CS-27 WOLF CREEK WATER CONTRACT

Q: Please explain adjustment CS-27.

A: The Company annualized costs for a water purchase contract at the Wolf Creek nuclear power plant. The plant has an agreement for rights to use water from the lake adjacent to the plant to ensure proper lake levels for cooling purposes. The agreement includes a minimum of 4,836,000,000 gallons of water billed annually. Beginning in January 2022,

the rate per 1,000 gallons will increase from $0.441 to $0.454. The adjustment includes the new contract amount that will be in place at the true-up date.

CS-35 WOLF CREEK MID-CYCLE OUTAGE

Q: Please explain adjustment CS-35.

A: In the 2014 case, Evergy Metro's test year included a planned mid-cycle outage at Wolf Creek. An adjustment was included in the rate case which included a 5-year amortization of the mid-cycle outage costs. Effective October 1, 2015, the mid-cycle outage costs were amortized over 5-years. The regulatory asset was fully amortized as of September 2020. This adjustment removes the amortized expense included in the test year.

CS-36 WOLF CREEK REFUELING OUTAGE

Q: Please explain adjustment CS-36.

A: The Wolf Creek nuclear generating station refueling cycle is normally about 18 months. The Company defers the O&M outage costs and amortizes the costs over the 18 months leading up to the next refueling. This adjustment annualizes the Wolf Creek refueling expense.

Q: Why is a refueling annualization adjustment necessary in this case?

A: The test period amortization includes the end of the amortization period for refueling outage number 23, and also the beginning of the amortization period for refueling 24. Annualized expense that is included in this case should reflect the level of amortization expense associated with the most recently completed refueling outage. As such, costs associated with refueling outage number 24 were used to determine the monthly amortization expense. This annualization adjustment results in a full year's amortization expense for refueling number 24.

CS-37 WOLF CREEK DECOMMISSIONING

Q: Please explain adjustment CS-37.

A: This adjustment annualizes the expense associated with decommissioning the Wolf Creek nuclear generating station.

Q: What is the annualized nuclear decommissioning expense the Company seeks in this case?

A: The Company seeks an annualized amount of $1,281,264 (Missouri jurisdictional). Since the test year cost of service reflects this amortization, net operating income is properly stated and requires no adjustment.

Q: Is the requested annualized amount the same as that requested in the 2018 Rate Case?

A: Yes.

Q: Why is the amount the same?

A: The annual expense/accrual level is based on a cost study conducted every three years. The most recent study, conducted by TLG Services, Inc., was filed with the Commission on September 1, 2020 in Case No. EO-2021-0056 along with an analysis prepared by Evergy of funding levels necessary to defray the decommissioning cost estimated in the study. The Commission recently approved the continuation of the annual accrual at the current level and finds that the current decommissioning costs for Wolf Creek are included in Evergy Missouri Metro's current Missouri cost of service and are reflected in its current Missouri retail rates for ratemaking purposes.

CS-39 IT SOFTWARE MAINTENANCE

Q: Please explain adjustment CS-39.

A: Adjustment CS-39 was made to include an annualized level of contracted software maintenance costs in this rate case. Evergy Missouri Metro included an annualized May 2022 budgeted amount in account 935000 with resources 1500 and 1504 to reflect an annual level of expense. The types of maintenance contracts that were annualized include: PowerPlan system, Cascade, Sailpoint, ESRI, Nokia, Cisco SmartNet, Oracle support, Solarwinds, Televent, and various hardware and software maintenance contracts.

CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS

Q: Please explain adjustment CS-45.

A: The Company annualized transmission expenses recorded in FERC accounts 565000 - Trans Of Elec By Other and 565030 - Trans By Other Offsys based on forecasted costs in January 2022 through May 2022.

Q: What is the annualized amount of adjustment CS-45 Transmission of Electricity By Others that the Company has included in its cost of service in this case?

A: Evergy Missouri Metro included an annualized amount of $57,424,213 (total company) in adjustment CS-45.

CS-50 PAYROLL

Q: Please explain adjustment CS-50.

A: Evergy Missouri Metro annualized payroll expense is based on the employee headcount as of June 30, 2021 adjusted for labor impacts of the Evergy Missouri Metro jurisdiction's energy efficiency rider implementation, multiplied by salary and wage rates expected to be in effect as of May 31, 2022.

Q: How were salary and wage rates determined?

A: Salary rates for non-bargaining employees were based on annual salary adjustments expected to be in effect as of May 31, 2022. Wage rates for bargaining (union) employees were based on contractual agreements. Currently, we are in negotiations with all local unions. Any changes finalized from those negotiations are expected to be reflected at the true-up date May 31, 2022 in this rate case.

Q: Were amounts over and above base pay, such as overtime, premium pay, etc. included in the payroll annualization?

A: Yes, overtime was annualized at an amount equal to the average of overtime hours incurred for the 12 month periods ending December 2018, December 2019 and June 2021, multiplied by a current period composite hourly rate. In addition, overtime amounts were adjusted to exclude impacts of the Wolf Creek Mid-Cycle outage in which test year amounts were reflected in adjustment CS-35. Wolf Creek overtime was also annualized at an amount equal to the average overtime amounts incurred for the same 12 month periods, which was then escalated to equivalent 2022 levels. Temporary and summer employees O&M labor were annualized at an average of these same 12 months periods as well. Amounts were included for other categories at test year levels.

Q: Does annualized payroll include payroll Evergy Metro billed to Evergy Missouri West, Evergy Kansas Central and other affiliates and does it include payroll billed from Evergy Kansas Central?

A: The annualization process includes all payroll, since all employees are either Evergy Metro employees or Evergy Kansas Central employees. However, annualized payroll

included in this rate proceeding was reduced by the amount that would be billed out to these affiliated companies.

Q: Was payroll expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?

A: Yes, it was.

Q: Does the payroll annualization adjustment take into consideration payroll billed to joint venture partners and payroll charged to capital?

A: Yes, the payroll annualization adjustment takes these factors into consideration.

Q: How was the payroll capitalization factor determined?

A: The Company used a three-year average payroll capitalization factor, for both total Evergy Metro and Wolf Creek, as being representative of payroll capitalization going forward. The periods included in the three-year average capitalization factor included the 12 months ending December 2019, December 2020 and June 2021.

