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Case Nos.: *ER-2022-0129 and
ER-2022-0130*
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MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

SURREBUTTAL/TRUE-UP DIRECT TESTIMONY
OF
KEITH MAJORS

Evergy Metro, Inc., d/b/a Evergy Missouri Metro
Case No. ER-2022-0129

Evergy Missouri West, Inc., d/b/a Evergy Missouri West
Case No. ER-2022-0130

Jefferson City, Missouri
August 2022

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1 **SURREBUTTAL/TRUE-UP DIRECT TESTIMONY**

2 **OF**

3 **KEITH MAJORS**

4 **Evergy Metro, Inc., d/b/a Evergy Missouri Metro**

5 **Case No. ER-2022-0129**

6 **Evergy Missouri West, Inc., d/b/a Evergy Missouri West**

7 **Case No. ER-2022-0130**

8 Q. Please state your name and business address.

9 A. Keith Majors, Fletcher Daniels Office Building, 615 East 13th Street, Room 201,
10 Kansas City, Missouri, 64106.

11 Q. By whom are you employed and in what capacity?

12 A. I am a Utility Regulatory Audit Supervisor employed by the Staff (“Staff”) of
13 the Missouri Public Service Commission (“Commission”).

14 Q. Are you the same Keith Majors who previously provided testimony in this case?

15 A. Yes. I provided direct testimony in this case on June 8th in these cases
16 concerning the Sibley AAO and retirement, bad debt expense and late payment fees, Transource
17 incentives, jurisdictional allocations, and other various topics. I provided rebuttal testimony on
18 the same issues on July 13th.

19 **EXECUTIVE SUMMARY**

20 Q. What is the purpose of your surrebuttal testimony?

21 A. I will respond to the rebuttal testimony of Evergy witnesses concerning these
22 topics:

- 23 • Sibley AAO and retirement
 - 24 • Darrin R. Ives – Evergy Rebuttal Testimony pages 10-14
 - 25 • Larry Kennedy – Evergy West Rebuttal Testimony
 - 26 • John Spanos – Evergy Rebuttal Testimony – pages 21-26
 - 27 • John A. Robinett – Office of the Public Counsel (“OPC”) – pages 12-20

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- 1 • Bad Debt Tracker
- 2 • Darrin R. Ives – Evergy Rebuttal Testimony – pages 19-22
- 3 • Linda J. Nunn – Evergy Rebuttal Testimony – pages 3-6

- 4 • Transource Incentives
- 5 • Jim Flucke – Evergy Rebuttal Testimony – pages 1-2

- 6 • Capitalized Long Term Incentive Compensation
- 7 • Ronald A. Klote – Evergy Rebuttal Testimony – pages 2-3

- 8 • Jurisdictional Allocations
- 9 • John Wolfram Rebuttal Testimony
- 10 • Ronald A. Klote – Evergy Rebuttal Testimony – pages 15-24

11 I will also discuss my sponsored true-up adjustments.

12 **SIBLEY AAO AND NET BOOK VALUE RECOVERY-EVERGY WEST ONLY**

13 Q. On page 12 of his rebuttal testimony, Mr. Kennedy claims that Staff did not take
14 the prudence of the Sibley retirement into account in determining its position regarding
15 recovery of the Sibley net book value (“NBV”). Do you agree?

16 A. No. Staff does not dispute the prudence of the decision to retire Sibley. This
17 does not mean that the Sibley NBV must therefore be included in rates or in rate base. While
18 costs should be judged to be prudent prior to inclusion in rates, more than a simple finding of
19 prudence is usually required to meet the standard for rate inclusion for a particular cost.

20 Q. What are some examples of prudently incurred costs that are not generally
21 included in rates?

22 A. There are at least several types of such costs, as follows:

23 (1) Unadjusted test year costs. Costs incurred by a utility within an ordered test year,
24 update period or true-up period are always subject to adjustment in order to annualize or
25 normalize the cost in order to be included in prospective rate levels. This is true even if there

1 has been no challenge to the prudence of the amount of the utility's costs incurred within the
2 applicable period. As a result of the adjustment process, some level of "prudent" test
3 year/update period/true-up costs will be justifiably removed from rates within a general rate
4 proceeding.

5 (2) Costs traditionally disallowed by the Commission. There are a number of cost
6 categories that have been routinely denied rate recovery by the Commission for many years,
7 such as charitable contributions, lobbying costs and certain types of incentive compensation.
8 These exclusions have been judged appropriate based upon various policy considerations, and
9 these policies have been consistently applied by the Commission even if the costs in question
10 may be judged to be "prudently incurred" from the utility or any other perspective.

11 (3) Non-recurring costs. Even if costs were prudently incurred within a test year, if
12 those particular costs are not expected to recur into the future the costs should be removed from
13 the ratemaking process.

14 (4) Costs associated with retired assets. These costs are routinely excluded from rates
15 going forward because no benefit to ratepayers is possible from an asset no longer in service.
16 This point holds true regardless of whether the original investment in the asset was prudently
17 made or not, or whether the asset in question was fully depreciated as of the time of its
18 retirement.

19 The underlying prudence of costs in question is but one factor to consider in determining
20 whether such costs should be allowed in rates.

21 Q. On page 12 of his rebuttal testimony, Mr. Kennedy references the regulatory
22 accounting procedures to retire assets. How did the Sibley retirement impact depreciation
23 reserve?

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1 A. As explained in my rebuttal, an amount equal to the gross plant balance of Sibley
2 was removed from both plant in service and reserve following the Uniform System of Accounts
3 (“USOA”) and mass asset accounting principles. For smaller asset classes such as wood poles,
4 premature retirements do not impact the overall reserve as the over and under accrued assets
5 should roughly balance out and there is no material imbalance in the reserve. But for “Life
6 Span Assets” such as Sibley, there will be in all likelihood be no other multi-million dollar
7 power plants that will concurrently over-accrue depreciation reserve to balance out the reserve
8 deficiency created by the retirement. If there is no adjustment or separate treatment to the NBV,
9 Everygy will earn a return on the NBV of retired plant that is not used and useful and will never
10 again provide service to customers.

11 Q. What are the quantifications of the Sibley NBV as sponsored by the parties in
12 this case?

13 A. Please see the below table, which does not reflect the depreciation expense
14 offset, which is not disputed among the parties:

15

Party	Value	Description
Everygy	\$145.6 million – Spanos Direct	Based on the theoretical reserve
OPC	\$0 – Marke Direct \$190.8 million – Robinette Alternative	Based on update to 2014 depreciation study
Staff	\$145.6 million – Majors Direct	Based on Spanos Calculation
MECG	\$254 million – Meyer Direct	Based on 2018 Rate Case Staff EMS, projected to December 2022

16
17 Q. Does Staff have a preference for which NBV to use for the regulatory asset?

1 A. Staff has included the \$145.6 NBV calculated by Evergy witness Spanos for
2 both the return of the regulatory asset and for the calculation of the rate of return regulatory
3 liability as ordered by the Commission in Case No. EC-2019-0200. Staff witness Cedric E.
4 Cunigan, P.E. explains in his surrebuttal testimony that if the Commission uses an alternate
5 valuation the depreciation reserves would have to be rebalanced.

6 Q. On page 19 of his rebuttal testimony, OPC witness Robinett recommends the
7 Sibley decommissioning costs should be included in whatever NBV the Commission
8 determines in this case. Do you agree?

9 A. Yes. Under normal circumstances, these costs would be recorded as a reduction
10 to the depreciation reserve and Evergy West would receive a “return on” and a “return of”
11 through accumulated depreciation reserve and depreciation rates. Consistent with Staff’s
12 recommendation that Evergy West should not earn a return on the Sibley NBV it is appropriate
13 to add the decommissioning costs to the NBV for separate treatment. Evergy West has included
14 these costs as a reduction to the reserve. At this time, the decommissioning costs of
15 \$37.5 million have not been adjusted by Staff as of the true-up. A portion of these costs have
16 not been closed to the depreciation reserve accounts.

17 Q. Evergy Metro recently completed decommissioning at the former Montrose
18 plant. How were those costs recorded and why should Sibley be treated in a different manner?

19 A. Evergy Metro incurred \$44 million to decommission the Montrose plant. These
20 amounts are booked to the depreciation reserve.

21 Sibley decommissioning costs, and moreover the NBV, should be treated differently
22 from Montrose because the Commission determined that the Sibley retirement was
23 extraordinary in its *Report and Order* in Case No. EC-2019-0200.

1 Q. What amortization period does Staff recommend using for the Sibley NBV and
2 the regulatory liability from Case No. EC-2019-0200?

3 A. Staff's case reflects the \$145.6 NBV, less the depreciation reserve adjustment,
4 less the full amount of the regulatory liability from Case No. EC-2019-0200 for a net regulatory
5 asset of \$12.1 million, or \$2.4 million over 5 years. If the Commission includes a higher NBV
6 or includes a lesser amount of regulatory liability from Case No. EC-2019-0200 as an offset to
7 the NBV, thereby increasing the net regulatory asset, the Commission should consider
8 lengthening the amortization period to mitigate the rate impact.

9 **BAD DEBT FACTOR UP AND TRACKER**

10 Q. On page 4 of her rebuttal testimony, witness Nunn then identifies Evergy's
11 write-off ratio used by Staff and Company. Are these ratios exceptionally low?

12 A. No, they are the actual amounts being expensed and are on-par with the most
13 recent experience of the Company. Staff used 0.48% and 0.34% for Evergy Metro and West,
14 respectively, and 0.58% and 0.38% for the true-up. Below is a table of the most recent bad debt
15 ratios:

16 Evergy Metro:

12 Months Ending	Missouri Revenue	Missouri Write-Offs (Six month lag)	Ratio Percentage
March 2019	931,590,638	12,994,168	1.39%
June 2019	927,417,932	9,949,389	1.07%
September 2019	925,681,094	8,578,435	0.93%
December 2019	908,398,912	7,136,472	0.79%
March 2020	893,648,404	3,350,684	0.37%
June 2020	884,766,622	3,803,517	0.43%
September 2020	866,710,921	3,741,138	0.43%
December 2020	858,591,606	3,461,426	0.40%
March 2021	826,744,208	3,560,498	0.43%
June 2021	830,776,918	3,988,499	0.48%
November 2021	842,386,536	4,923,714	0.58%

17

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1 Evergy West:

12 Months Ending	Missouri Revenue	Missouri Write-Offs (Six month lag)	Ratio Percentage
March 2019	785,567,265	6,523,422	0.83%
June 2019	777,564,864	5,687,388	0.73%
September 2019	789,507,271	4,790,845	0.60%
December 2019	789,533,330	4,546,298	0.57%
March 2020	779,865,618	3,041,971	0.39%
June 2020	777,960,913	3,234,033	0.41%
September 2020	768,226,371	3,220,697	0.41%
December 2020	747,138,280	2,698,467	0.36%
March 2021	749,049,040	2,571,242	0.34%
June 2021	756,912,674	2,623,611	0.34%
November 2021	778,624,441	2,964,292	0.38%

2
3 Considering the most recent actual write-off amounts, Staff's last known amounts are not
4 outliers.

5 Q. What analysis did Staff perform comparing bad debts to revenues?

6 A. In my rebuttal testimony, I provided several tables and graphical analyses to
7 demonstrate the fallacy of Evergy's assumption that increased revenues lead to increased bad
8 debt. In theory, this assumption may appear to be reasonable. In practice this theory simply
9 does not hold true.

10 Staff has performed the following comparative analyses of bad debt and revenues:

- 11 • An analysis of the monthly change in retail revenues and bad debts
- 12 • An analysis of the percent monthly change in retail revenues and bad debts
- 13 • An analysis comparing a 12 month period of bad debt to the corresponding retail
14 revenues, on a quarterly rolling basis
- 15 • Graphical analysis of the items above

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1 I have attached the third analysis, which compares 12 month periods of bad debt to the
2 corresponding revenues¹ on a quarterly basis from January 2007 through May 2022 for Evergy
3 Metro and 2001 through May 2022 for Evergy West, along with the graphical representation of
4 the data. This data is attached as Schedule KM-s1, Schedule KM-s2, Schedule KM-s3, and
5 Schedule KM-s4. The remainders of the analyses were attached to my rebuttal testimony.

6 Q. Please explain this data and accompanying graph.

7 A. This analysis is the clearest way to depict how bad debt and revenue have no
8 apparent positive correlation over time, refuting Evergy's rebuttal testimony on this issue.
9 I have listed on the graph all Evergy rate increases during the time period used.

10 This data is a comparison of bad debt as a percentage of revenues from 2007 through
11 2022 for Evergy Metro and 2001 through 2022 for Evergy West. This comparison is consistent
12 with the methodology Staff and Evergy have used to annualize bad debts based on current
13 annualized and normalized revenues. Evergy Metro's graph shows their eight most recent rate
14 increases, beginning with Case No. ER-2006-0314 ("2006 Rate Case"), and that each of these
15 rate increases did not result in a proportional change in bad debt. More specifically, the graph
16 shows that bad debts, as a percentage of revenues, decreased from 2007 through
17 December 2009. Beginning in 2010, the bad debt to revenue ratio increased before peaking in
18 June 2011 after which the bad debt percentage has experienced an overall downward trend until
19 mid-2019. Since then, bad debts have trended downward.

¹ The approximate time to "write-off" bad debts is six months. Therefore, bad debts in a given month relate to revenues six months prior. Staff's analysis through May 2022 updates bad debts that relate to November 2021 revenues.

1 On the Evergy West graph we can see that Case No. ER-2001-672 resulted in a rate
2 decrease, and as can be seen, bad debts increased during the following time period. Bad debts
3 subsequently decreased before leveling out from 2003 through mid-2009. Case No. ER-2009-
4 0090 resulted in a rate increase, and during part of the year following the rate increase, bad
5 debts actually decreased, coming to a low in March 2010. Since Case No. ER-2010-0356, after
6 peaking in June 2011, bad debts have steadily decreased with a spike in mid-2019 like Evergy
7 Metro and have since subsided.

8 Q. Is revenue tied to bad debt expense?

9 A. Yes, in the sense that in order to have bad debt, a company must have a source
10 of revenue. However, the level of revenue is not the primary driver of bad-debt expense. Other
11 factors, which are beyond the control of the utility, also drive levels of bad debt. One important
12 driver of bad debt expense is the overall condition of the local economy. The Evergy Metro
13 graph presented in Schedule KM-s2 shows a spike in the percentage of bad debt to revenue
14 between the quarters ended December 2009 to June 2011. During the same time, Evergy
15 Metro's customers were recovering from the recession of the US economy, which may have
16 contributed to the increase in bad debt.

17 Q. Would Staff require evidence of a perfect correlation between bad debt and
18 revenues to recommend the inclusion of a bad debt factor-up?

