

Exhibit No.:
Issue: Debt Costs, Capital Structure,
Uplight, AMI Vaqlue, RECs, PISA
Witness: Ronald A. Klote
Type of Exhibit: True-Up Rebuttal Testimony
Sponsoring Party: Evergy Missouri Metro and Evergy
Missouri West
Case No.: ER-2022-0129 / 0130
Date Testimony Prepared: August 25, 2022

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2022-0129 / 0130

TRUE-UP REBUTTAL TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

EVERGY MISSOURI METRO and EVERGY MISSOURI WEST

**Kansas City, Missouri
August 2022**

TRUE-UP REBUTTAL TESTIMONY

OF

RONALD A. KLOTE

Case Nos. ER-2022-0129 and ER-2022-0130

1 **Q: Please state your name and business address.**

2 A: My name is Ronald A. Klote. My business address is 1200 Main, Kansas City, Missouri
3 64105.

4 **Q: Are you the same Ronald A. Klote who filed Direct, Rebuttal and Surrebuttal**
5 **testimony in these dockets?**

6 A: Yes.

7 **Q: On whose behalf are you testifying?**

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

11 **Q: What is the purpose of your true-up rebuttal testimony?**

12 A: The purpose of my testimony is to address testimony and/or exhibits/schedules provided
13 by parties in these cases regarding capital structure and cost of debt, the Uplight software
14 and Advanced Metering Infrastructure (“AMI”) pertinent to the true-up adjustment
15 summary schedules and the resulting revenue requirement level after incorporating the
16 actual changes in cost of service through the true-up period in this rate case proceeding.
17 The True-Up date adopted by the Missouri Public Service Commission (“Commission”)
18 for this proceeding is May 31, 2022 as provided in the *Order Setting Procedural Schedule,*
19 *Denying Consolidation, and Granting a Variance* issued March 16, 2022.

1 **Q: Are other Company witnesses sponsoring true-up rebuttal testimony?**

2 A: Yes, the following Company witnesses respond to Staff and/or the Office of Public Council
3 (“OPC”):

- 4 ▪ Company witness Melissa Hardesty addresses true-up adjustments for taxes
- 5 ▪ Company witness Jessica Tucker addresses differences in fuel and purchased power
6 true-up adjustments
- 7 ▪ Company witness Linda Nunn addresses RECs in the Fuel Adjustment Clause true-
8 up base calculation

9 **CAPITAL STRUCTURE AND COST OF DEBT**

10 **Q: Please describe the process used to true-up the capital structure for both EMM and**
11 **EMW.**

12 A: As discussed in my true-up direct testimony, the capital structure was updated through May
13 31, 2022, which included the utilization of EMM’s and EMW’s actual capital structure and
14 cost of debt. There was a new debt issuance of \$250M in March 2022 and an equity
15 contribution of \$200M in February 2022 for EMW. There was no new debt issuances or
16 equity contributions for EMM during the true-up period.

17 **Q: What is EMM’s and EMW’s capital structure for the true-up period?**

18 A: Each company’s capital structure is shown in Figure 1, below.

| Company | Long-Term Debt Ratio | Equity Ratio |
|---------|----------------------|--------------|
| EMM | 48.63% | 51.37% |
| EMW | 48.53% | 51.47% |

19

20 **Q: Did Staff adjust its recommended revenue requirement to reflect the 3.96% cost of**
21 **debt reflected in the Company’s true-up direct?**

1 A: No. Yet, it is the Company’s understanding that Staff will make this correction in their
2 true-up rebuttal testimony.

3 **UPLIGHT**

4 **Q: Please briefly summarize the Staff testimony regarding Uplight that you respond to.**

5 A: Staff witness Matthew Young sponsored surrebuttal and true-up direct testimony regarding
6 the Uplight contract. Staff is now recommending that the costs of the Uplight contract be
7 excluded from EMM and EMW’s revenue requirement arguing that the Company (1) failed
8 to provide sufficient support, and (2) has not justified recovery of 100% of the Uplight
9 contract from Missouri customers. Staff goes on to recommend that if the Commission
10 allows cost recovery of the Uplight software, then the Commission should order the cost
11 of Uplight to be charged across all Evergy entities. (Young surrebuttal and true-up direct
12 testimony at 11)

13 **Q: Has the Company provided documentation and other support demonstrating the
14 costs of the Uplight software should be properly recovered from its Missouri
15 customers?**