CS-51 INCENTIVE COMPENSATION

Q: Please explain adjustment CS-51.

A: Evergy Metro annualized incentive compensation based on a 3-year average of actual payouts for the 2018, 2019, and 2020 Plan Years. Adjustments were made to the annualized amount to remove all incentive compensation that was associated with metrics tied to earnings per share for the AIP Plan (executives only), and also earnings per share portion included in the Variable Compensation Plan ("VCP") (non-union management personnel).

Q: Does this adjustment take into consideration incentive compensation billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes**,** based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

CS-53 PAYROLL TAXES

Q: Please explain adjustment CS-53.

A: The Company annualized FICA, Medicare, and FUTA payroll tax expense by applying the tax rate (assuming the FUTA and SUTA ceiling had been achieved) to the annualized O&M portions of base salary plus VCP, executive incentive compensation, overtime, premium, temporary wages, and Evergy Metro' share of Wolf Creek.

Q: Does this adjustment take into consideration payroll tax expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes**,** based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

CS-60 OTHER BENEFITS

Q: Please explain adjustment CS-60.

A: Evergy Metro annualized other benefit costs based on the projected costs included in the 2022 Budget. This adjustment will be trued up to actual in the true-up phase of this rate case.

Q: What types of benefits are included in this category?

A: The most significant benefit is medical expense. In addition, dental, Company 401k match, various insurance and other miscellaneous benefits are included with the other benefits adjustment.

Q: Does this adjustment take into consideration benefits expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A: Yes**,** based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

Q: Was other benefit expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?

A: Yes, it was.

CS-62 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Q: Please explain adjustment CS-62.

A: This adjustment normalizes SERP expense by using an average of the monthly annuity and lump sum SERP payouts for the five year period from 2017 through 2021.

Q: Why does this expense have to be normalized?

A: Under the Evergy SERP plan, SERP costs are funded when the benefit is paid. Given that some plan participants elect a lump-sum payment method rather than an annuity, annual funding requirements can vary significantly between years. By using an average of total funding over a typical single life annuity period of 14.3 years for lump-sum payments, the adjustment reflects actual cash payments spread over time. Monthly annuity payments were normalized using a five-year average.

Q: By basing the normalization on actual payouts rather than FAS 87 accrued expense, is there a duplication of costs between adjustment CS-65, discussed earlier in this testimony, and adjustment CS-62?

A: No, the SERP component is not included in adjustment CS-65 in either the test year book amount or the projected amount.

Q: Was the SERP cost associated with the Company's interest in the Wolf Creek generating station normalized in a similar manner?

A: Yes, it was.

CS-72 STORM RESERVE

Q. Please explain why the Company is proposing to establish a storm reserve in this proceeding?

A. Storms are a normal occurrence in our service territory. When they occur they can be quite devastating in many ways and have a significant financial cost impact on the utility. Commissions have granted in the past regulatory mechanisms which allow for the establishment of operating reserves for future contingencies that are anticipated to be significant in nature. The establishment of a storm reserve would allow Evergy Missouri Metro to collect in rates the cost of storms that are significant in nature that are likely to occur in the future. Collecting amounts in rates prior to when the storm costs are actually incurred allows for the Company to maintain the distribution system to be shared by current and future customers and avoiding placing all the burden on future customers who are using the system at the time the storm occurs.

Q: What are the benefits of a storm reserve?

A: The storm reserve will be used to levelize expenditures associated with significant storms benefitting both the customers through reduced rate volatility and benefiting the Company by lessoning the financial burden impact through a smoothing of month to month storm expenditures associated with the unpredictable but likely significant storm events. Storms are a normal occurrence in our service territory. When they occur they can be quite devastating in many ways and have a significant financial cost impact on the

utility. The utilities focus and number one priority at the time of significant storms should be in restoring customer services that have been impacted by outages. The use of a storm reserve allows the company to do just that and focus on service restoration and not on the current financial implications since these costs will be spread over time instead of the constant sporadic and unpredictable uptick in costs when storms arrive.

Q: What is the Company proposing in adjustment CS-72?

A: The company is proposing to set a reserve level based upon a three year average of storms costs (2018, 2019, and 2020) where the non-labor costs related to individual storms were greater than $200,000. This average was then multiplied times three to establish the base reserve amount. An annual amount equal to the three year average has been included in the revenue requirement on an on-going basis. This is needed to continue to cover expenses paid out of the reserve over time due to the unpredictable and sporadic nature of storm events. The implementation of this reserve will be used to cover intermediate to large storms by using a $200,000 minimum storm level, but in the event a storm is very significant and impactful to Company operations this request does not preclude the Company from requesting an Accounting Authority Order if the magnitude of the storm warrants the request as has been done historically. In addition, please see the testimony of Company Witness Bruce Akin for additional discussion on why the Company has requested a Storm Reserve in this rate case.

Q: How is the Company proposing to establish the initial balance for the reserve?

A: Currently, the Company prospectively tracks regulatory assets and liabilities. As of the period ending just prior to rates going into effect, the Company will have significant prospectively tracked regulatory assets which have now become liabilities as a result of

overcollection in rates. We propose to utilize a portion of the combined prospectively tracked regulatory liability to fund the establishment of this storm reserve. Please see Adjustment CS-113 in Company witness Linda Nunn's testimony for further discussion of the prospectively tracked regulatory assets and liabilities.

Q: **How will storm costs be identified and tracked?**

A: When a storm occurs, non-labor restoration costs will be tracked by project ID in Maximo under work orders. The costs are monitored, and once a single event accumulates costs in excess of $200,000 these costs are moved out of expense and booked as an offset to the storm reserve.

CS-117 COMMON USE BILLINGS – COMMON PLANT ADDS

Q: What are common use billings?

A: Common use billings represent the monthly billings of common use plant maintained by Evergy Metro. Assets belonging to Evergy Metro may be used by another entity. This property, referred to as common use plant, is primarily service facilities, telecommunications equipment, network systems and software. In order to ensure that Evergy Metro's regulated entity does not subsidize other Evergy companies or jurisdictions, Evergy Metro charges for the use of their respective common use assets. Monthly billings are based on the depreciation and/or amortization expense of the underlying asset and a rate of return is applied to the net plant basis. The total cost of all common use plant is then accumulated.