19 A. No. However, Staff's evidence shows not only lack of a *perfect* correlation, but
20 also lack of a general correlation. Again, Evergy has not presented an analysis of the correlation
21 of bad debts and revenues. Evergy's contention is that when revenues increase as a result of a
22 rate case, bad debts will increase proportionately. If that were true, I would expect the line
23 representing the ratio of bad debts and revenues to be relatively the same throughout the

1 analysis, perhaps being a somewhat straight line across the graphs presented. For example, if
2 the ratio of bad debts to revenues were 0.75% at one time period, one would expect the ratio to
3 fluctuate around that percentage, but not have any trends up or down. Staff's analyses do not
4 examine the change in bad debts or revenues dollars; they measure the change of the ratio
5 between the two. Even if bad debts were somewhat correlated, Evergy's proposed bad debt
6 factor-up, and similarly, late payment factor-up, are not known and measurable.

7 Q. How is the bad debt factor up not a "known and measurable" change in expense?

8 A. The anticipated effective date of rates in this case is December 6, 2022. The
9 revenue requirement authorized by the Commission, if any, will be collected in the following
10 12 months. Because of the bad debt expense lag, 12 months of bad debt expense related to the
11 increase in revenues will not be fully realized until six months after this date which is June 2024,
12 18 months beyond the operation of law date, and 25 months beyond the true-up date in this
13 case. Evergy's adjustments are intended to collect in rates expenses that may or may not be
14 fully realized 18 months past the effective date of rates. The level of bad debt expense
15 18 months past the effective date of rates is certainly not known and measurable.

16 Q. Should the results of Staff's approach to normalization of bad debts in its direct
17 filed case be considered to be known and measurable?

18 A. Yes. Staff's direct filed bad debt annualization captured the latest bad debts as
19 of the 12 months ending December 2021, which correspond with the actual revenues as of
20 June 2021. The ratio between the two is applied to the annualized, normalized revenues as of
21 December 2021. Bad debts and revenues are routinely included in the true-up process and will
22 be in this case also. Staff's method will capture the most up to date information as of May 2022,
23 the end of the true-up period.

1 Q. The Commission authorized Evergy Metro's request for a bad debt factor-up in
2 the 2006 Evergy Metro rate case. Why is that case not relevant to this current case?

3 A. The 2006 Evergy Metro rate case was its first in 20 years. There was no data
4 available that would confirm or deny whether or not bad debts increase with a general rate
5 increase. However, in examining the data and graphs for Evergy, the data shows that there is
6 no correlation between rate increases and bad debts for an extended period of time. The data
7 Staff reviewed does not support Evergy's assumptions, and does not support its adjustment to
8 factor up bad debt expense.

9 Q. Are there any other considerations regarding bad debt expense?

10 A. It is noteworthy that, to my knowledge, no other Missouri electric utility has
11 requested a bad debt factor up.

12 **TRANSOURCE INCENTIVES**

13 Q. Please describe this issue.

14 A. Staff and Evergy sponsor differing calculations of the adjustment amounts
15 ordered by the Commission in File No. EA-2013-0098.² The adjustment and the calculations
16 are described in detail in my direct testimony in this case, along with an explanation of
17 Transource Missouri, and the cumulative history of this adjustment.

18 To summarize, the Commission ordered in File No. EA-2013-0098 that the costs
19 allocated to Evergy Metro and Evergy West, separately, by the Southwest Power Pool ("SPP")
20 related to the Iatan-Nashua and Sibley-Nebraska City Projects should be adjusted. The

² In the Matter of the Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects.

1 adjustment is equal to the difference between the actual load ratio share of the annual FERC
2 authorized revenue requirement for the facilities, and the annual FERC authorized revenue
3 requirement for the facilities that would have resulted if Evergy's Missouri authorized ROE
4 and capital structure had been applied and there had been no FERC transmission rate incentives.

5 Mr. Flucke discusses Evergy's adjustment CS-108 calculation – “Transource
6 CWIP/FERC Incentives,” on pages 1-2 of his rebuttal testimony. This adjustment calculates
7 the difference between the annual transmission revenue requirements (“ATRR”) for the projects
8 transferred to Transource Missouri in File No. EO-2012-0367, and the ATRR for these projects
9 without FERC incentives. Staff reflected this adjustment with modifications for the assumed
10 cost of long-term debt, which I explained in my rebuttal testimony.

11 The value of this adjustment is as follows:

12

December 2021 Update	Evergy Adjustment (Total Company)	Staff Adjustment (Total Company)	Difference
Evergy Metro Adj. - Acct. 565	\$208,252	(\$74,126)	\$282,378
Evergy West Adj. - Acct. 565	\$120,641	(\$42,941)	\$163,582

13
14 Q. On page 2 of his rebuttal testimony, Mr. Flucke states “[i]t is highly unlikely
15 that Transource Missouri would have been able to acquire debt financing on as favorable terms
16 as it did without the rate incentives that FERC granted.” Do you agree with this statement?

17 A. I have no reason to disagree with the general premise of Mr. Flucke's statement,
18 although the statement is speculative as it is based on events that did not occur. However,
19 I would note that Mr. Flucke identifies a distinction between the circumstances of “debt
20 financing on favorable terms” and the rate incentives that FERC granted. The cost of debt,

1 regardless of favorability of the rate, is not a FERC incentive, and should not be reflected in
2 these adjustments.

3 Q. What are “FERC incentives,” and what incentives did Transource Missouri
4 request from FERC?

5 A. “FERC incentives” in this matter are transmission rate incentives for
6 membership in a RTO or for certain transmission projects. The incentives increase the amount
7 charged through formula rates for transmission service. As referenced by Mr. Flucke,
8 Transource Missouri received its transmission rate incentives and authorization for formula
9 rates in FERC Docket No. ER12-2554. In the *Order On Transmission Rate Incentives And*
10 *Formula Rate Proposal And Establishing Hearing Procedures* (“Order”), 141 FERC ¶61,075,
11 issued October 31, 2012, FERC ordered the following concerning incentives:

12 (A) Transource Missouri’s requests for CWIP, abandonment, and
13 regulatory asset incentives, a hypothetical capital structure, and a 50
14 basis point ROE adder for membership in an RTO for the Projects are
15 hereby conditionally granted, as discussed in the body of this order.

16
17 (B) Transource Missouri’s request for the 100 basis point ROE
18 adder for the risks and challenges of the Sibley-Nebraska City Project is
19 hereby conditionally granted, as discussed in the body of this order.

20 (C) Transource Missouri’s request for a single-issue filing
21 incentive is hereby denied, as discussed in the body of this order.

22
23 (D) Transource Missouri’s proposed formula rate and formula
24 rate implementation protocols are hereby accepted for filing and
25 suspended for a nominal period, to become effective October 30, 2012,
26 subject to refund, as discussed in the body of this order.

27 Cost of debt is not listed as a FERC incentive in the ordered list of FERC incentives in Docket
28 No. ER12-2554.

1 Q. What was the source of the adjustment and the specific language describing the
2 adjustment used in the Commission's *Report and Order* in File No. EA-2013-0098?

3 A. Presumably, the language is sourced from Paragraph II A. 1. on pages 4 – 5 of
4 the *Non-Unanimous Stipulation and Agreement* filed in File Nos. EA-2013-0098 and
5 EO-2012-0367,³ which were consolidated, filed on April 12, 2013, as this language is identical.

6 The FERC Order in Docket No. ER12-2554 was issued on October 31, 2012, well
7 before the April 12, 2013, *Non-Unanimous Stipulation and Agreement*, and consequently well
8 before the *Report and Order* dated August 7, 2013. If the parties to the *Non-Unanimous*
9 *Stipulation and Agreement* intended to include cost of debt differences in the stipulated
10 adjustment calculation, they would have done so with full knowledge of the actual FERC
11 incentives that were awarded. That was not the case as cost of debt differences are not listed in
12 either the *Non-Unanimous Stipulation and Agreement* or the *Report and Order* in File No.
13 EA-2013-0098.

14 The *Non-Unanimous Stipulation and Agreement* very clearly states that the costs
15 allocated to Evergy shall be adjusted by:

16 ...an amount equal to the difference between: (a) the SPP load ratio share
17 of the annual revenue requirement for such facilities that would have
18 resulted if KCP&L's [and GMO's] authorized ROE and capital structure
19 had been applied and there had been **no Construction Work in**
20 **Progress ("CWIP") (if applicable) or no other FERC Transmission**
21 **Rate Incentives**, including but not limited to Abandoned Plant
22 Recovery, recovery on a current basis instead of capitalizing pre-
23 commercial operations expenses and accelerated depreciation, applied to
24 such facilities; and (b) the SPP load ratio share of the annual FERC-
25 authorized revenue requirement for such facilities. KCP&L [and GMO]

³ In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for Approval To Transfer Certain Transmission Property to Transource Missouri, LLC and for Other Related Determinations.

1 will make this adjustment in all rate cases so long as these transmission
2 facilities are in service. [Emphasis added.]

3 Had the parties intended for cost of debt to be included as a difference in the calculations, they
4 could have used specific language to memorialize that, such as referring directly to the
5 difference between the cost of debt set by the FERC and Missouri regulatory commissions.
6 However, the parties agreed to the language the Commission ultimately approved.

7 **CAPITALIZED LONG TERM INCENTIVE COMPENSATION**

8 Q. On page 3 of his direct testimony, Mr. Klote recommends changes to your
9 adjustment for capitalized long term incentive compensation. Do you agree with his changes?

10 A. Yes. The changes account for the depreciation of the amounts booked to plant
11 in service. Staff has reflected the amounts in its true-up revenue requirement.

12 **JURISDICTIONAL ALLOCATIONS – EVERGY METRO ONLY**

13 Q. On page 5 of his rebuttal testimony, Mr. Wolfram states “the results matter more
14 than the method” in determination of the jurisdictional demand allocator. Do you agree?

15 A. No. Mr. Wolfram’s philosophy is tantamount to “results based auditing”,
16 which is to suggest beginning with the conclusion first and finding evidence to support
17 conclusions and ignoring controverting evidence with a preconceived bias. That is not Staff’s
18 approach. Staff’s method uses objective evidence and reasoning to support the conclusion that
19 a 4 Coincident Peak (“4CP”) demand allocator has and continues to be the most appropriate for
20 establishing Evergy Metro Missouri rates.

21 Using Wolfram’s methodology, Staff should presumably ignore evidence, for example,
22 that a three year average for overtime should be used in Missouri because the Kansas
23 Corporation Commission (“KCC”) ordered such, when use of the last known overtime data is

1 the most reasoned methodology given the facts and evidence in this particular proceeding. That
2 would not be sound ratemaking.

3 Q. Based on the testimony of Mr. Wolfram and Mr. Klote, what is the ultimate
4 result desired by the Company?

5 A. Evergy, through using the flawed Wolfram allocation methodology, and witness
6 Klote's request for a regulatory asset to compensate Evergy for the use of a flawed allocation
7 methodology, seeks to mitigate allocation differences that it has perpetuated and in part has
8 responsibility for creating.

9 Evergy has perpetuated the difference of jurisdictional allocation factors between
10 Missouri and Kansas since 2004. Evergy has now new proposals to fix its problems.

11 Q. How has Evergy perpetuated this problem?

12 A. Evergy agreed to the use of the 12CP methodology as a condition of the
13 *Stipulation and Agreement* in the Kansas Regulatory Plan. This agreement bound Evergy to
14 the 12CP methodology for the 2006, 2007, 2009, and 2010 Kansas rate cases. In the 2012
15 Kansas rate case, Evergy proposed the 4CP method through its witness, Larry W. Loos, an
16 engineer employed by the global engineering firm Black & Veatch. I attached his 2012 Kansas
17 rate case direct testimony to my rebuttal testimony in this case. Meanwhile, Evergy
18 unsuccessfully sought to use the 12CP methodology in Missouri.

19 Q. On page 4 of his rebuttal testimony, Mr. Wolfram notes the relatively small
20 difference between the various allocation methodologies. Why is this such an important issue
21 for the Commission to determine?

22 A. Although there is only a fractional difference in the allocator, the difference is
23 amplified when applied to billions of dollars of rate base investment. In the 2006 Rate Case,

1 the Commission found the 4CP method was superior to Evergy's 12CP method when the
2 difference was 47 basis points. Mr. Wolfram calculates a 56 basis point difference in his
3 rebuttal testimony.

4 Q. On page 7 of his rebuttal testimony, Mr. Wolfram recounts that 37 years ago,
5 Missouri was willing to compromise on this issue but Kansas was not. Is this true?

6 A. Yes. This method was used in Evergy's 1983 rate case. In that case, Case No.
7 ER-83-49, the Commission's *Report and Order* stated at page 50 that "DOE [Department of
8 Energy], Staff and the Company have agreed to use a four coincidental peak method to develop
9 the Missouri jurisdictional demand allocation factor."

10 Evergy⁴ proposed in the 1985 Wolf Creek rate case a 4 CP method for production and
11 transmission jurisdictional allocators. Staff proposed a 1 CP method for these assets in that
12 case. The Commission adopted Evergy's use of the 4 CP method of allocations. The
13 Commission's *Report and Order* in Case Nos. ER-85-128 and EO-85-185 stated the following:

14 Company asserts that 4CP is the appropriate allocation method since it
15 represents a compromise position between what it views as two
16 extremes: the 1CP approach taken by the Missouri Staff and the 12 CP
17 approach taken by the Kansas Corporation Commission Staff. In
18 addition, Company argues that 4CP better reflects the duration of the
19 Company's summer peak load resulting in cost allocation stability.
20 Finally, KCPL asserts that the 4CP method allocates non-fuel production
21 costs without the need to classify those costs as demand or energy
22 related.

23

24 In the instant case, the Commission has only two proposals before it and
25 both are peak responsibility methods. The Commission cannot adopt
26 Staff's 1CP method in this case. The Commission stated in this
27 Company's rate design investigation:

28
29 The coincidental peak method is the least equitable of the
30 peak responsibility methods proposed in that it places

⁴ At that time, and until 2018, Evergy Metro did business as Kansas City Power & Light ("KCPL").

1 total dependence on the single hour of system peak
2 demand. Re: Kansas City Power & Light Company, 25
3 Mo. P.S.C. (N.S.) 605, 614 (1983).
4

5 **The Commission determines that the 4CP method as proposed by**
6 **the Company should be used for purposes of this case since the**
7 **utilization of multiple peaks does recognize some plant usage**
8 **occurring at times other than the single system peak.**
9

10 Based on the foregoing the Commission determines that the production
11 and transmission allocators to be used for purposes of this case shall be
12 65.78[%] and 59.89[%] respectively.
13 [Emphasis added.]

14 In a direct response to Mr. Wolfram: yes, Missouri has compromised on this matter, while
15 Kansas has not.

16 Q. On pages 15-24 of his rebuttal testimony, Mr. Klote discusses Evergy's request
17 to defer a portion of the impact of Winter Storm Uri. Should the Commission adopt Evergy's
18 recommendation?