16 A: Yes. I am confused when Staff witness Young states the Company has failed to provide
17 sufficient support as the Company has responded to all data requests on this subject that I
18 am aware of that has been asked by Staff. In addition, Company witness Charles Caisley
19 provided rebuttal testimony further explaining what the Uplight software does and how it
20 benefits customers. Mr. Young’s characterization of Mr. Caisley’s testimony as “empty
21 buzzwords” misses the explanation that the Company provided. Mr. Caisley provided a
22 thoughtful and detailed response to the issues raised by OPC in its direct testimony (Staff
23 did not address Uplight in its direct testimony). As discussed by Mr. Caisley, the Company

1 selected Uplight based on a rigorous review of the Uplight software relative to other
2 potential providers, and concluded that no other company in the market provides the
3 customer solution that Uplight provides. The Uplight software is designed to reduce
4 software deployment cycles, reduce operational cost and enable significantly easier
5 integration with other software solutions and providers. Uplight's product suite includes
6 valuable solutions (for example, Marketplace, Orchestrated Energy, Business Customer
7 Solutions) that Evergy can utilize to serve customer needs into the future.

8 Mr. Young's criticisms of the Company's support for recovery of the Uplight investment
9 is baseless. Mr. Young's assertion that there is no clear benefit to customers from Uplight
10 systems is simply shortsighted. Customers, the communities the Company serves and the
11 entire state benefit from encouraging the customer interaction that the Uplight systems are
12 providing and will provide in the future.

13 **Q: What is your response to Mr. Young's assertion that the Company has not**
14 **demonstrated that Uplight is only available to its Missouri customers?**

15 A: It is entirely unclear what "proof" Mr. Young seeks. As I stated in my rebuttal testimony,
16 at this time the Company has only implemented platforms that are available to Missouri
17 customers. While Mr. Young may not like that answer, it is truthful. When the Company
18 implements Uplight platforms that are available to Kansas customers, capital costs for the
19 Kansas implementation will be allocated to Kansas customers. Now, however, only the
20 EMM and EMW customers participate in the platforms and the capital costs are
21 appropriately allocated to those jurisdictions. Mr. Young's testimony regarding the
22 allocation of intangible plant to Missouri and Kansas customers is not informed on how

1 the capital dollars have been procured and already assigned between Missouri and Kansas
2 jurisdictions.

3 **Q: What is your recommendation regarding Uplight?**

4 A: The Uplight costs should be reflected in EMM and EMW's revenue requirements as
5 proposed by the Company.

6 **AMI**

7 **Q: Please briefly summarize the Staff testimony regarding AMI meters that you respond**
8 **to.**

9 A: Staff continues to recommend the Commission disallow recovery of the Company's
10 investment in AMI-SD meters that were installed for "unknown" reasons or to gain the
11 remote reconnection/disconnection feature. In surrebuttal and true-up direct testimony,
12 Staff "updated" and increased its recommended disallowance from \$3.6 million (total
13 company) for EMM and \$2.0 million for EMW to \$6.3 million and \$2.96 million,
14 respectively because it was "unclear" to Staff at the time it filed its direct testimony when
15 the Company began replacing AMI meters with AMI-SD meters. (Staff witness Clair
16 Eubanks surrebuttal and true-up direct testimony at 2-3).

17 **Q: What is your response to Staff?**

18 A: The Company disagrees with Staff's AMI adjustment.. Company witness Charles Caisley
19 provides rebuttal testimony explaining the Company's opposition to Staff's adjustment and
20 explains the "unknown" meter exchange category in orders are sometimes entered without
21 any comments or field personal make the decision to exchange a meter while at a customer
22 location for any one of a variety of reasons. This does not justify a disallowance. The
23 Company has clearly demonstrated the value and reasonableness of its investment in AMI-

1 SD meters. Further, Staff does not offer any explanation for its opposition to installing
2 AMI-SD meters to gain remote reconnection/disconnection.

3 **Q: Do you have any additional remarks regarding AMI meters?**

4 A: Yes. Company witnesses Brad Lutz and Charles Caisley provide extensive testimony
5 regarding the Company's AMI meter deployment plans and the benefits of exchanging
6 AMI meters with AMI-SD meters, including improvements in the experience of our
7 customers and cost savings. The Company's investment was prudent and these costs are
8 appropriately recovered from customers and should be reflected in the rates established in
9 this proceeding.

10 **Q: Does that conclude your true-up rebuttal testimony?**

11 A: Yes, it does.

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

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

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

AFFIDAVIT OF RONALD A. KLOTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

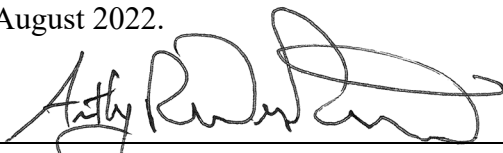
Ronald A. Klote, being first duly sworn on his oath, states:

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 True-Up Rebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of twenty-six (6) 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 25th day of August 2022.



Notary Public

My commission expires: 4/26/2025