Q: Why was an adjustment needed from amounts included in the test year?

A: Included in plant adjustment RB-20 are plant additions that are expected to be placed into service prior to the true-up date in this rate case proceeding. These include capital

additions associated with network systems and software that will become a part of the Common Use Billing Process. Since these common use plant additions are expected to occur after the test year, the portion of the common use assets that are billable to other Evergy entities and jurisdictions needs to be removed from the cost of service in this rate case proceeding. Conversely, Evergy Kansas Central's plant additions expected prior to the true-up date are included as an addition to expense in this adjustment at Evergy Missouri Metro's share.

Q: Please explain adjustment CS-117.

A: First, adjustment CS-117 computes the annual amortization expense and expected return on the new common use plant additions that will be included in rate base in this rate case proceeding. The annual amortization expense for the common use system and software additions is based on lives lasting five to fifteen years. The return component is based on the expected rate of return that will be used in this rate case proceeding. These annual amounts are accumulated and multiplied by one minus the Evergy Metro jurisdictional share of these assets which is based on the General Allocator. However, the common plant addition for the MEEIA Uplight software which will be billed based on the number of customers allocator is allocated to Missouri jurisdictions only. Second, common plant additions for Evergy Kansas Central to be billed to Evergy Missouri Metro are amortized over 5-years, also including a return component, and is then multiplied by the General Allocator to determine Evergy Missouri Metro's share. Lastly, this adjustment annualized the actual common use journal entry at June 30, 2021. The resulting amount is then compared to the test year per books amount to determine the adjustment.

CS-120 DEPRECIATION

Q: Please explain adjustment CS-120.

A: We calculated annualized depreciation expense by applying jurisdictional depreciation rates to adjusted Plant in Service balances. The jurisdictional rates used in the annualization were those included in the depreciation study sponsored and described by Company witness John J. Spanos of Gannett Fleming.

Q: What specific action does the Company request in regard to depreciation expense?

A: The Company requests that the Commission authorize the use of depreciation rates proposed by Company witness John Spanos which are used to compute total depreciation expense in this rate case proceeding.

Q: Were there any additional depreciation rate requests in this case?

A: Yes. New Sub-Transmission accounts 35405, 35505, 35605, 35705 and 35805 were needed to segregate the 34.5KV assets for our distribution system Maximo. In addition, the Company is proposing to separate the Bags and Catalyst included in account 31200 into a separate 312 plant sub-account in order to assign a more appropriate life parameter established for these assets. Bags and Catalyst are filter layers in the baghouse that get replaced over a shorter cycle than the rest of the assets in account 31200.

CS-121 AMORTIZATION

Q: Please explain adjustment CS-121.

A: We annualized amortization expense applicable to certain plant including computer software, land rights and leasehold improvements, by multiplying June 2021 amortization expense on a total company Missouri basis by twelve. The company added to the

intangible plant amounts, an annualized amortization expense amount on projected intangible plant net additions for the period July 2021 through May 2022.

Q: What amortization periods were used to amortize intangible assets?

A: Computer software, the most significant intangible asset, is amortized over either a five, ten or fifteen year amortization period, depending on the nature of the asset, consistent with the Company's past practice. Cost of land rights is amortized using rates that vary by function, consistent with the Company's past practice. Amortization of individual Leasehold Improvements is based on the length of the lease. Accumulated amortization is maintained by each individual intangible asset, other than land rights which is maintained in total by account, and amortization stops when the net book value reaches zero.

CS-136 COVID AAO AMORTIZATION

Q: Please explain this adjustment.

A: On May 6, 2020, Evergy Missouri Metro filed an application for an AAO to allow the Company to defer costs associated with the COVID-19 pandemic in a regulatory asset, beginning on March 1, 2020. Pursuant to EU-2020-0350, Missouri Metro was granted an AAO to defer, in a regulatory asset, specified costs associated with the COVID-19 pandemic netted against specified savings, also associated with the pandemic from March 1, 2020 continuing through March 31, 2021. Adjustment CS-136 reflects the accumulation of Covid deferrals and the annualized amortization amount of the COVID AAO regulatory asset deferred. This regulatory asset will be proposed to be amortized over a four year period.

Q: Did the Company defer any lost revenues from reduced customer usage during the Covid deferral period of March 2020 to March of 2021?

A: No. The Order in EU-2020-0350 did not allow for the deferral of lost revenues associated with the pandemic.

Q. What did the Order in docket No. EU-2020-0350 state regarding carrying costs associated with the Covid deferred amounts?

A: The Order in EU-2020-0350 states that it does not limit the ability of any party to propose or oppose carrying costs related to the Covid AAO deferrals in Evergy's next general rate case.

Q: Is the Company requesting carrying costs associated with the amount of Covid AAO costs deferred?

A: Yes. The Company plans to include carrying costs at the Company's short term debt rate associated with the amount that has been deferred. This amount will be included in the Company's true-up revenue requirement at May 31, 2022. The carrying costs requested will be at the short term debt rate to account for the time lag associated with the expenditures that were incurred during the extraordinary Covid pandemic that has been impacting the country since March of 2020.

Q: Does the Covid AAO deferral adequately address the impacts expected to bad debt expense as a result of the pandemic?

A: No. As I noted, the deferral was only allowed through March 31, 2021 per the AAO Order. For periods after that the Company had the ability to work with parties to the AAO proceeding or petition the Commission to extend the deferral period. However, because of the timing of the Evergy Missouri Metro rate case and the uncertainty

surrounding recovery from the pandemic, the Company chose to address bad debt impacts in this case. Please note Company witness Linda Nunn's testimony where she describes our annualization proposed to set bad debt expense in this case including the adjustment as a result of pandemic impacts. Also, Company witnesses Darrin Ives and Chuck Caisley discuss the incurred and ongoing pandemic impacts on our customers, the resulting high balances of unpaid customer accounts receivable and Evergy Missouri Metro's proposed bad debt expense tracker to address expected volatility in bad expense incurred coming out of rates effective in this case due to the extraordinary impacts on our customers from the Covid-19 pandemic.