19 A. No. This is another attempt to have Missouri ratepayers compensate Evergy for
20 allocation issues that Evergy created. The use of the "Unused Energy Allocator" in Kansas
21 creates a disparity in the allocation of off-system sales revenues. As described in Mr. Klote's
22 rebuttal testimony, and Evergy's witnesses in the Winter Storm AAO Case No. EU-2021-0283,
23 the differences in allocation methods result in Evergy returning a credit of approximately 107%
24 of off-system sales revenues. This difference was exacerbated by the extreme circumstances
25 created by Winter Storm Uri. Staff witness Kimberly K. Bolin also addresses the deferral issue
26 in her surrebuttal testimony.

27 Q. Describe the "Unused Energy Allocator" and the history of its use.

1 A. The Unused Energy Allocator, used in Kansas and not in Missouri, is derived
2 from the Demand and Energy allocators. It is applied to off-system sales revenue, and is
3 calculated by subtracting the actual energy usage from the “available energy”. The available
4 energy is defined as the average of the 12 coincident peak demands multiplied by the total hours
5 in the test period.

6 Eergy first supported the Unused Energy Allocator in the 2006 Rate Case and in its
7 2006 Kansas rate case. The Commission rejected this allocation methodology in its *Report and*
8 *Order* in Case No. ER-2006-0314:

9 Staff recommends that the Commission continue to use the
10 energy allocator for revenues from non-firm off-system sales of energy,
11 including the margin component thereof. This is the time-tested and
12 widely accepted method for allocating such revenues in this state
13 because it is appropriate for allocating revenues and associated costs that
14 are purely variable with the amount of energy sold.

15 The Staff opposes the Company’s proposal, which would shift
16 some \$4.4 million in revenues from KCPL’s Missouri jurisdiction to its
17 Kansas jurisdiction. Other parties, such as OPC, Praxair, MIEC, and
18 DOE, support the traditional energy allocation mechanism proposed by
19 the Staff.
20

21 The Commission finds that the competent and substantial
22 evidence supports Staff’s position, and finds this issue in favor of Staff.
23 A primary concern is the underlying philosophy implied by utilization of
24 the unused energy allocator. Specifically, the unused energy allocator
25 rewards the lower load factor of KCPL’s Kansas retail jurisdiction by
26 allocating a greater percentage of the profit from non-firm off-system
27 sales to that jurisdiction. Load Factor is average energy usage divided
28 by peak demand. The higher the load factor, the closer the average load
29 is to peak demand. The lower load factor of KCPL’s Kansas jurisdiction
30 causes the Company to build higher energy cost combustion turbines,
31 which provide KCPL with less opportunity to make off-system sales.
32

33 ***

34 ... Yet, KCPL proposes to allocate a greater proportion of the off-
35 system sales margin to the lower load factor Kansas jurisdiction. Thus,
36 use of the unused energy allocator creates a possible disincentive to
37

1 implement projects aimed at increasing load factor. Furthermore,
2 application of the unused energy allocator ignores the fact that, thanks to
3 Missouri's higher load factor, Kansas is already benefiting to a greater
4 extent than Missouri from a lower overall cost of energy.

5 ***

6 This Report and Order sets KCPL's Missouri rates at a just and
7 reasonable level; any assignment of off-system sales margin away from
8 Missouri using KCPL's proposed allocator would result in a windfall for
9 KCPL shareholders. Thus, the Commission will reject KCPL's novel
10 unused energy allocator, and will use the energy allocator proposed by
11 Staff and other parties.

12 [several footnotes omitted]

13 Evergy's 2006 Kansas rate case was settled with no mention of the Unused Energy
14 Allocator. Less than three months after the KCC and MPSC rate orders, Evergy sought to
15 dissuade the KCC from using the Unused Energy Allocator in its 2007 Kansas rate case.

16 In response to KCC staff witnesses supporting the Unused Energy Allocator, Evergy
17 witness Chris B. Giles testified the following in his rebuttal testimony in the 2007 Kansas rate
18 case, the relevant portion of which I have attached as Schedule KM-s5:

19 Q: What is the second issue Mr. Holloway raises that you would like
20 to address.

21
22 A: Mr. Holloway, as well as Staff witness Justin Grady, advocates
23 the use of an Unused Energy allocator ("UE 1") to allocate OSS
24 margins to KCPL's Kansas customers.

25
26 Q: Why do you take issue with this recommendation? Didn't KCPL
27 advocate the use of this allocator in its last case?

28
29 A: Yes, the Company did. However, KCPL's proposal was unique
30 and to my knowledge, not utilized anywhere else in the country.
31 It was not KCPL's intent to create yet another allocation issue
32 between the states of Missouri and Kansas. **Obviously, changing**
33 **allocation methods results in more or less benefit or cost**
34 **allocated to one state or the other. This could result in**
35 **unrecovered costs or benefits greater than actual.** Because
36 this approach has never been utilized by Missouri or Kansas,
37 KCPL believes it is appropriate to continue the same allocation

1 as has been used by both states for at least the past 40 years.
2 Company witness Tim M. Rush discusses the details of this issue
3 in his Rebuttal Testimony.
4 [Giles rebuttal, page 11, KCC Docket No. 07-KCPE-905-RTS,
5 Emphasis added.]

6 Everygy witness Tim M. Rush elaborated on the flawed use of the Unused Energy Allocator in
7 his rebuttal testimony, the relevant portion of which I have attached as Schedule KM-s6:

8 Q: Why did KCPL propose this allocation methodology in its 2006
9 rate case but not in the current docket?

10
11 A: The Company proposed the UE [unused energy] allocation
12 methodology in the last rate case for several reasons. First, at the
13 time of the filing, KCPL believed that it was the appropriate
14 allocation factor for addressing off-system sales margins. In both
15 the Kansas and Missouri rate cases, the Company was
16 specifically addressing the issue of risks associated with off-
17 system sales margins. The Company has not found any utility,
18 Commission or state that used an allocation factor similar to the
19 UE allocation methodology, but in the 2006 rate cases, the
20 Company felt at that time that the method, if accepted by both
21 Kansas and Missouri, would be a reasonable allocation method
22 for off-system sales margins. The Company was not
23 recommending an ECA in either state at that time.
24

25 As Mr. Holloway reports in his Direct Testimony (page
26 21), the Missouri Public Service Commission ("MPSC") rejected
27 "KCPL's novel unused energy allocator". The MPSC found that
28 "application of the unused energy allocator ignores the fact that,
29 thanks to Missouri's higher load factor, Kansas is already
30 benefiting to a greater extent than Missouri from a lower overall
31 cost of energy." *Kansas City Power & Light Company*, Report
32 and Order, at p. 39, MPSC Case No. ER-2006-0314 (issued
33 December 21, 2006).
34

35 Because the UE allocator was not accepted by the MPSC,
36 and because no other states were found to be using this
37 methodology, KCPL does not propose to adopt the allocation
38 method solely in Kansas. **If this allocation methodology is
39 adopted solely in Kansas, it will create a total allocation
40 between jurisdictions that is greater than the off-system sales
41 margins actually received by the Company. This will create
42 a gap of un-recovered costs for KCPL.**

1
2 Q: Is it true that Kansas customers may benefit from lower energy
3 costs as a result of the benefits provided by Missouri having a
4 higher load factor.
5

6 A: Yes, it is. Essentially, the argument to use the UE allocator
7 methodology only looks at one component of the equation for
8 establishing rates for allocating fuels, purchased power and
9 revenues from off-system sales. **Because of the higher load
10 factor in Missouri and applying an allocation methodology
11 for fuel and purchased power costs based on an energy
12 allocator, it is very likely that Kansas customers benefit over
13 Missouri.**

14 [Rush rebuttal, pages 13-15, KCC Docket No. 07-KCPE-905-
15 RTS, Emphasis added.]

16 Everygy ultimately agreed to the use of the Unused Energy Allocator in the Stipulation and
17 Agreement in the 2007 Kansas rate case. In its order regarding that case, the KCC relied on
18 KCPL's agreement of this allocation methodology on page 13, which I have attached as
19 Schedule KM-s7:

20 26. Treatment of off-system sales facilitated Staff's acceptance
21 of the overall revenue increase because it made a significant
22 difference in the amount of off-system sales credits. The off-system
23 sales margin component of the proposed ECA will flow through the
24 off-system sales margins at the 50th percentile level, which will give
25 customers approximately \$11 million more in off-system sales
26 credits than originally anticipated, assuming current forecasts
27 remain. Also, the parties agreed to the Unused Energy allocator
28 proposed by KCPL in the last rate case, which recognizes the
29 contribution of unused energy available from the generation
30 capacity assigned to each jurisdiction. In effect, this will
31 compensate ratepayers that pay for the unused generation capacity
32 when that capacity is available for off-system sales. Finally, the
33 Commission will formally review the process by which KCPL
34 classifies asset-based and non-asset-based off system sales; only
35 asset-based sales will be credited to ratepayers through the ECA.
36 Low, 6-8.

1 The KCC also ordered the use of the Unused Energy Allocator in the 2010 Kansas rate case
2 against Evergy's recommendation. I have attached the relevant portion of the order as
3 Schedule KM-s8. In that case, Evergy Metro retained Larry W. Loos, whose testimony
4 I attached to my rebuttal testimony in this case. I have attached his rebuttal testimony filed in
5 the 2010 Kansas rate case as Schedule KM-s9 to my surrebuttal testimony. Mr. Loos opposed
6 the Kansas use of the Unused Energy Allocator. His testimony addresses the various arguments
7 against its use.

8 Q. What did the Commission find concerning the Unused Energy Allocator in the
9 2010 KCPL Rate Case?

10 A. On page 133, the Commission found the following:

11 387. Interestingly, KCP&L now recognizes the same flaws in the
12 unused energy allocator expressed by this Commission in its 2006 Order.
13 As KCP&L's witness in Kansas recently acknowledged:

14
15 I believe that KCP&L proposed the unused energy allocator
16 without sufficient study of its implications and
17 reasonableness. Since the unused energy allocator allocates
18 more off-system sales margins (and hence, lower overall
19 costs) to the Kansas jurisdiction, the other parties may not
20 have devoted the resources to study its reasonableness.
21 Based on the analysis that I present here, I believe that the
22 unused energy allocator is not an appropriate method for
23 allocating off-system sales margins.

24 [footnote omitted]

25
26 388. Given the flawed nature of the unused energy allocator,
27 KCP&L asked the Kansas Commission to discontinue its use. The
28 Kansas Commission recognized, however, the beneficial nature of the
29 unused energy allocator to Kansas ratepayers.

30
31 389. As such, the Kansas Commission recently rejected
32 KCP&L's request to eliminate the unused energy allocator.

33
34 390. The practical effect of the different allocators in Missouri
35 and Kansas is not inconsequential. As KCP&L witnesses testified, this

1 difference, caused by KCP&L proposing the unused energy allocator
2 “without sufficient study,” has now created a disincentive for KCP&L to
3 engage in off-system sales.
4

5 By that, I mean that for every dollar of off-system sales margin
6 that the Company makes from selling off-system sales, it costs
7 the Company one dollar and five cents, or a loss of five cents on
8 the dollar. **This does not make any sense, and serves as an**
9 **economic disincentive for the Company to pursue off-system**
10 **sales.** [multiple footnotes omitted, Emphasis Added.]

11 Q. In the 2006 Rate Case, the Commission found the use of the Unused Energy
12 Allocator ignored Missouri’s better load factor. What is “load factor?”

13 A. The load factor capability of an electric system like Evergy Metro’s is a measure
14 of the efficiency of the use of the physical facilities. More specifically, it is the measure of
15 output of the system to peak demand during a specific period of time, either monthly or, more
16 typically, on an annual basis. Load factor is expressed as a percentage. The higher the load
17 factor, the more efficient the system is. An electric utility like Evergy Metro, serving three
18 different jurisdictions, Missouri retail, Kansas retail and FERC wholesale, has separate load
19 factors for each jurisdiction. Historically, Missouri has had the best load factor; therefore, it is
20 Evergy Metro’s most efficient operation compared to the other two jurisdictions.

21 Q. Why does Missouri have a better load factor than Kansas?

22 A. Missouri has a better “mix” of customers between the different rate classes than
23 does Kansas. Evergy Metro’s Missouri operations comprises a more diverse mix of residential,
24 commercial and industrial (large users) classes of customers that allows a more efficient use
25 of its facilities, resulting in lower overall costs. Missouri has a better mix of small, medium
26 and large customers that provide better use of Evergy Metro’s facilities, resulting in a higher
27 load factor.

Surrebuttal/True-Up Direct
Testimony of
Keith Majors

1 Q. Has Missouri had a better load factor than Kansas in the past?

2 A. Yes. Since at least the early 1980s, Missouri has had the better load factor of the
3 two states.

4 Q. Are there benefits to having a better load factor?

5 A. Yes. Missouri benefits by having more efficient operations. The more efficient
6 operations result in lower costs to serve Missouri customers, but Evergy Metro's customers in
7 the other two jurisdictions also enjoy lower costs as a result of Missouri's relatively high load
8 factor. The reasons for the lower costs to serve Missouri customers is the better utilization of
9 generating and transmission facilities, resulting in better than average system costs related to
10 these facilities.

11 Q. How do Kansas retail and FERC wholesale customers benefit from Missouri's
12 lower than average system costs?

13 A. Since Missouri has lower than average system fuel costs than the other two
14 Evergy Metro jurisdictions, the energy allocation factor used by Evergy Metro assigns the
15 benefits of Missouri's lower fuel costs among all jurisdictions. Thus, Kansas, with a lower load
16 factor than Missouri, benefits from Missouri's higher load factor because of the way fuel and
17 purchased power costs are allocated to the various jurisdictions using the energy allocation
18 factor. The FERC wholesale customers benefit in the same way.

19 Q. How do Kansas retail and FERC wholesale benefit from Missouri's relatively
20 high load factor?

21 A. The answer lies in how fuel and purchased power costs are determined in an
22 electric rate case. Utilities, as well as other parties including Staff, use a computer generation
23 units model called a production cost model (commonly referred to as a fuel model) to simulate

1 the operations of the utility's generating units in the production of electricity to meet the utility's
2 system load requirements.

3 The electric loads of the total company system are met by producing and/or purchasing
4 power. The fuel model determines the optimal way to meet the system load requirements using
5 a set of assumptions and inputs. The fuel model identifies the least cost generation or purchases
6 to meet the next block of demand of electricity. This process is known as joint dispatch. Since
7 the fuel model is developed on a company-wide basis to meet the entire system demand, an
8 allocation method must be used to assign fuel costs to each jurisdiction.

9 Q. Does the use of joint dispatch for the system result in efficiencies?

10 A. Yes. All three jurisdictions benefit from operating the system on a "joint" basis.
11 The generating and purchasing decisions can be made to maximize the benefit to all three
12 operating service areas when all the system load requirements are considered together.
13 However, the jurisdiction with the best system load factor (in this case, Missouri) provides the
14 benefit to the other two jurisdictions, (in this case, Kansas retail, and FERC wholesale) because
15 Missouri's average costs are lower than the total system average costs. In other words, Kansas
16 retail and FERC wholesale benefit from Missouri retail's higher load factor. Missouri retail,
17 with its better load factor, could use Evergy Metro's generating fleet more efficiently if it were
18 a stand-alone system. Missouri's more efficient operations benefit Kansas retail and FERC
19 wholesale customers by lowering the overall fuel and purchased power costs, which would
20 otherwise be higher on average than Missouri's.