Q: Please explain how the Company proposes the bad debt expense tracker to be accounted for.

A: The Company is proposing to develop a bad debt expense tracker that will be based off of the level of bad debt expenses that will be set in this rate case proceeding. Company witness Linda Nunn in adjustment CS-20a and CS-20b has proposed a level of annualized bad debt expense to be collected in rates. This level of bad debt expense will be compared against the actual net writeoffs recorded. The difference between these two amounts will be deferred into either a regulatory asset account or a regulatory liability account depending on whether actual net writeoffs are above or below the level of bad debt expense that is included in the revenue requirement calculation in this rate case. The regulatory asset or liability account balance will be included in the Company's subsequent general rate proceeding through an amortization over a period of time set by the Commission. The Company will request that carrying costs be included at the

Company's short term debt rate on either the regulatory asset or regulatory liability cumulative balance.

Q: What are you referring to when you use the term "net writeoffs"?

A: This term refers to accounts written off less recoveries received on accounts previously written off. This is the amount that the Company proposes to compare to actually track the difference between the bad debt expense being collected in rates versus the actual accounts written off netted with subsequent account recoveries.

Q: Does this conclude you testimony?

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 Implement A General Rate Increase for Electric Service	))))	Case No. ER-2022-0129

AFFIDAVIT OF RONALD A. KLOTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Ronald A. Klote, being first duly sworn on his oath, states:

1. My name is Ronald A. Klote. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Senior Director – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri Metro consisting of forty-five (45) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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.

Ronald A. Klote

Subscribed and sworn before me this 7th day of January 2022.

Notary Public

My commission expires: 4/26/2025

ANTHONY R. WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2025
PLATTE COUNTY
COMMISSION #17279952

Evergy
2022 RATE CASE - MO METRO - DIRECT
TY 6/30/21; Update TBD; True-Up 5/31/22

Revenue Requirement

Line No.	Description	7.033% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 3,153,481,360
2	Rate of Return	7.0325%
3	Net Operating Income Requirement	$ 221,768,577
4	Net Income Available (Sch 9)	185,494,970
5	Additional NOIBT Needed	36,273,607
6	Additional Current Tax Required	11,356,904
7	Gross Revenue Requirement	$ 47,630,511

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Rate Base

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
1	Total Plant :			
2	Total Plant in Service - Schedule 3	6,380,416,707	Klote	RB-20
3	Subtract from Total Plant:			
4	Depreciation Reserve - Schedule 6	2,543,609,976	Klote	RB-30
5	Net (Plant in Service)	3,836,806,731		
6	Add to Net Plant:			
7	Cash Working Capital - Schedule 8	(65,217,052)	Klote	Model
8	Materials and Supplies - Schedule 12	81,572,637	Nunn	RB-72
9	Prepayments - Schedule 12	14,636,069	Nunn	RB-50
10	Fuel Inventory - Oil - Schedule 12	6,535,034	Tucker	RB-74
11	Fuel Inventory - Coal - Schedule 12	26,712,820	Tucker	RB-74
12	Fuel Inventory - Additives - Schedule 12	434,295	Tucker	RB-74
13	Fuel Inventory - Nuclear - Schedule 12	29,703,877	Nunn	RB-75
14	Pre-MEEIA DSM Programs	(13,543,793)	Nunn	RB-100
15	Regulatory Asset - Iatan 1 and Com-MO	(214,979)	Nunn	RB-25
16	Regulatory Asset - Iatan 2	12,239,856	Nunn	RB-26
17	Regulatory Asset - PAYS	1,737,258	Klote	RB-86
18	Regulatory Asset - PISA Deferral	57,162,863	Klote	RB-85
19	Regulatory Asset - Pensions	1,228,545	Klote	RB-65
20	Regulatory Asset - Prepaid Pension Exp	0	Klote	RB-65
21	Regulatory Asset (Liab) - OPEBs Tracker	(2,742,894)	Klote	RB-61
22	Subtract from Net Plant:			
23	Cust Advances for Construction-MO	3,686,168	Nunn	RB-71
24	Customer Deposits-MO	2,144,692	Nunn	RB-70
25	Deferred Income Taxes - Schedule 13	804,659,452	Hardesty	RB-125
26	Def Gain on SO2 Emissions Allowances-MO	22,800,968	Nunn	RB-55
27	Def Gain (Loss) Emissions Allow-Allocated	26,767	Nunn	RB-55
28	Income Eligible Weatherization	251,861	Nunn	RB-101
29	Total Rate Base	3,153,481,360		

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Income Statement

Line No.	Description	Total Company	Adjustment	Adjusted Total Comany	Adjusted Jurisdictional
	A	B	C	D	F
1	Operating Revenue	1,857,937,507	175,622,025	2,033,559,532	1,111,318,173
2	Operating & Maintenance Expenses:				
3	Production	671,756,217	192,069,128	863,825,344	477,173,484
4	Transmission	67,272,717	6,283,839	73,556,556	41,092,582
5	Distribution	43,155,992	3,702,680	46,858,672	26,611,152
6	Customer Accounting	20,179,312	12,101,908	32,281,220	21,057,403
7	Customer Services	33,533,242	(27,146,745)	6,386,497	4,133,112
8	Sales	571,940	4,791	576,731	303,161
9	A & G Expenses	114,542,553	(37,053,076)	77,489,477	38,631,843
10	Total O & M Expenses	951,011,972	149,962,525	1,100,974,497	609,002,737
11	Depreciation Expense	276,549,076	67,222,230	343,771,306	178,558,081
12	Amortization Expense	62,520,863	31,236,497	93,757,360	51,251,650
13	Amortization Regulatory Debits & Credits	(84,898,894)	15,889,260	(69,009,634)	671,372
14	Taxes other than Income Tax	124,849,400	12,109,045	136,958,445	75,702,871
15	Net Operating Income before Tax	527,905,090	(100,797,532)	427,107,558	196,131,462
16	Income Taxes Current	64,614,763	16,358,716	80,973,479	34,533,037
17	Income Taxes Deferred	1,962,421	(46,588,033)	(44,625,612)	(22,237,201)
18	Investment Tax Credit	(1,168,486)	(1,932,193)	(3,100,679)	(1,659,344)
19	Total Taxes	65,408,698	(32,161,510)	33,247,188	10,636,492
20	Total Net Operating Income	462,496,392	(68,636,023)	393,860,369	185,494,970

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 05-31-22 - True Up Date			
	JURISDICTIONAL COST OF SERVICE			**Total Adjustments**	**Allocated Adjs**	**100% MO Adjs**	**100% KS & Whsl Adjs (2)**
				Incr (Decr)	**Incr (Decr)**	**Incr (Decr)**	**Incr (Decr)**
1	**OPERATING REVENUE**						
2	**Retail Sales - Schedule 9, line 42**						
3	R-20	Normalize MO retail revenues (MO only)	Bass / Miller	(21,342,631)		(21,342,631)	
4	R-21a	Adjust MO forfeited disc for R-21a LPC (MO only)	Nunn	2,749,518		2,749,518	
5	R-21b	Adjust MO forfeited disc for R-21b LPC - ASK (MO only)	Nunn	147,717		147,717	
6	CS-23	Remove FAC Under Recovery	Nunn	74,925,490	34,548,328		40,377,162
7	R-35	Normalize Bulk Power Sales	Tucker	115,696,448	115,696,448		
8	R-40	PAYS Revenue Offset	Klote	175,077		175,077	
9	R-78	Amortize bulk power margins in excess of 25th percentile (MO only)	Nunn	(369,260)		(369,260)	
10	R-80	Transmission Revenues - ROE	Fluke	(509,496)	(509,496)		
11	R-82	Transmission Revenues - Annualized	Klote	4,149,162	4,149,162		
12		**Operating Revenue - Schedule 9, line 42**		175,622,025	153,884,442	(18,639,579)	40,377,162
13							
14	**OPERATING EXPENSES - Schedule 9, line 334**						
15	CS-4	Reflect KCREC test year bad debt expense in METRO's COS	Nunn	4,391,382		3,056,422	1,334,960
16	CS-9	Reflect KCREC test year bank commitment fees in METRO's COS	Nunn	1,326,417	1,326,417		
17	CS-10	Reflect test year interest on customer deposits in COS	Nunn	161,069		151,196	9,873
18	CS-11	Reverse prior period and non-recurring test year amounts.	Nunn	(5,515,853)	(5,515,853)		
19	CS-20a	Normalize bad debt expense related to test year revenue	Nunn	6,418,014		6,418,014	
20	CS-20b	Normalize bad debt expense related to jurisdictional "Ask"	Nunn	512,243		512,243	

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Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 05-31-22 - True Up Date			
	JURISDICTIONAL COST OF SERVICE			Total Adjustments	Allocated Adjs	100% MO Adjs	100% KS & Whsl Adjs (2)
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
21	CS-22	Amortize deferred gain on sale of SO2 emissions allowances	Nunn	0	0	0	
22	CS-23	Remove FAC Under Recovery	Nunn	(8,777,230)		(2,364,430)	(6,412,800)
23	CS-24	Normalize fuel and purchase power energy (on system)	Tucker	201,938,459	201,938,873	(414)	
24	CS-25	Normalize purchased power capacity costs	Tucker	0	0		
25	CS-27	Wolf Creek Water Contract	Klote	(108,872)	(108,872)		
26	CS-35	Defer & Amortize Wolf Creek Mid-Cycle Outage	Klote	(492,864)	(492,864)		
27	CS-36	Annualize Wolf Creek refueling outage amortization	Klote	(85,754)	(85,754)		
28	CS-37	Adjust Nuclear decommissioning expense	Klote	0			
29	CS-39	IT Software Maintenance	Klote	(153,755)	(153,755)		
30	CS-40	Normalize Transmission maintenance expense	Nunn	1,170,191	1,170,191		
31	CS-41	Normalize Distribution maintenance expense	Nunn	3,453,326	3,453,326		
32	CS-42	Normalize Generation maintenance expense	Nunn	796,675	796,675		
33	CS-43	Nuclear Maintenance	Nunn	244,094	244,094		
34	CS-44	Adjust cost of Economic Relief Pilot Program (ERPP) (MO only)	Nunn	113,793		113,793	
35	CS-45	Normalize transmission of electricity by others	Klote	7,070,013	7,070,013		
36	CS-50	Annualize salary and wage expense for changes in staffing levels and base pay rates	Klote	2,079,820	2,079,820		
37	CS-51	Normalize incentive compensation costs- Value Link	Klote	(4,084,422)	(4,084,422)		
38	CS-60	Annualize other benefit costs	Klote	(3,459,955)	(3,459,955)		
39	CS-61	Annualize OPEB expense	Klote	(653,282)	(653,282)		
40	CS-62	Normalize SERP expense	Klote	(1,228,232)	(1,228,232)		
41	CS-65	Annualize FAS 87 and FAS 88 pension expense	Klote	(8,569,452)	(8,569,452)		
42	CS-70	Annualize Insurance Premiums	Nunn	775,072	775,072		
43	CS-71	Normalize injuries and damages expense	Nunn	1,703,498	1,703,498		
44	CS-73	Remove Test Year Storm Costs	Klote	0		0	