21 Q. What have the recent load factors been for Evergy Metro?

22 A. They are in the following table:

Jurisdiction	2018	2019	2020	2021
Missouri	59%	58%	59%	55%
Kansas	47%	46%	47%	47%
FERC	55%	53%	52%	51%

Missouri clearly has the higher load factor and is a more efficient user of the system in this regard.

Q. Please summarize the facts under consideration to reject Evergy Metro's request to defer impacts from Winter Storm Uri.

A. Evergy Metro's proposal is nothing less than a backdoor way of re-litigating the use of the Unused Energy Allocator. The use thereof has created the allocation disparity magnified by Winter Storm Uri. The Commission clearly rejected the use of this method, which rewards Kansas for having a lower energy factor and consequently a less efficient system. At least two Evergy witnesses and an outside expert from Black & Veatch have testified against the use of this flawed allocator yet Kansas has ordered its use. Missouri has a better load factor and therefore a more efficient system. Missouri should not be responsible for fixing problems created by Evergy Metro or compensating for them.

EVERGY METRO AND EVERGY WEST RATE COMPARISON

Q. On page 24 of his rebuttal testimony, Mr. Ives discusses the rate case history and rate comparison of Evergy Metro and West. How many rate increases has Evergy Metro received since 2006?

A. Evergy Metro has received seven rate increases and one decrease, due primarily to the 2017 Tax Cuts and Jobs Act, with this being the ninth rate case. Below are the rate changes, amounts requested, amounts authorized, and effective date of rates:

Surrebuttal/True-Up Direct
 Testimony of
 Keith Majors

1

Date Filed	Amount Requested	Amount Authorized	Effective Date of Rates
February 1, 2006 ER-2006-0314	\$57 million, 11.5% increase	\$50.6 million, 10.2% increase	January 1, 2007
February 1, 2007 ER-2007-0291	\$45 million, 8.3% increase	\$35.3 million, 6.5% increase	January 1, 2008
September 5, 2008 ER-2009-0089	\$101 million, 17.5% increase	\$95 million, 16.5% increase	September 1, 2009
June 4, 2010 ER-2010-0355	\$92.1 million, 13.8% increase	\$34.8 million, 5.2% increase	May 4, 2011
February 27, 2012 ER-2012-0174	\$105 million, 15.1% increase	\$67.4 million, 9.7% increase	January 26, 2013
October 30, 2014 ER-2014-0370	\$120.9 million, 15.8% increase	\$89.6 million, 11.8% increase	September 29, 2015
July 1, 2016 ER-2016-0285	\$90.1 million, 10.8% increase	\$32.5 million, 3.9% increase	June 8, 2017
January 30, 2018 ER-2018-0145	\$16.4 million, 1.88% increase	(\$21.1) million, 2.4% decrease	December 6, 2018
January 7, 2022 ER-2022-0129	\$47.6 million, 5.65% increase	Pending	Pending

2

3 Q. How do Evergy Metro’s rates compare to the regional average and the Missouri
 4 average?

5 A. Staff compared the average rates using the Edison Electric Institute’s (“EEI”)
 6 Typical Bills and Average Rates Report updated through Winter 2020, which includes calendar
 7 2019 data. The tables below detail the comparative rates for Missouri and Kansas retail rates:

8

9

10

11

12 *continued on next page*

MISSOURI RETAIL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011
Evergy Metro-Missouri	10.73	10.97	11.16	10.42	9.34	8.89	8.78	8.23	8.01
Evergy West	9.52	9.64	9.61	9.60	9.93	9.56	9.51	9.48	9.31
GMO - L&P	*	*	*	9.13	9.35	9.14	9.10	8.49	7.34
Ameren Missouri	8.44	8.91	8.85	8.62	8.53	8.02	8.12	7.36	7.16
Empire- Missouri	**	12.15	11.70	11.27	11.09	11.00	10.65	10.35	10.07
Missouri Average	9.02	9.38	9.55	9.23	9.01	8.56	8.58	7.96	7.72

*GMO – L&P rates consolidated with Evergy West

**Empire rates not listed in report

Source: EEI Ratebooks

KANSAS RETAIL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011
KCPL- Kansas	11.54	11.99	11.83	11.60	10.99	10.40	10.42	9.87	9.43
Empire - Kansas	**	10.39	10.46	10.21	10.76	10.39	10.15	10.48	10.11
Westar Energy - KGE	9.07	9.36	9.92	9.92	9.43	9.54	8.87	8.42	7.90
Westar Energy - KPL	10.90	10.32	10.73	10.63	10.06	10.17	9.42	8.99	8.28
Kansas Average	10.37	10.38	10.69	10.60	10.06	9.99	9.46	9.00	8.43

REGIONAL RETAIL AVERAGE RATES—CENTS PER KWH

	2019	2018	2017	2016	2015	2014	2013	2012	2011
West North Central	9.44	9.54	9.55	9.23	8.95	8.7	8.56	8.06	7.82
United States Average	10.70	10.79	10.85	10.61	10.71	10.73	10.37	10.09	10.09

Attached as Schedule KM-s10 are updated tables to include 2019 for residential, commercial and industrial customer rates for period 2005 to 2019 with all Commission regulated electric utilities, as well as Kansas electric rates.

Q. How many rate increases has Evergy West received since 2006?

Surrebuttal/True-Up Direct
 Testimony of
 Keith Majors

A. Evergy West has received five rate increases, and one decrease due primarily to the 2017 Tax Cuts and Jobs Act, with this being the seventh rate case since 2006. Below are the rate increases, amounts requested, amounts authorized, and effective date of rates:

Date Filed Case No.	MPS [Evergy Metro] Amount Requested	MPS Amount Authorized	L&P Amount Requested	L&P Amount Authorized	Effective Date of Rates
July 3, 2006 ER-2007-0004	\$94.5 million 22.0% increase	\$45.3 million 11.6% increase	\$22.4 million 22.1% increase	\$13.6 million 12.79% increase	June 3, 2007
September 5, 2008 ER-2009-0090	\$66.0 million 14.4% increase	\$48.0 million 10.46% increase	\$17.1 million 13.6% increase	\$15.0 million 11.85% increase	September 1, 2009
June 4, 2010 ER-2010-0356	\$75.8 million 14.4% increase	\$35.7 million 7.2% increase	\$22.1 million 13.9% increase	\$22.1 million 13.9% increase ⁵	June 25, 2011
February 27, 2012 ER-2012-0175	\$58.3 million 10.9% increase	\$26.2 million 4.9% increase	\$25.2 million 14.6% increase	\$21.7 million 12.7% increase	January 26, 2013
February 23, 2016 ER-2016-0156	\$59.3 million 8.2% increase	\$3.0 million 0.41% increase	Consolidated	Consolidated	February 22, 2017
January 30, 2018 ER-2018-0146	\$19.3 million 2.61% increase	(\$24.0) million 3.22% decrease	Consolidated	Consolidated	December 6, 2018
January 7, 2022 ER-2022-0129	\$59.8 million 8.31% increase	Pending	Consolidated	Consolidated	Pending

TRUE-UP ADJUSTMENTS

Q. What true-up adjustments do you sponsor?

A. I sponsor the adjustments for the annualized level of bad debt included in the revenue requirement of Evergy Metro and Evergy West. The bad debts are based on the actual bad debts as of May 31, 2022, as percentage of annualized revenues.

I have also calculated allocation factors as appropriate based on plant and reserve amounts as of May 31, 2022.

⁵ L&P rate increase phased-in, full amount was \$29.8 million.

Surrebuttal/True-Up Direct
Testimony of
Keith Majors

1 Q. Did you adjust late payment fees for the true-up?

2 A. No. I recommend inclusion of a two year average of 2018 and 2019 late payment
3 fees. Evergy has not reinstated late payment fees for any of its Missouri tariff customers. It is
4 uncertain when Evergy will reinstate these fees.

5 Q. Does this conclude your testimony?

6 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

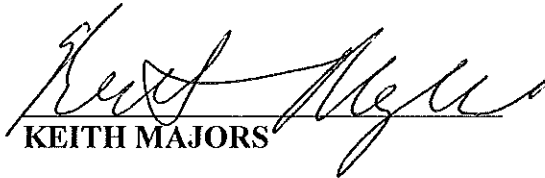
In the Matter of Evergy Missouri West, Inc.)
d/b/a Evergy Missouri West’s Request for) Case No. ER-2022-0130
Authority to Implement a General Rate)
Increase for Electric Service)

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW KEITH MAJORS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal / True-Up Direct Testimony of Keith Majors*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


KEITH MAJORS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, Mo. on this 11th day of August 2022.


Notary Public



M. RIDENHOUR
My Commission Expires
July 22, 2023
Platte County
Commission #19603483

Evergy Metro
Case No. ER-2022-0129
12 Month Missouri Bad Debts, Quarterly Rolling Percentage

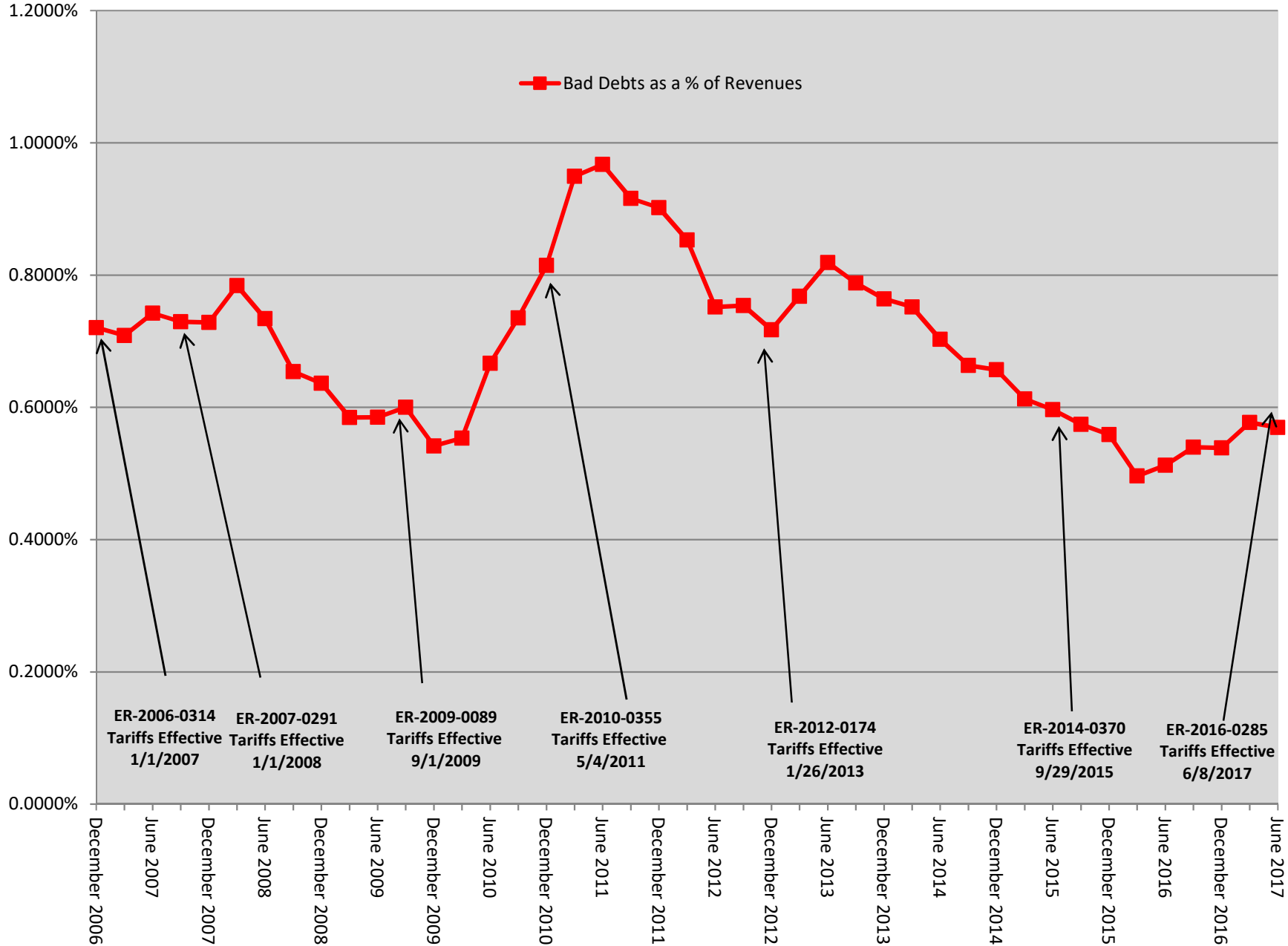
12 Month Ending Period (revenues)	Missouri Retail Revenue 12 months w/o GRT	Missouri Bad Debt Net Write-Offs (6 month lag)	Percentage of Bad Debt to Revenue
December 2006	492,140,769	3,546,204	0.7206%
March 2007	507,095,134	3,594,575	0.7089%
June 2007	516,083,947	3,832,281	0.7426%
September 2007	539,505,123	3,935,219	0.7294%
December 2007	551,830,395	4,020,527	0.7286%
March 2008	561,462,800	4,403,123	0.7842%
June 2008	568,882,999	4,177,737	0.7344%
September 2008	564,799,858	3,694,852	0.6542%
December 2008	569,555,248	3,624,737	0.6364%
March 2009	568,045,706	3,322,416	0.5849%
June 2009	565,955,766	3,312,011	0.5852%
September 2009	562,169,199	3,374,983	0.6004%
December 2009	585,976,917	3,174,646	0.5418%
March 2010	610,243,594	3,377,818	0.5535%
June 2010	639,787,992	4,265,521	0.6667%
September 2010	683,381,160	5,024,114	0.7352%
December 2010	681,631,779	5,552,152	0.8145%
March 2011	679,312,182	6,450,776	0.9496%
June 2011	684,113,872	6,618,256	0.9674%
September 2011	693,749,448	6,355,208	0.9161%
December 2011	703,138,515	6,342,439	0.9020%
March 2012	705,180,375	6,017,243	0.8533%
June 2012	713,037,343	5,361,254	0.7519%
September 2012	710,890,670	5,359,860	0.7540%
December 2012	707,647,709	5,075,112	0.7172%
March 2013	721,577,000	5,541,237	0.7679%
June 2013	727,347,225	5,957,002	0.8190%
September 2013	736,912,009	5,808,789	0.7883%
December 2013	753,636,672	5,756,956	0.7639%
March 2014	762,583,061	5,733,745	0.7519%
June 2014	764,381,781	5,372,145	0.7028%
September 2014	760,840,270	5,048,346	0.6635%
December 2014	764,449,783	5,022,567	0.6570%
March 2015	764,188,012	4,681,653	0.6126%
June 2015	762,709,339	4,548,852	0.5964%
September 2015	773,681,505	4,443,642	0.5744%
December 2015	804,450,315	4,495,096	0.5588%
March 2016	821,826,797	4,078,015	0.4962%
June 2016	857,505,282	4,395,865	0.5126%
September 2016	895,713,460	4,834,388	0.5397%
December 2016	905,903,177	4,880,595	0.5388%
March 2017	910,205,134	5,253,121	0.5771%
June 2017	914,311,268	5,207,130	0.5695%
September 2017	924,037,188	5,478,867	0.5929%
December 2017	929,442,472	4,584,164	0.4932%
March 2018	945,988,296	6,277,659	0.6636%
June 2018	940,840,117	8,666,116	0.9211%
September 2018	936,975,950	9,244,950	0.9867%
December 2018	931,128,044	10,906,718	1.1713%
March 2019	931,590,638	12,994,168	1.3948%