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Summary of Adjustments

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	A	B		D	E	F	G
				Adjust to 05-31-22 - True Up Date			
	JURISDICTIONAL COST OF SERVICE			**Total Adjustments**	**Allocated Adjs**	**100% MO Adjs**	**100% KS & Whsl Adjs (2)**
				Incr (Decr)	**Incr (Decr)**	**Incr (Decr)**	**Incr (Decr)**
45	CS-76	Annualize interest on customer deposits	Nunn	(31,961)		(23,526)	(8,435)
46	CS-77	Annualize Customer Accounts expense for credit card payment costs	Nunn	0	0		
47	CS-78	Annualize KCREC bank fees related to sale of receivables	Nunn	86,308	86,308		
48	CS-80	Amortize MO, KS and FERC rate case expenses	Nunn	394,157		394,157	
49	CS-85	Annualize regulatory assessments	Nunn	(571,829)	917	(321,275)	(251,471)
50	CS-86	SPP Schedule 1 Admin Fee's	Nunn	(2,203,725)	(2,203,725)		
51	CS-89	Meter Replacement O&M	Nunn	(924,048)	(924,048)		
52	CS-90	Advertising	Nunn	(9,526)	(9,526)		
53	CS-91	Amortize DSM Advertising	Nunn	(50,986)		(50,986)	
54	CS-92	Dues/Donations	Nunn	(1,066)	(1,066)		
55	CS-95	Amortization of Merger Transition Costs	Nunn	0	0		
56	CS-98	MEEIA	Nunn	(14,692,082)		(14,692,082)	
57	CS-100	Pre-MEEIA DSM Programs	Nunn	(4,436,265)		(4,436,265)	
58	CS-101	Income Eligible Weatherization	Nunn	203,608		203,608	
59	CS-102	Amortiz of EV Over-Recovery	Nunn	157,614		157,614	
60	CS-108	Transource CWIP/FERC Incentives	Fluke	208,252	208,252		
61	CS-113	Amortize Prospective Tracking	Nunn	61,555		61,555	
62	CS-114	Amortize LaCygne Obsolete Inventory	Nunn	(95,115)		(95,115)	
63	CS-116	Renewable Energy Standards	Nunn	(8,470,587)		(8,470,587)	
64	CS-117	Common-use Billings	Klote	(17,082,433)	(14,311,325)	(2,771,108)	
65	CS-120	Annualize depr exp based on proposed jurisdictional depr rates applied to jurisdictional plant-in-service at indicated period (unit trains & transportation equipment)	Klote	(1,603,742)	(1,603,742)		
66		**Operating Expenses - Schedule 9, line 334**		149,962,525	177,447,584	(22,157,186)	(5,327,873)
67							

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
					Adjust to 05-31-22 - True Up Date		
	JURISDICTIONAL COST OF SERVICE			**Total Adjustments**	**Allocated Adjs**	**100% MO Adjs**	**100% KS & Whsl Adjs (2)**
				Incr (Decr)	**Incr (Decr)**	**Incr (Decr)**	**Incr (Decr)**
68	**Depreciation Expense - Schedule 9, line 344**						
69	CS-11	Reverse prior period and non-recurring test year amounts.	Nunn	(831,285)		(831,285)	
70	CS-120	Annualize depreciation expense based on proposed jurisdictional depreciation rates applied to jurisdictional plant-in-service at indicated period	Klote	68,053,515	68,053,515		
71				67,222,230	68,053,515	(831,285)	0
72	**Amortization Expense - Schedule 9, line 355**						
73	CS-11	Reverse prior period and non-recurring test year amounts.	Nunn	2,700,634		2,700,634	
74	CS-121	Annualize plant amortization expense based on jurisdictional amortization rates applied to unamortized jurisdictional plant-in-Service at indicated period	Klote	28,286,456	24,402,925	3,883,531	
75	CS-137	Amort EPRI Contract	Klote	249,407	249,407		
76				31,236,497	24,652,332	6,584,165	0
77	**Regulatory Debits & Credits - Schedule 9, line 373**						
78	CS-11	Reverse prior period and non-recurring test year amounts.	Nunn	17,063,746		17,063,746	
79	CS-72	Storm Reserve	Klote	1,233,384		1,233,384	
80	CS-93	Amortization PISA Deferral	Klote	2,858,143		2,858,143	
	CS-113	Amortize Prospective Tracking	Nunn	(6,748,771)		(6,748,771)	
81	CS-131	Amort Electrification Deferred Asset	Nunn	18,695		18,695	
82	CS-133	Amort Customer Education Reg Asset	Nunn	37,805		37,805	
83	CS-134	Amort TOU Program Costs Reg Asset	Nunn	413,487		413,487	
84	CS-135	PAYS Amort	Klote	144,771		144,771	
85	CS-136	COVID AAO Amort	Klote	868,000		868,000	
86				15,889,260	0	15,889,260	0
87	**Taxes Other than Income - Schedule, line 383**						
88	CS-53	Annualize Payroll tax expense	Klote	(1,015,009)	(1,015,009)		

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Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
					Adjust to 05-31-22 - True Up Date		
	JURISDICTIONAL COST OF SERVICE			**Total Adjustments**	**Allocated Adjs**	**100% MO Adjs**	**100% KS & Whsl Adjs (2)**
				Incr (Decr)	**Incr (Decr)**	**Incr (Decr)**	**Incr (Decr)**
89	CS-126	Adjust property tax expense	Hardesty	13,030,340	13,030,340		
90	CS-128	KCMO Earnings Tax	Hardesty	93,714		93,714	
91				12,109,045	12,015,331	93,714	0
92	**Income Tax Expense- Schedule 9, line 400**						
93	CS-125	Reflect adjustments to Schedule 9, Allocation of Current and Deferred Income Taxes	Hardesty	(32,161,510)	(32,515,948)	354,438	
94				(32,161,510)	(32,515,948)	354,438	0
95							
96		**Total Electric Oper. Expenses**		244,258,048	249,652,814	(66,894)	(5,327,873)
97							
98		**Net Electric Operating Income - Schedule 9, line 402**		(68,636,023)	(95,768,372)	(18,572,685)	45,705,035

(1) All amounts are total company; if an adjustment is applicable to only KS or MO, it is so indicated

(2) These adjustments affect Kansas or Wholesale jurisdictions and are not discussed in testimony supporting the MIssouri rate case.

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Cash Working Capital

Line No.	Account Description	Jurisdictional Test Year Expenses	Revenue Lag	Expense Lead	Net (Lead)/Lag (C) - (D)	Factor (Col E/366)	CWC Req (B) X (F)
	A	B	C	D	E	F	G
1	**Operations & Maintenance Expense**						
2	Gross Payroll with Taxes excl Accrued Vac	75,629,704	26.98	13.21	13.77	0.0377	2,853,208
3	Accrued Vacation	2,821,776	26.98	365	-338.02	-0.9261	(2,613,197)
4	Purchased Coal & Freight	111,585,974	26.98	12.42	14.56	0.0399	4,451,210
5	Purchased Gas	3,996,104	26.98	38	-11.02	-0.0302	(120,649)
6	Purchased Oil	2,711,545	26.98	12.13	14.85	0.0407	110,319
7	Purchased Power	256,825,726	26.98	37.45	-10.47	-0.0287	(7,367,028)
8	Pension Expense	19,360,073	26.98	42.25	-15.27	-0.0418	(809,941)
9	Employee Benefits	12,652,933	26.98	13.29	13.69	0.0375	474,572
10	Incentive Compensation	5,281,018	26.98	257.5	-230.52	-0.6316	(3,335,288)
11	Cash Vouchers	118,137,884	26.98	35.15	-8.17	-0.0224	(2,644,347)
12	Total Operation & Maintenance Expense	609,002,737					(9,001,141)
13	**Taxes other than Income Taxes**						
14	City Franchise Taxes - 6%, 4% & Other GRT - MO	66,878,473	9.57	48.89	-39.32	-0.1077	(7,204,552)
15	Ad Valorem / Property Taxes	68,253,459	26.98	227.12	-200.14	-0.5483	(37,425,335)
16	Sales & Use Tax- MO and Fuel, Heavy Vehicle Taxes	27,179,349	9.57	7.94	1.63	0.0045	121,376
17	**Total Taxes other than Income Taxes**	162,311,281					(44,508,511)
18	**Tax Offset From Rate Base**						
19	Current Income Taxes-Federal Offset	28,994,016	26.98	38	-11.02	-0.0302	(875,381)
20	Current Income Taxes-State Offset	5,539,021	26.98	38	-11.02	-0.0302	(167,233)
21	Interest Expense Offset	60,332,405	26.98	91.5	-64.52	-0.1768	(10,664,786)
22	**Total Offset From Rate Base**	94,865,442					(11,707,400)
23	**Total Cash Working Capital Requirement**	866,179,461					(65,217,052)

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Allocation Factors

Line No.	Jurisdiction Factors	Missouri	KS & Wholesale	Total
	A	B	C	D
1	**Jurisdiction Factors**			
2	Missouri Jurisdictional	100.0000%	0.0000%	100.0000%
3	Kansas Jurisdictional	0.0000%	100.0000%	100.0000%
4	Non Jurisdictional/Wholesale	0.0000%	100.0000%	100.0000%
5	D1 - Demand (Capacity) Factor	51.6490%	48.3510%	100.0000%
6	E1 - Energy Factor with Losses (E1)	56.0900%	43.9100%	100.0000%
7	C1 - Customer - Elec (Retail only) (C1)	52.5654%	47.4346%	100.0000%
8	**Blended Factors**			
9	Sal & Wg - Salaries & Wages w/o A&G	52.7661%	47.2339%	100.0000%
10	PTD - Prod/Trsm/Dist Plant (excl Gen)	53.5155%	46.4845%	100.0000%
11	Dist Plt - Weighted Situs Basis	56.6229%	43.3771%	100.0000%
12	**Situs Basis Plant used for Dist Depr Reserve**			
13	360 - Dist Land	44.2945%	55.7055%	100.0000%
14	360 - Dist Land Rights	59.6785%	40.3215%	100.0000%
15	361 - Dist Structures & Improvements	56.9250%	43.0750%	100.0000%
16	362 - Distr Station Equipment	66.1436%	33.8564%	100.0000%
17	362 - Distr Station Equip-Communication	56.3786%	43.6214%	100.0000%
18	363 - Distr Energy Storage Equipment	100.0000%	0.0000%	100.0000%
19	364 - Dist Poles, Towers & Fixtures	54.1449%	45.8551%	100.0000%
20	365 - Dist Overhead Conductor	57.4508%	42.5492%	100.0000%
21	366 - Dist Underground Circuits	56.9754%	43.0246%	100.0000%
22	367 - Dist Underground Conduct & Devices	51.7572%	48.2428%	100.0000%
23	368 - Dist Line Transformers	56.5633%	43.4367%	100.0000%
24	369 - Dist Services	53.6448%	46.3552%	100.0000%
25	370 - Dist Meters	64.3020%	35.6980%	100.0000%
26	370 - Dist AMI Meters	69.0700%	30.9300%	100.0000%
27	371 - Dist Customer Premise Installations	69.9789%	30.0211%	100.0000%
28	371 - Dist Electric Vehicle Charging Stations	56.2888%	43.7112%	100.0000%
29	373 - Dist Street Lights & Traffic Signals	49.9375%	50.0625%	100.0000%

EVERGY METRO, INC.

JURISDICTIONAL ALLOCATION

OVERVIEW

The allocators that were utilized can be classified as "primary" allocators or "derived" allocators.

The primary allocators are based on the weather-normalized customer, energy, and demand information and are direct inputs.

The derived allocators are based on the Customer, Energy, and Demand allocators, possibly in combination with direct assignment. The derived allocators are calculated within the Revenue Requirement Model. They are often calculated as combinations of amounts that have previously been allocated using one or more of the primary allocators, or of direct assigned amounts, or both.

PRIMARY ALLOCATORS

The Customer allocator is based on the average number of customers in the Kansas, Missouri, and the firm wholesale jurisdiction.

The Energy allocator is based on the total weather normalized kilowatt-hour usage by the Kansas and Missouri retail customers and the firm wholesale jurisdiction.

The Demand allocator is an average of the 12-month weather normalized average of the coincident peak demands for the Missouri and Kansas retail jurisdictional customers and the firm wholesale FERC jurisdictional customers (12 CP) and the 4-month weather normalized average of the coincident peak demands for the Missouri and Kansas retail jurisdictional customers and the firm wholesale FERC jurisdictional customers (4 CP).

APPLICATION OF ALLOCATORS

Revenues

Retail revenues are the revenues received from retail customers in Kansas and Missouri.

Retail revenues are not allocated; rather, they are recorded by jurisdiction.

Miscellaneous revenues include forfeited discounts, miscellaneous services, rent from electric property, transmission service for others, and other electric revenues. These miscellaneous revenues are subdivided and, where possible, assigned directly to the jurisdiction where they are recorded. The miscellaneous revenues that are not directly assignable to a jurisdiction are grouped by functional categories and allocated on a basis consistent with that functional category.