Evergy Metro
Case No. ER-2022-0129
12 Month Missouri Bad Debts, Quarterly Rolling Percentage

12 Month Ending Period (revenues)	Missouri Retail Revenue 12 months w/o GRT	Missouri Bad Debt Net Write-Offs (6 month lag)	Percentage of Bad Debt to Revenue
June 2019	927,417,932	9,949,389	1.0728%
September 2019	925,681,094	8,578,435	0.9267%
December 2019	908,398,912	7,136,472	0.7856%
March 2020	893,648,404	3,350,684	0.3749%
June 2020	884,766,622	3,803,517	0.4299%
September 2020	866,710,921	3,741,138	0.4316%
December 2020	858,591,606	3,461,426	0.4032%
March 2021	826,744,208	3,560,498	0.4307%
June 2021	830,776,918	3,988,499	0.4801%
November 2021	842,386,536	4,923,714	0.5845%

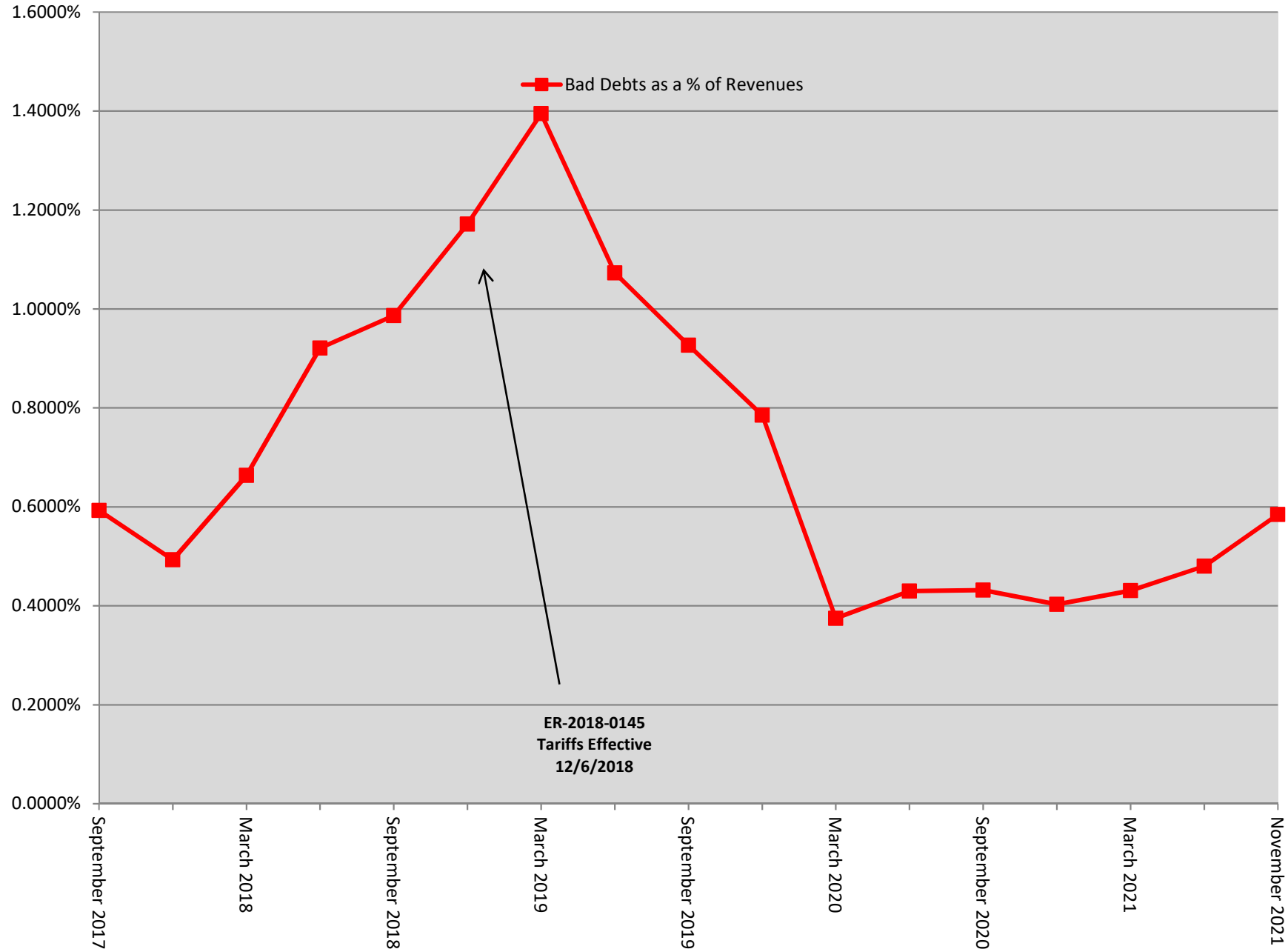
Evergny Metro - Bad Debt Analysis - 12 Month Bad Debts, Quarterly Rolling % December 2006 through June 2017

MO Retail Revenues %



Evergy Metro - Bad Debt Analysis - 12 Month Bad Debts, Quarterly Rolling % September 2017 through November 2021

MO Retail Revenues %



Evergy West - CORRECTED
Case No. ER-2022-0130
12 Month Missouri Bad Debts, Quarterly Rolling Percentage

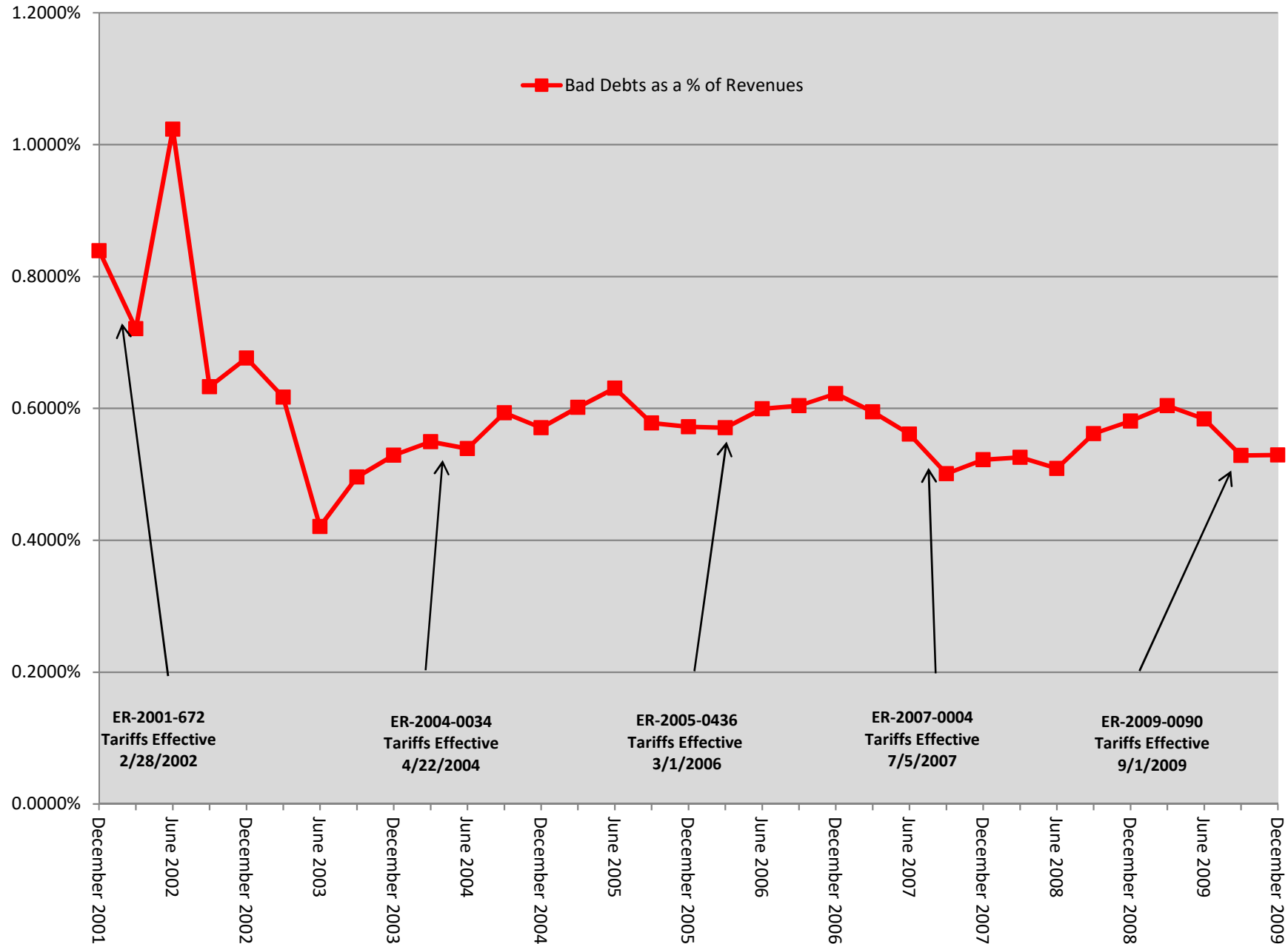
12 Month Ending Period (revenues)	Bad Debt Net Write-Offs (6 month lag)	Retail Revenue	Percentage of Bad Debt to Revenue
December 2001	3,183,543	379,363,474	0.8392%
March 2002	2,726,830	378,228,116	0.7209%
June 2002	3,931,433	384,145,097	1.0234%
September 2002	2,475,613	391,089,183	0.6330%
December 2002	2,664,880	394,094,520	0.6762%
March 2003	2,465,590	399,460,475	0.6172%
June 2003	1,661,075	394,557,803	0.4210%
September 2003	1,965,930	396,404,327	0.4959%
December 2003	2,108,692	398,597,540	0.5290%
March 2004	2,205,221	401,286,663	0.5495%
June 2004	2,233,529	414,309,978	0.5391%
September 2004	2,461,016	414,718,282	0.5934%
December 2004	2,416,044	423,246,000	0.5708%
March 2005	2,596,918	431,569,081	0.6017%
June 2005	2,749,682	435,849,952	0.6309%
September 2005	2,614,359	452,363,207	0.5779%
December 2005	2,614,853	457,036,586	0.5721%
March 2006	2,628,115	460,415,408	0.5708%
June 2006	2,849,824	475,268,812	0.5996%
September 2006	2,948,451	488,111,680	0.6041%
December 2006	3,124,002	501,811,645	0.6225%
March 2007	3,047,066	512,338,527	0.5947%
June 2007	2,921,395	520,765,956	0.5610%
September 2007	2,837,693	566,405,396	0.5010%
December 2007	3,027,213	579,725,073	0.5222%
March 2008	3,178,865	604,524,714	0.5258%
June 2008	3,163,558	621,615,414	0.5089%
September 2008	3,185,135	567,158,426	0.5616%
December 2008	3,336,154	574,289,779	0.5809%
March 2009	3,478,782	575,758,852	0.6042%
June 2009	3,357,271	574,751,145	0.5841%
September 2009	3,182,080	602,030,987	0.5286%
December 2009	3,289,411	621,341,508	0.5294%
March 2010	2,840,502	643,474,067	0.4414%
June 2010	3,380,993	668,504,859	0.5058%
September 2010	4,183,863	712,526,557	0.5872%
December 2010	4,138,506	707,148,833	0.5852%
March 2011	4,840,680	704,880,961	0.6867%
June 2011	4,976,499	699,984,500	0.7109%
September 2011	4,374,450	717,476,950	0.6097%
December 2011	4,613,555	714,514,273	0.6457%
March 2012	4,251,317	703,467,023	0.6043%
June 2012	4,044,993	719,653,784	0.5621%
September 2012	4,210,673	720,756,155	0.5842%
December 2012	3,495,818	726,393,750	0.4813%
March 2013	4,286,140	750,843,009	0.5708%

Evergry West - CORRECTED
Case No. ER-2022-0130
12 Month Missouri Bad Debts, Quarterly Rolling Percentage

12 Month Ending Period (revenues)	Bad Debt Net Write-Offs (6 month lag)	Retail Revenue	Percentage of Bad Debt to Revenue
June 2013	4,056,237	750,225,639	0.5407%
September 2013	3,791,278	744,413,258	0.5093%
December 2013	4,199,323	761,525,732	0.5514%
March 2014	3,574,854	784,934,518	0.4554%
June 2014	3,686,031	797,658,056	0.4621%
September 2014	3,630,078	793,816,901	0.4573%
December 2014	3,370,417	802,844,816	0.4198%
March 2015	3,339,835	777,388,409	0.4296%
June 2015	3,094,641	761,287,769	0.4065%
September 2015	3,087,482	764,850,611	0.4037%
December 2015	2,969,970	745,003,484	0.3987%
March 2016	2,580,181	738,474,721	0.3494%
June 2016	2,447,713	741,047,291	0.3303%
September 2016	2,568,514	746,149,634	0.3442%
December 2016	2,487,211	755,717,407	0.3291%
March 2017	2,716,019	760,587,871	0.3571%
June 2017	2,668,221	765,107,591	0.3487%
September 2017	2,835,159	766,608,555	0.3698%
December 2017	2,188,888	773,336,558	0.2830%
March 2018	2,967,491	781,971,246	0.3795%
June 2018	3,725,025	784,463,712	0.4748%
September 2018	4,548,079	775,602,110	0.5864%
December 2018	5,549,570	777,917,584	0.7134%
March 2019	6,523,422	785,567,265	0.8304%
June 2019	5,687,388	777,564,864	0.7314%
September 2019	4,790,845	789,507,271	0.6068%
December 2019	4,546,298	789,533,330	0.5758%
March 2020	3,041,971	779,865,618	0.3901%
June 2020	3,234,033	777,960,913	0.4157%
September 2020	3,220,697	768,226,371	0.4192%
December 2020	2,698,467	747,138,280	0.3612%
March 2021	2,571,242	749,049,040	0.3433%
June 2021	2,623,611	756,912,674	0.3466%
November 2021	2,964,292	778,624,441	0.3807%