Off-system cost of sales and firm bulk sales revenue are allocated primarily based on the Energy allocator. However, the Capacity and Fixed Firm Bulk Sales revenue are allocated based on Demand.

Sales for resale revenue is revenue from the full-requirements firm wholesale customers under FERC jurisdiction. This revenue is assigned totally to the FERC jurisdiction.

Fuel & Purchased Power Costs

Fuel & Purchased Power costs are primarily allocated based on the Energy allocator. There are a couple exceptions for the amortizations of SO2 Allowances and Solar Renewable Energy Credits that are assigned directly to the applicable jurisdiction.

Non-Fuel Operations and Maintenance Costs

Production O&M costs are allocated consistent with the allocation of production plant.

Transmission O&M costs associated with company owned transmission plant are allocated consistent with the allocation of transmission plant. Transmission Operation Load expense, Transmission of electricity by others, and costs associated with participation in SPP are allocated based upon the Energy allocator.

Distribution O&M costs are allocated consistent with the allocation of distribution plant.

Customer accounts expenses are primarily allocated using the Customer allocator. The exception is that the uncollectible accounts expense and interest on Customer Deposits are assigned directly to the applicable jurisdiction.

Customer services and information expenses are primarily allocated using the Customer allocator. The exception is that the MEEIA expense as well as the amortization of Customer Programs are assigned directly to the applicable jurisdiction.

Sales expenses are allocated using the Customer allocator.

A&G expenses are allocated using a number of methods depending on the cause of the cost. Salaries, employee benefits, printing device finance leases and injuries and damages expenses are allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses described previously. Regulatory expenses are assigned directly to the applicable jurisdiction, with the exception of the FERC regulatory expense, which is allocated based on the Demand allocator. Amortization of other jurisdictional costs deferred as a result of prior regulatory orders are assigned directly to the applicable jurisdiction. Property insurance and General plant maintenance are allocated based on the composite allocation of production, distribution and transmission plant. Fleet expense is allocated based on the allocation of total distribution plant.

General advertising expense is allocated using the Customer allocator. The remaining A&G expenses are allocated using the Energy allocator.

Depreciation and Amortization Expenses

Depreciation expense is allocated based on the allocation of the corresponding plant. Amortization expense is allocated based on the composite allocation of production, transmission and distribution plant, with the exception of amortizations resulting from a prior regulatory order. These are assigned directly to the applicable jurisdiction.

Interest on Customer Deposits

Interest on customer deposits is assigned directly to the applicable jurisdiction.

Taxes

Property tax and Other Miscellaneous taxes are allocated based on the composite allocation of production, transmission and distribution plant. Payroll tax is allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses. Kansas City, Missouri Earnings Tax and Gross receipts tax applies only to the Missouri jurisdiction and is therefore assigned only to the Missouri jurisdiction.

Currently payable income tax is not allocated. Instead, currently payable income tax is calculated in the Revenue Requirement Model using the statutory tax rates for the appropriate jurisdiction and applying those rates to jurisdictional taxable income calculated in the Revenue Requirement Model. Income tax Credits for R&D and Fuels Tax are allocated based on Energy. Deferred tax expense related to plant depreciation or plant/nuclear amortization is calculated using the statutory federal and state tax rates for the appropriate jurisdiction and applying a composite tax rate to the jurisdictional difference between tax return depreciation/amortization and book depreciation/amortization reflected in the Revenue Requirement Model.

Other deferred income tax expenses are allocated based on the composite allocation of production, transmission and distribution plant, with the exception of amortizations resulting from a prior regulatory order. These are assigned directly to the applicable jurisdiction.

RATE BASE

Plant-in-Service and Reserve for Depreciation and Amortization

The Demand allocator is used to allocate production plant. The exception is for plant items that have been afforded different jurisdictional accounting treatment through past commission orders. Examples include the Iatan 1 and Iatan 2 plant disallowances as well as MO Gross Up AFUDC plant accounts. These items are assigned directly to the applicable jurisdiction.

Transmission plant is allocated using the Demand allocator with the exception of MO Gross Up AFUDC plant accounts which are directly assigned to MO

Distribution plant is assigned based on physical location.

General plant is allocated based on the composite allocation of production, transmission, and distribution plant with the exception of MO Gross Up AFUDC plant account which is directly assigned to MO

Intangible plant consisting primarily of capitalized software is allocated based on the allocation factor considered most appropriate for the function of the software. For example, the customer information system is allocated based on the Customer allocation factor, whereas transmission-related software is allocated consistent with the allocation of Transmission plant.

The reserves for accumulated depreciation and amortization are allocated based on the allocation of the plant with which they are associated. The exception is for reserve items that have been afforded different jurisdictional accounting treatment through past commission orders. Examples include Additional Credit Ratio Amortizations which were assigned to specific reserve plant accounts in each jurisdiction differently and therefore are assigned directly to the applicable jurisdiction. In addition, Kansas unrecovered reserve amounts are allocated directly to Kansas.

Working Capital

Cash working capital ("CWC") is not allocated. Instead, the CWC amounts are calculated in the Revenue Requirement Model by taking the net CWC factors and applying these factors to allocated jurisdictional amounts in the Revenue Requirement Model. Fuel inventory is allocated using the Energy allocator. Materials and supplies ("M&S") and prepayments are grouped by function and allocated based on allocations appropriate for the function of the M&S and prepayments.

Regulatory Assets and Regulatory Liabilities

Regulatory assets and regulatory liabilities are assigned directly to the applicable jurisdiction. There are a couple exceptions, S02 Emission Allowances for EPA auction proceeds are allocated based on the Energy Allocator and Pensions/OPEB Trackers are allocated based on the Salaries & Wages allocator.

Accumulated Reserve for Deferred Taxes

Plant related reserve not directly assignable to a jurisdiction are primarily allocated based on Demand. There is one exception, Nuclear Fuel is allocated by Energy. Non-Plant related reserve not directly assignable to a jurisdiction are grouped by the type of allocation to which the temporary differences relate to. Deferred tax reserve amounts that are associated with regulatory assets and liabilities are assigned directly to the applicable jurisdiction.

Customer Advances for Construction and Customer Deposits

Customer advances for construction and customer deposits are assigned directly to the applicable jurisdiction.