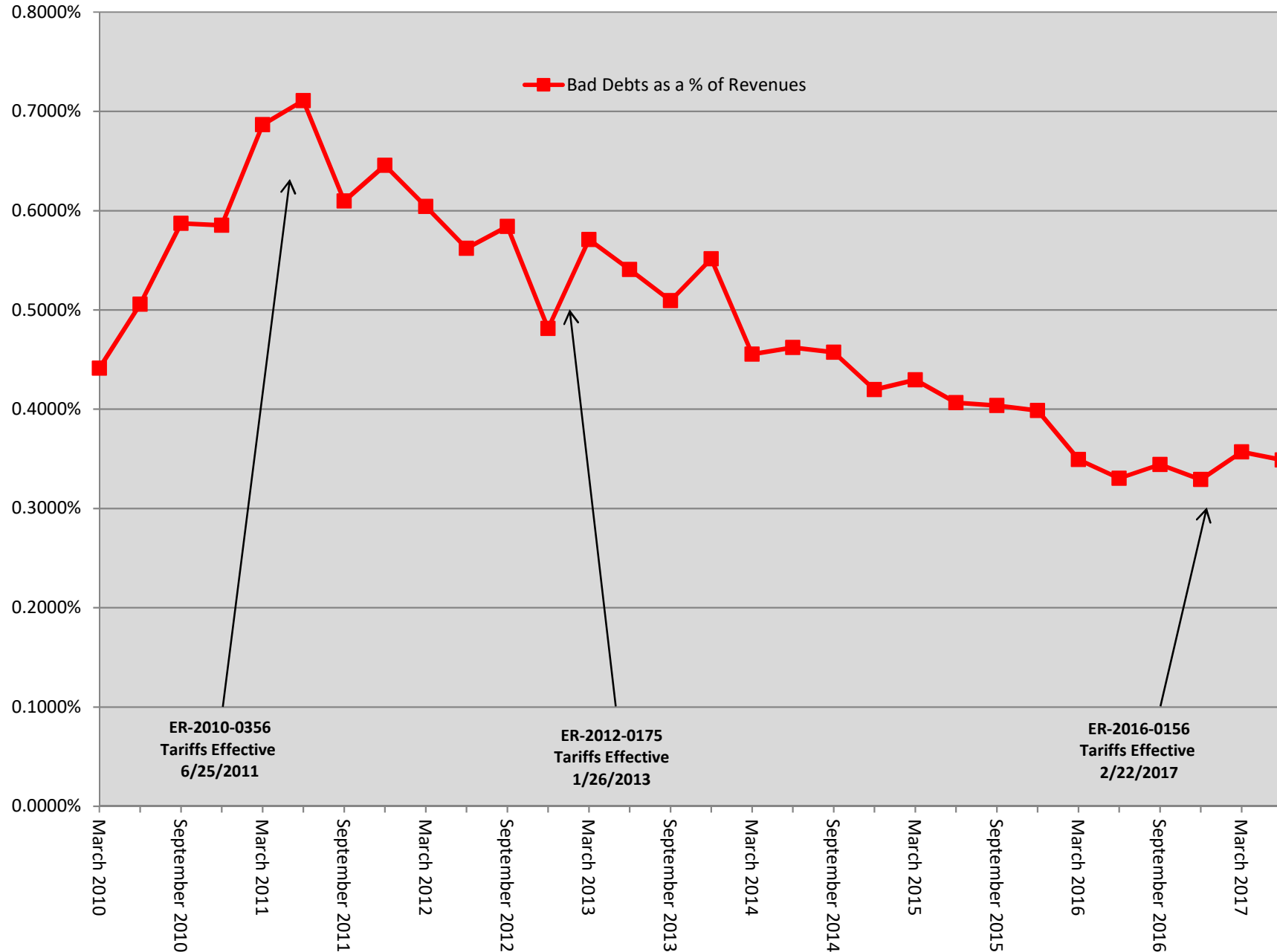
**Energy West - Bad Debt Analysis - 12 Month Bad Debts, Quarterly Rolling %
December 2001 through December 2009**

MO Retail Revenues %



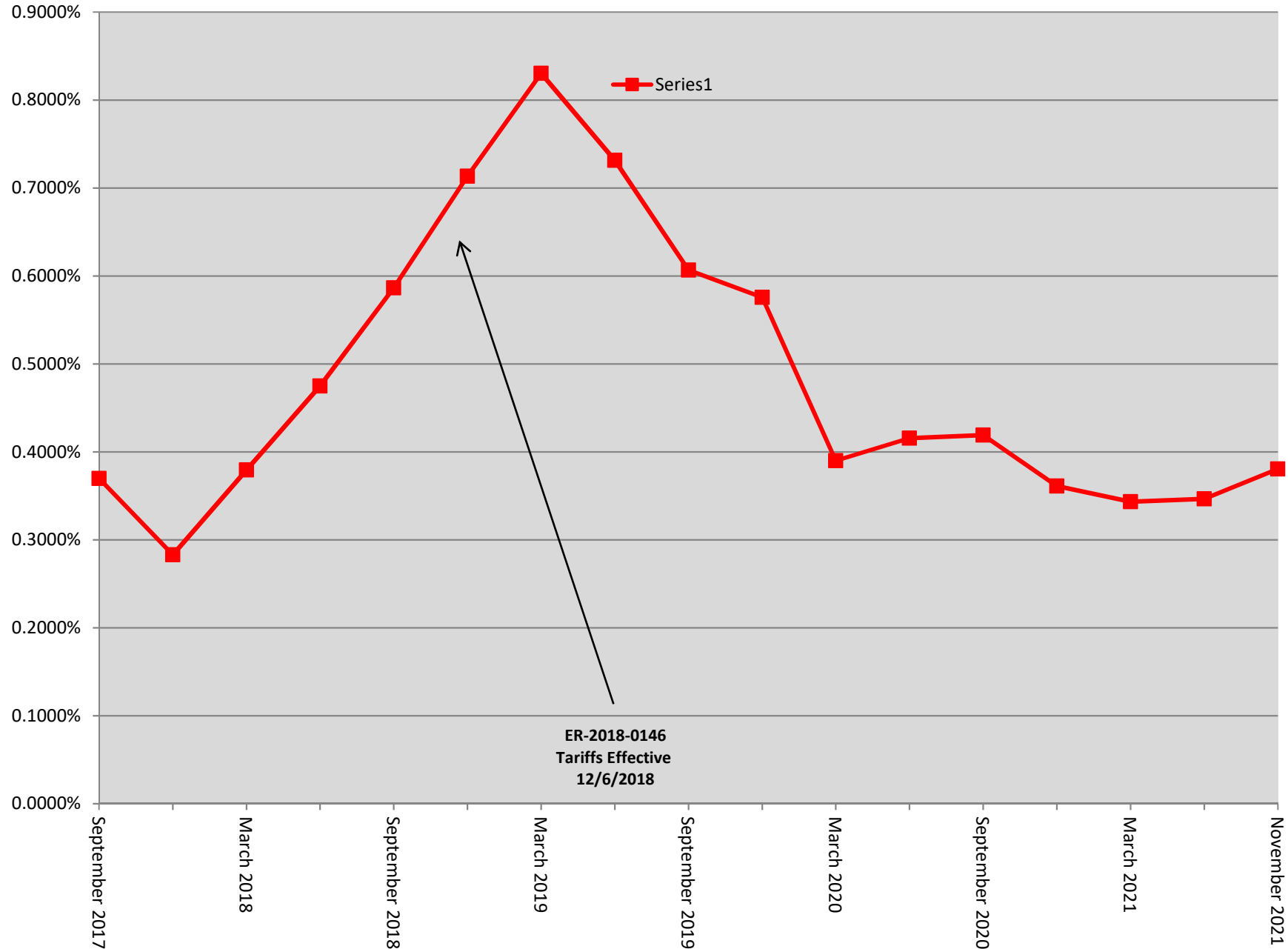
**Evergny West - Bad Debt Analysis - 12 Month Bad Debts, Quarterly Rolling %
March 2010 through June 2017**

MO Retail Revenues %



**Evergny West - Bad Debt Analysis - 12 Month Bad Debts, Quarterly Rolling %
September 2017 through November 2021**

MO Retail Revenues %



BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

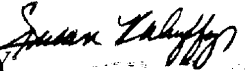
REBUTTAL TESTIMONY OF

STATE CORPORATION COMMISSION

CHRIS B. GILES

AUG 24 2007

ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY



Docket
Room -

IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MODIFY ITS TARIFFS TO CONTINUE THE
IMPLEMENTATION OF ITS REGULATORY PLAN

DOCKET NO. 07-KCPE-905-RTS

1 Q: Are you the same Chris B. Giles who submitted Direct Testimony in this
2 proceeding?

3 A: Yes, I am.

4 Q: What is the purpose of your Rebuttal Testimony?

5 A: The purpose of my testimony is to rebut certain positions taken by Kansas
6 Corporation Commission ("Commission") Staff and the Citizens' Utility Ratepayer
7 Board ("CURB") in their Direct Testimony in this proceeding. Specifically, I address
8 (i) CURB's proposal to reopen the Regulatory Plan; (ii) contribution in aid of
9 construction ("CIAC") and its relationship with return on equity ("ROE");
10 (iii) elements of the energy cost adjustment ("ECA"); (iv) Commission policy
11 regarding customer programs, including demand response and energy efficiency; (v)
12 CURB's recommended disallowance of Iatan 2 related litigation costs; (vi) Kansas
13 City Power & Light Company's ("KCPL" or the "Company") investment in wind

1 procurement practices. As long as there is no finding by the Commission of
2 imprudent procurement practices, it would be inappropriate to attempt to quantify and
3 then adjust the ECA based on fuel inventories. This issue is more fully discussed in
4 the Rebuttal Testimony of Company witnesses Tim M. Rush.

5 **Q: What is the second issue Mr. Holloway raises that you would like to address.**

6 A: Mr. Holloway, as well as Staff witness Justin Grady, advocates the use of an Unused
7 Energy allocator (“UE1”) to allocate OSS margins to KCPL’s Kansas customers.

8 **Q: Why do you take issue with this recommendation? Didn’t KCPL advocate the
9 use of this allocator in its last case?**

10 A: Yes, the Company did. However, KCPL’s proposal was unique and to my
11 knowledge, not utilized anywhere else in the country. It was not KCPL’s intent to
12 create yet another allocation issue between the states of Missouri and Kansas.
13 Obviously, changing allocation methods results in more or less benefit or cost
14 allocated to one state or the other. This could result in unrecovered costs or benefits
15 greater than actual. Because this approach has never been utilized by Missouri or
16 Kansas, KCPL believes it is appropriate to continue the same allocation as has been
17 used by both states for at least the past 40 years. Company witness Tim M. Rush
18 discusses the details of this issue in his Rebuttal Testimony.

19 **Q: You said you intended to address an issue raised by Dr. Cita. Can you describe
20 the issue?**

21 A: Generally, Dr. Cita recommends reporting that is inconsistent with the ECA tariff
22 proposed by the Company, and supported by Commission witness Larry Holloway.

PUBLIC VERSION

*** [REDACTED] *** Designates Confidential Information Has Been Removed.

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

REBUTTAL TESTIMONY OF

TIMOTHY M. RUSH

**ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY**

STATE CORPORATION COMMISSION

AUG 24 2007

Susan K. Duffy Docket
Room

**IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MODIFY ITS TARIFFS TO CONTINUE THE
IMPLEMENTATION OF ITS REGULATORY PLAN**

DOCKET NO. 07-KCPE-905-RTS

1 **Q: Are you the same Timothy M. Rush who submitted direct testimony in this**
2 **proceeding?**

3 **A: Yes, I am.**

4 **Q: What is the purpose of your Rebuttal Testimony?**

5 **A: The purpose of my Rebuttal Testimony is to respond to the testimony of certain**
6 **witnesses of the Staff of the Kansas Corporation Commission (“Commission”) and**
7 **intervenors regarding the subjects of (i) rules and regulations; (ii) rate design; (iii) the**
8 **proposed Energy Cost Adjustment (“ECA”) tariff; and (iv) the Municipal Ornamental**
9 **Streetlight tariff (Schedule MOL) of Kansas City Power & Light Company (“KCPL”**
10 **or the “Company”). Specifically, I address the testimony of Staff witness Sonya**

1 **Q: What was KCPL's rationale in the 2006 rate case for recommending use of the**
2 **UE allocator?**

3 A: The initial thoughts behind using the UE allocator to allocate off-system sales
4 margins was to develop an allocation methodology that reflects the idea that unused
5 capacity for retail customers enables the Company to make the off-system sales that
6 result in the off-system sales margins. The UE allocator is calculated by subtracting
7 the actual energy usage from the "available energy." The available energy is defined
8 as the average of the 12 coincident peak demands multiplied by the total hours in the
9 test period. This allocation factor was created by KCPL. Many other methods could
10 be used to develop a similar conceptual allocation factor. For example, if you looked
11 at each available hour in the test period and assigned the plant needs for each
12 jurisdiction (*i.e.*, Kansas, Missouri and wholesale), and then determined what
13 remaining capacity was available for off-system sales margins a similar type
14 allocation method could be derived.

15 **Q: Why did KCPL propose this allocation methodology in its 2006 rate case but not**
16 **in the current docket?**

17 A: The Company proposed the UE allocation methodology in the last rate case for
18 several reasons. First, at the time of the filing, KCPL believed that it was the
19 appropriate allocation factor for addressing off-system sales margins. In both the
20 Kansas and Missouri rate cases, the Company was specifically addressing the issue of
21 risks associated with off-system sales margins. The Company has not found any
22 utility, Commission or state that used an allocation factor similar to the UE allocation
23 methodology, but in the 2006 rate cases, the Company felt at that time that the

1 method, if accepted by both Kansas and Missouri, would be a reasonable allocation
2 method for off-system sales margins. The Company was not recommending an ECA
3 in either state at that time.

4 As Mr. Holloway reports in his Direct Testimony (page 21), the Missouri
5 Public Service Commission (“MPSC”) rejected “KCPL’s novel unused energy
6 allocator”. The MPSC found that “application of the unused energy allocator ignores
7 the fact that, thanks to Missouri’s higher load factor, Kansas is already benefiting to a
8 greater extent than Missouri from a lower overall cost of energy.” *Kansas City*
9 *Power & Light Company*, Report and Order, at p. 39, MPSC Case No. ER-2006-0314
10 (issued December 21, 2006).

11 Because the UE allocator was not accepted by the MPSC, and because no
12 other states were found to be using this methodology, KCPL does not propose to
13 adopt the allocation method solely in Kansas. If this allocation methodology is
14 adopted solely in Kansas, it will create a total allocation between jurisdictions that is
15 greater than the off-system sales margins actually received by the Company. This
16 will create a gap of un-recovered costs for KCPL.

17 **Q: Is it true that Kansas customers may benefit from lower energy costs as a result**
18 **of the benefits provided by Missouri having a higher load factor.**

19 **A:** Yes, it is. Essentially, the argument to use the UE allocator methodology only looks
20 at one component of the equation for establishing rates for allocating fuels, purchased
21 power and revenues from off-system sales. Because of the higher load factor in
22 Missouri and applying an allocation methodology for fuel and purchased power costs

1 based on an energy allocator, it is very likely that Kansas customers benefit over
2 Missouri.

3 **Q: Does use of the UE allocator require other changes in the structure of KCPL's**
4 **ECA tariff?**

5 A: Yes, it does. Applying different allocators to different portions of the ECA
6 components (*i.e.*, the energy allocator against fuel and purchased power costs and the
7 UE allocator against the off-system sales margin) increases the complexity of the
8 ECA tariff calculations by requiring KCPL to track and split all costs between off-
9 system and retail sales. KCPL thinks this allocation is unnecessary and designed the
10 true-up equation to use total costs minus total revenues to yield the desired margin
11 credit.

12 **Q: Do you have other concerns regarding Mr. Holloway's revisions regarding the**
13 **UE allocator?**

14 A: Yes, I do. Mr. Holloway inserts a fixed percentage of 47.0458% for the UE allocator.
15 The UE allocator percentage for Kansas will vary from year to year depending upon
16 energy usage between Kansas, Missouri and wholesale customers among other things.
17 If energy usage for Kansas customers grows at a faster rate than energy usage for
18 KCPL's Missouri customers, then the UE allocator should reflect that change. For
19 example, the UE allocator changed from 47.61% in the 2006 filing to the 47.0458%
20 calculation for Staff Data Request No. 377.

21 **Q: Does Mr. Holloway propose other changes to the ECA tariff?**

22 A: While not reflected directly in his modifications to KCPL's ECA tariff, Mr. Holloway
23 expressed concern regarding KCPL's normalized target inventory levels of coal

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Thomas E. Wright, Chairman
 Michael C. Moffet
 Joseph F. Harkins

In the Matter of the Application of Kansas)
City Power & Light Company To Modify Its)
Tariffs to Continue the Implementation of Its) Docket No. 07-KCPE-905-RTS
Regulatory Plan.)

ORDER GRANTING JOINT MOTION TO APPROVE STIPULATION AND
AGREEMENT AND ADOPTING JOINT STIPULATION AND AGREEMENT

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the files and being fully advised of all matters of record, the Commission summarizes the arguments of the parties and finds and concludes as follows:

1. On March 1, 2007, Kansas City Power & Light Company (KCPL) filed its Application pursuant to K.S.A. 66-117 and K.A.R. 82-1-231 for the purpose of making changes to the rates it charges customers for electric service. The Commission has jurisdiction over the Application pursuant to K.S.A. 66-101, *et seq.*, K.S.A. 2006 Supp. 66-104, K.S.A. 66-117, 66-131, & 66-136, and K.A.R. 82-1-231.

2. The following parties were granted leave to intervene: The Citizens' Utility Ratepayers Board (CURB) as well as Shawnee Mission Unified School District No. 512 (USD 512), Danisco USA Inc. (Danisco), the City of Overland Park, Kansas, and the City of Mission, Kansas (collectively referred to as Midwest Utility Users Group or MUUG). The City of Mission Hills, Kansas, filed a Petition to Intervene on June 7, 2007.

4-5. The ECA set forth in the proposed ECA tariff, attached as Appendix A to the S&A, is similar to recently approved ECAs for Westar and Empire, but will update forecasts throughout the year only at the beginning of each quarter, rather than monthly. As a result, the ECA rate will be more predictable. Low, 5-6.

26. Treatment of off-system sales facilitated Staff's acceptance of the overall revenue increase because it made a significant difference in the amount of off-system sales credits. The off-system sales margin component of the proposed ECA will flow through the off-system sales margins at the 50th percentile level, which will give customers approximately \$11 million more in off-system sales credits than originally anticipated, assuming current forecasts remain. Also, the parties agreed to the Unused Energy allocator proposed by KCPL in the last rate case, which recognizes the contribution of unused energy available from the generation capacity assigned to each jurisdiction. In effect, this will compensate ratepayers that pay for the unused generation capacity when that capacity is available for off-system sales. Finally, the Commission will formally review the process by which KCPL classifies asset-based and non-asset-based off-system sales; only asset-based sales will be credited to ratepayers through the ECA. Low, 6-8.

27. Based on Staff's recommendation, the parties agreed to use Staff's approach to rate design for \$17 million of the increase by increasing rates for those customer classes that generate a below average rate of return. Parties agreed to a uniform across the board spreading of the \$11 million associated with the pre-tax payment on plant, pending further discussion in future cases. Low, 8. The company will be allowed to recover energy efficiency program costs through a line item surcharge that will change annually; the company will not seek rate base treatment of energy efficiency expenses pending decisions on cost recovery of such costs either by the Commission or the Legislature. Because this is a black box settlement, neither the rate of return nor the return on

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Thomas E. Wright, Chairman
Joseph F. Harkins
Ward Loyd

In the Matter of the Application)
of Kansas City Power & Light Company) Docket No. 10-KCPE-415-RTS
to Modify its Tariffs to Continue the)
Implementation of its Regulatory Plan)

**ORDER: 1) ADDRESSING PRUDENCE; 2) APPROVING
APPLICATION, IN PART; & 3) RULING ON PENDING REQUESTS**

The above captioned matter is before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having examined its files and records, and being fully advised in all matters of record, the Commission makes the following findings of fact and conclusions of law:

I. BACKGROUND

A. General

On December 17, 2009, Kansas City Power & Light Co. (KCPL or the Company) filed the captioned Application for a rate change per K.S.A. 66-117 and K.A.R. 82-1-231. The current docket represents the fourth and final rate case in the series of four rate applications that were contemplated in the Stipulation and Agreement (1025 S&A or Regulatory Plan) that was approved by the Commission in Docket No. 04-KCPE-1025-GIE. The Regulatory Plan represented a collaborative effort and resulted in KCPL committing to make substantial investments in its electric infrastructure over a five-year period.

In the 1025 Docket, KCPL, the Commission, the Staff of the State Corporation Commission of the State of Kansas (Staff), the Citizens' Utility Ratepayer Board (CURB), and

- Eliminate rate structure with artificial incentives to encourage a customer to switch end-use equipment.
- Incorporate the Commission's energy efficiency and energy conservation goals.

Having concluded that a rate case will be opened to develop a rate design for KCPL, the Commission must still decide what rate design to adopt for this docket. In making its decision, the Commission has reviewed all proposals submitted by the parties and has weighed and balanced their strengths and weaknesses. The Commission has also considered the impact the various proposals will have on ratepayers. With this in mind, the Commission makes the following rulings. The Commission adopts KCPL's alternative rate design proposal presented in Rush Rebuttal Schedule TMR2010-5 but adjusted for the Commission's decision on revenue requirement. The Commission finds changes to the winter energy charges for residential subclasses contained in this proposal will reduce discounts and move the winter rates closer to cost. In addition, the Commission orders (i) the Residential General Use and Space Heat – Two Meter Subclass and (ii) the Residential General Use and Water Heat and Separately Metered Space Heat – Two Meter Subclass will be closed to additional customers. Although the Commission recognizes that KCPL has voluntarily closed these two residential subclasses, the Commission orders these Residential Subclasses permanently closed to Kansas customers. As proposed by KCPL, the other classes will remain unchanged for this proceeding. The Commission has directed its Staff to prepare a spreadsheet reflecting the approved rate structure adopted in this Order, which is attached as Exhibit V.

4. KCPL's Modifications to its Off Systems Sales Allocator

Off-system sales margins are the revenues—in excess of costs—generated when KCPL sells power "off-system." Currently, off-system sales margins are allocated based on unused

energy. However, KCPL states that the sales margins are "contribution[s] toward the fixed costs of the generating resources paid for by native load customers." Consequently, KCPL is requesting to use the same allocator for off-system sales margins as is used for "the fixed costs of the generating units used to generate the electricity sold." This would change the Kansas allocator from 47.70% to 45.64%.⁴⁹¹

KCPL states that as a result of the "unused energy allocator" previously approved by the Commission in Docket No. 07-KCPE-905-RTS, KCPL "pays out more margin than it takes in."⁴⁹² On rebuttal, KCPL clarifies that "the Company [is] unable to collect about \$5.6 million of its authorized revenue requirement solely because of differences in allocation methods between Kansas and Missouri."⁴⁹³ KCPL states that denying the Company's request to modify the allocation method forces KCPL shareholders to subsidize Kansas customers by approximately \$2.15 million. According to KCPL, this prior allocator is confiscatory, thereby implicating Constitutional ramifications if we decide not to approve the new allocation method.⁴⁹⁴

Staff contends that the unused energy allocator is the most useful and reasonable manner to allocate off-system sales margins with a multi-jurisdictional utility such as KCPL. Staff maintains that Kansas customers use less of their available energy than KCPL's other jurisdictions, and that Kansas's native load is more highly correlated to off-system sales than Missouri's. Staff states that if the Commission abandons the unused energy allocator, Kansas customers will lose their fair share of off-system sales margins. Lastly, Staff states that although KCPL is allocating more than 100% of its off-system sales margins because of the different

⁴⁹¹ Loos Direct, pp. 36-7, 41; KCPL Post Hearing Brief, ¶ 594, p. 193. KCPL requested to change the allocator to either 46.18% (4CP) or 45.64% (12CP), but the 1025 S&A precludes the use of a 4CP allocator. (The abbreviation "CP" stands for "coincidental peaks.")

⁴⁹² Weisensee Direct, p. 7, ln. 18-19.

⁴⁹³ KCPL Rebuttal Brief, ¶ 188.

⁴⁹⁴ KCPL Post Hearing Brief, ¶ 521.

allocation methods in Missouri and Kansas, the Commission is not bound by actions of another Commission in another jurisdiction when setting fair and reasonable rates for the citizens of Kansas.⁴⁹⁵

CURB challenges KCPL, stating that the proposed steam production allocation methodology would change the allocation of off-system sales margins to 44.23%.⁴⁹⁶ CURB also states that the use of the unused energy allocator was an integral part of the arrangement by which CURB agreed to the Company's use of an ECA rider. CURB alleges that now that the ECA is in place, KCPL is attempting to change the rules. CURB states that the proposed allocator provides no meaningful information about the extent to which specific units are available to make off-system sales, and that the current unused energy allocator be maintained. Lastly, CURB contends that KCPL's proposed allocator would significantly reduce the benefit received by Kansas ratepayers from off-system sales and thus the Commission should maintain the current allocation methodology.⁴⁹⁷

After reviewing the evidence in the record and the argument by the parties, the Commission finds that the arrangement agreed to by the parties just over two years ago, and which KCPL then found acceptable, is still a meaningful way to handle this allocation. We are also persuaded by Crane's testimony and find that the unused allocator was an important consideration to CURB in settling this issue in one of the prior rate cases. We stated elsewhere that absent a sound justification for ruling otherwise, binding parties to their bargains is sound policy and consistent with signaling regulatory certainty. Until KCPL cites us any case on point, we reject any notion that in a multi-jurisdictional setting, one jurisdiction can be the sole cause of alleged confiscatory action when the utility itself admits that the shortfall is due to different

⁴⁹⁵ Staff Post Hearing Brief, ¶¶ 513, 511, 514, 519; Grady Direct, p. 47, ln. 16.

⁴⁹⁶ CURB Post Hearing Brief, ¶ 304, p. 93.

⁴⁹⁷ CURB Post Hearing Brief, ¶¶ 304; 306-07; Crane Direct, pp. 113-14.

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

REBUTTAL TESTIMONY OF

LARRY W. LOOS

STATE CORPORATION COMMISSION
July 26, 2010
Susan K. Duffy, Executive Director

**ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY**

**IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MODIFY ITS TARIFFS TO CONTINUE THE
IMPLEMENTATION OF ITS REGULATORY PLAN**

DOCKET NO. 10-KCPE-415-RTS

1 **Q: Are you the same Larry W. Loos who submitted Direct Testimony in this**
2 **proceeding?**

3 **A:** Yes, I am.

4 **Q: What is the purpose of your Rebuttal Testimony?**

5 **A:** I will respond to issues raised regarding the allocation of off-system sales margins by
6 witness Justin T. Grady on behalf of the Kansas Corporation Commission (“KCC” or
7 “Commission”) and witness Andrea C. Crane on behalf of the Citizens’ Utility Ratepayer
8 Board (“CURB”). In this regard, I will address the following:

- 9 1. The claim that the unused energy allocator provides meaningful
10 information;
- 11 2. The unused energy allocator overly simplifies the economics of off-system
12 sales and sales margin;

- 1 3. The purpose of the unused energy allocator; and
- 2 4. The assertion that if Kansas City Power & Light Company (“KCP&L” or
- 3 the “Company”) has a problem because of the use of different allocators,
- 4 the Company should take it up with the Missouri Public Service
- 5 Commission (“MPSC”).

6 **Q: Do you sponsor any schedules in connection with your rebuttal testimony?**

7 A: Yes, I do. I sponsor Schedule LWL2010-14 which I prepared.

8 **Meaningful Information**

9 **Q: The first issue you identify relates to the claim that the unused energy allocator**

10 **provides some sort of “meaningful information.” Please explain.**

11 A: Ms. Crane states that “the Company’s proposed allocator provides no meaningful

12 information about the extent to which specific units are available to make off-system

13 sales.”¹ This implies of course that her preferred unused energy allocator somehow does.

14 **Q: Does an unused energy allocator provide any useful information?**

15 A: No, it does not. Further, it certainly does not provide any information regarding specific

16 units available to make off-system sales as suggested by Ms. Crane.

17 In his Exhibit JTG-12, Mr. Grady shows the development of the unused energy

18 allocator for the year 2009. As shown in this exhibit, there is no information regarding

19 specific units. In fact, he shows no information for the coal-fired units from which the

20 bulk of the off-system sales are made.

¹ Crane Direct Testimony, Page 114, Line 2.

1 In Exhibit JTG-12, Mr. Grady shows 4,306 MW² of what he terms “available
2 capacity.” Of that total, about 2,238 MW is capacity from steam units from which the
3 bulk of off-system sales are actually made. Of the balance (2,068 MW), 560 MW are
4 attributable to Wolf Creek and the Spearville Wind Farm which are generally not
5 available to support off-system sales because they nearly always are used to meet native
6 load requirements because of their low cost. The other 1,508 MW are from other
7 resources which are generally too expensive to support off-system sales.

8 Economics of Off-system Sales

9 **Q: In Exhibit JTG-12, Mr. Grady shows “available energy” of 37,720,560 MWh. Is
10 KCP&L’s 4,306 MW of accredited capacity capable of producing 37,720,560 MWh
11 of energy in a year?**

12 **A:** No it is not. As I suggested in my Direct Testimony, the unused energy allocator
13 seemingly makes some sense on the surface, but the more one looks into it, the more one
14 finds that it does not. In simple fact, there are a number of real-world factors which limit
15 the ability of generating units to generate at full capacity every hour of the year. Some of
16 these factors include:

- 17 1. Scheduled outages;
- 18 2. Forced outages;
- 19 3. Spinning reserve requirements; and
- 20 4. Operating reserve requirements.

21 While these factors tend to reduce the capability of generating units to produce
22 energy, there are some factors which, if recognized, will tend to offset those limitations.

² 4,306 MW represents KCP&L’s capacity accredited (counted by the Southwest Power Pool) to meet KCP&L’s total generating capacity requirement as established for membership in the Pool.

1 The 4,306 MW of capacity used by Mr. Grady represents KCP&L's accredited capacity.
2 This accredited capacity includes the summer-time capability of KCP&L's combustion
3 turbine-based generation which has been reduced to reflect its reduced capability based
4 on ambient conditions of not less than 87 degrees Fahrenheit. When the temperature is
5 less than 87 degrees (as it is except for a relatively few hours of the year), the capability
6 of the combustion turbine-based generation increases. However, the capability of
7 combustion turbine-based generation has little implication on the sale of energy off-
8 system since its cost generally exceeds the market price for the sale of energy off-system.

9 KCP&L's accredited capacity includes 15 MW associated with KCP&L's
10 100.5 MW Spearville Wind Farm. While the wind turbines are capable of generating
11 100.5 MW or more depending upon wind speed, only 15 MW is included by Mr. Grady
12 because that is all that is accredited (counted by the Southwest Power Pool).

13 **Q: Don't these factors tend to offset?**

14 A: Yes, perhaps to some degree. However, the real point is that the determination of
15 capacity available for sale off-system is not as simple as portrayed by Mr. Grady.

16 **Q: Is the determination of "available energy" the only problem with the unused energy**
17 **allocator?**

18 A: No, it is not. The unused energy allocator presumes the sole determinant of off-system
19 sales and margin is unused energy. As I point out in my Direct Testimony, my
20 examination indicates that there appears to be little correlation between native load
21 (unused energy) and energy sold off-system (margins earned from off-system sales).³ In
22 simple fact, the availability of generation is but one factor that determines whether the

³ Loos Direct Testimony, Page 37, Line 2.

1 Company might make an off-system sale. In reality off-system sales are controlled by
2 two complex independent factors. These factors are:

- 3 1. What is the market price at which KCP&L can sell energy off-system?
- 4 2. After satisfying the needs of native load customers, what is the
5 incremental cost to KCP&L of generating (or purchasing) energy which
6 might be sold off-system?

7 Incorporated in incremental costs are a number of other considerations which can
8 impact the availability of resources and incremental costs. These considerations include,
9 but are not limited to, minimum load levels at which the various generating resources can
10 operate, anticipated load levels (hourly and daily), startup costs, shut-down costs, reserve
11 requirements, scheduled maintenance, and unscheduled maintenance.

12 **Q: Mr. Grady contends that the unused energy “allocator attempts to capture the
13 increased opportunity for off-system sales that exists when a jurisdiction uses less
14 energy than its allocated capacity.”⁴ What is the relevance of this “increased
15 opportunity”?**

16 **A:** There is none. This “increased opportunity” has no relation to actual, forecast, or even
17 possible levels of off-system sales and/or margins. If an increase or decrease in this
18 opportunity does not result in higher (in the case of an increase) or lower (in the case of a
19 decrease) off-system sales and margins, the unused energy allocator cannot be considered
20 reasonable. Further, the unused energy allocator does not meet the known and
21 measurable standard referred to by Mr. Grady.⁵ Mr. Grady would allocate known and

⁴ Grady Direct Testimony, Page 45, Line 16.

⁵ Grady Direct Testimony, Page 6, Line 2.

1 measurable off-system sales margins based on a completely speculative, arbitrary, and
2 unachievable measure.

3 In my Direct Testimony, I indicate that one of the measures of the reasonableness
4 of jurisdictional allocations is whether the “allocation approach reasonably considers the
5 ‘cost drivers’ associated with the specific items being allocated.”⁶ I give as an example
6 fuel costs where sales of energy drive fuel cost. I also discuss fixed power supply costs
7 where costs are determined in part by capacity requirements. What then is the cost driver
8 associated with off-system sales margin?

9 The determinate of the margin associated with off-system sales is not simple. It is
10 a function of the market price of energy at the time of a prospective off-system sale and
11 the incremental cost associated with securing the energy sold off-system at the time of the
12 sale. Unlike variable costs such as fuel, which is determined in large part by sales to
13 customers, the determinant of the margin is not related to the action or inaction of
14 customers. As a result, a more reliable and reasonable basis upon which to allocate the
15 benefit to jurisdictions is on the basis of the capacity cost paid by each jurisdiction
16 associated with the resource(s) used to produce the margin as discussed in my Direct
17 Testimony.

18 Purpose of the Unused Energy Allocator

19 **Q: Mr. Grady states that you mischaracterize “the purpose of the unused energy**
20 **allocator.”⁷ Do you mischaracterize its purpose?**

21 **A:** Absolutely not. Mr. Grady states that “the purpose of the unused energy allocator is not
22 to forecast total off-system sales, it is to split a total off-system sales amount between two

⁶ Loos Direct Testimony, Page 13, Line 9.

⁷ Grady Direct Testimony, Page 46, Line 13.

1 jurisdictions, based on the amount of total energy each jurisdiction pays for versus what
2 they use.”⁸

3 While Mr. Grady is partially correct, he has mischaracterized its purpose in
4 several respects. These include:

5 1. The unused energy allocator is not intended (or designed) to split the total
6 off-system sales amount. The unused energy allocator is intended to split
7 only the margin (total revenues less out-of-pocket cost) associated with
8 off-system sales. The Company reduces (credits) total fuel and variable
9 power supply cost by the out-of-pocket cost associated with off-system
10 sales. The allocation of the out-of-pocket cost associated with off-system
11 sales is not an issue in this case.

12 2. The unused energy allocator is not used to split off-system sales (margin)
13 between two jurisdictions. The unused energy allocator is used to split
14 off-system sales margins between the Kansas, Missouri, and the FERC
15 (full-requirements firm wholesale customers) jurisdictions.

16 3. The unused energy allocator does not split costs on the basis of the total
17 energy each jurisdiction pays for versus what they use. The split is based
18 on the product of total accredited capacity times the number of hours in
19 the year times the capacity cost allocator, less annual energy requirements.

20 **Q: Mr. Grady then states that “KCPL does not use the unused energy allocator to**
21 **forecast off-system sales; it uses economic dispatch models and simulation**
22 **software.”⁹ Do you agree?**

⁸ Grady Direct Testimony, Page 46, Line 15.

⁹ Grady Direct Testimony, Page 46, Line 13.

1 A: Yes, I do. Mr. Grady is correct that KCP&L uses economic dispatch and simulation
2 software to forecast off-system sales (and sales margin). I previously explained that off-
3 system sales are not determined based on the availability of capacity in excess of native
4 load requirements. KCP&L uses simulation software to recognize economic dispatch and
5 the various other considerations I outlined earlier when forecasting off-system sales and
6 sales margins.

7 Mr. Grady states that the unused energy “allocator attempts to capture the
8 increased opportunity for off-system sales that exists when a jurisdiction uses less energy
9 than its allocated capacity.”¹⁰ If, in fact, off-system sales and sales margin were related
10 to this “increased opportunity,” off-system sales and sales margins could reasonably be
11 forecast based on this increased opportunity. However, this is not the case.

12 In my Direct Testimony, I dealt at length with the concept of cost drivers. In this
13 regard, I identified demand and capacity factor as cost drivers in the economic selection
14 of generation resources. I concluded that coincident peak demand drives total capacity,
15 whereas capacity factor drives the mix of generating resources. The sale of energy off-
16 system is no different. Unused energy represents a measure of the total energy which
17 might be sold off-system. However, it is the economic dispatch and other factors I
18 discussed previously that determine whether off-system sales are actually made and the
19 profitability of those sales.

¹⁰ Grady Direct Testimony, Page 45, Line 16.

1 **Different Allocation Factors**

2 **Q: Does KCP&L have a problem with the use of different allocation bases by the KCC**
3 **and MPSC?**

4 A: Yes, it does. As I show in my Direct Testimony (Schedule LWL2010-5, Sheet 2), based
5 on 2008 conditions adjusted to reflect the addition of Iatan Unit 2 and the environmental
6 upgrades at the Iatan Plant, KCP&L will fail to recover \$9.7 million in revenue
7 requirements because of differences between the allocation bases used by the KCC and
8 the MPSC. Of this difference, \$5.6 million relates to differences in the allocation bases
9 used to allocate off-system sales margin. The balance of the difference relates to the use
10 of the 12 Coincident Peak (“12CP”) allocation basis by the KCC versus the 4 Coincident
11 Peak (“4CP”) allocation basis used by the MPSC to allocate capacity responsibility
12 between jurisdictions.

13 With regard to the allocation of off-system sales margin, the KCC uses the unused
14 energy allocator whereas the MPSC allocates off-system sales margin on the basis of
15 energy sales. In this case (and in KCP&L’s current case before the MPSC), I recommend
16 allocating off-system sales margin based on (in proportion to) the allocation of the fixed
17 cost of the power production facilities from which off-system sales are made. For the
18 purpose of this case, that allocation is the same as the 12CP allocation basis used to
19 allocate capacity-related power supply cost. In the Missouri case, that allocation is the
20 same as the 4CP allocation basis used in Missouri to allocate capacity-related power
21 supply cost.

22 I explain in my Direct Testimony why the 12CP capacity cost allocator is
23 proposed in this case and the 4CP allocator is proposed in the Missouri case. I also note

1 in Direct Testimony that I plan on recommending use of the 4CP allocator in KCP&L's
2 next Kansas and Missouri rate cases. I also plan on recommending allocating costs
3 related to environmental control based on energy sales.

4 **Q: Is your recommended allocation of off-system sales margin in this case different**
5 **from your recommendation in the Company's current rate case before the MPSC**
6 **(Case No. ER-2010-0355, Filed June 4, 2010)?**

7 A: No, my recommendations are identical. My recommendation in both Kansas and
8 Missouri is to allocate off-system sales margin on the same basis used to allocate fixed
9 production plant (specifically coal-fired steam generating units). However, as a result of
10 the stipulation and agreement approved by the Commission in Docket No. 04-KCPE-
11 1025-GIE, in this case I recommend, and the Company has used, a 12CP to allocate
12 capacity-related power supply cost. In the current Missouri rate case (Case No. ER-
13 2010-0355) I recommend, and the Company has used, a 4CP allocator to allocate
14 capacity-related power supply cost.

15 **Q: Both Ms. Crane and Mr. Grady suggest that if the Company has a problem with the**
16 **use of different allocation bases in Missouri and Kansas, that the Company take it**
17 **up with the MPSC. Why didn't you recommend use of an unused energy allocator**
18 **in Missouri (Case No. ER-2010-0355)?**

19 A: There are several reasons.

20 First, as I explain in my Direct Testimony and earlier in this rebuttal testimony,
21 while on the surface the unused energy allocator would seemingly make sense, a more
22 detailed investigation shows that the fundamental concept upon which it is based (off-

1 system sales margin increases in proportion to decreases in native load) is invalid. Thus,
2 the unused energy allocator has no sound foundation.

3 Second, in KCP&L's 2006 Missouri rate case (Case No. ER-2006-0314) KCP&L
4 proposed use of an unused energy allocator. The MPSC explicitly rejected its use. In
5 rejecting the method, the MPSC noted¹¹ that:

- 6 1. "The unused energy allocator rewards the lower load factor of KCPL's
7 Kansas retail jurisdiction by allocating a greater percentage of profit from
8 non-firm off-system sales to that jurisdiction."
- 9 2. "The lower load factor of KCPL's Kansas jurisdiction causes the
10 Company to build higher energy cost combustion turbines, which provide
11 KCPL with less opportunity to make off-system sales."
- 12 3. "The use of the unused energy allocator creates a possible disincentive to
13 implement programs aimed at increasing load factor."
- 14 4. "The unused energy allocator ignores the fact that thanks to Missouri's
15 higher load factor, Kansas is already benefiting to a greater extent than
16 Missouri from a lower overall cost of energy."

17 **Q: At Page 47, Line 11, Mr. Grady indicates that even "if Kansas were to agree to**
18 **switch allocators now" but "Missouri decided to continue using the energy allocator**
19 **to allocate off-system sales margins, the disincentive for KCP&L to pursue off-**
20 **system sales would persist." Do you agree with his assessment?**

21 **A:** Yes, I do. On the other hand, while a disincentive might persist, the adoption of my
22 recommended allocation by the Commission in this case (even if the MPSC decides to

¹¹ Missouri Public Service Commission December 21, 2006 Report and Order in Case No. ER-2006-0314, Page 38 and 39.

1 continue use of an energy allocator) reduces the disincentive from \$5.6 million to
2 \$3.6 million per year. I show the development of the \$5.6 million figure in my Direct
3 Testimony (Schedule LWL2010-5, Sheet 2) and the \$3.6 million figure in Schedule
4 LWL2010-14.

5 I am not recommending that this Commission adopt the energy allocator used by
6 the MPSC. I am recommending that this Commission and the MPSC move to a common
7 allocation basis that is reasonable and philosophically correct, and which results in an
8 allocation which approximates the midpoint between use of the unused energy allocator
9 and the sales allocator.

10 **Q: If the Commission adopts your recommendation would Kansas customers lose some**
11 **of their fair share of off-system sales?**

12 A: Certainly not. Mr. Grady states that Kansas customers would lose some of their “fair
13 share” of off-system sales.¹² However, “fair share” depends upon how one defines fair.
14 Mr. Grady apparently defines “fair” as the level allocated to Kansas customers using the
15 unused energy allocator. The MPSC staff apparently defines fair as the level allocated to
16 Missouri customers using an energy allocator.

17 Mr. Grady states that Staff is sensitive to KCP&L’s current situation in which it
18 flows through more than 100% of its off-system sales margin to retail customers. I trust
19 that Mr. Grady agrees with me that such a situation is unfair to KCP&L and creates a
20 disincentive to make off-system sales. Staff apparently believes that the unused energy
21 allocator used in Kansas is fair to Kansas customers. The MPSC staff apparently
22 believes that allocating off-system sales margin based on energy sales is fair to Missouri

¹² Grady Direct Testimony, Page 47, Line 16.

1 customers. I cannot comprehend how the use of allocations in Kansas and Missouri
2 which result in KCP&L flowing 105% of the benefit of off-system sales margins to
3 customers can be considered fair. I believe that my recommendation is fair to all.

4 **Q: Ms. Crane states that “if the Company requires uniform allocators in each state,**
5 **then it should propose to adopt the unused energy allocator in Missouri for off-**
6 **system sales margins, instead of putting the burden on the Kansas ratepayers.”¹³**
7 **Do you have any comment?**

8 A: Yes, I do. Ms. Crane, Mr. Grady, and the MPSC staff all want the same thing. They all
9 want to allocate the largest share of off-system sales margin to their jurisdiction. They
10 apparently want to do so even though the result is KCP&L’s shareholders subsidizing
11 Kansas and Missouri ratepayers. They seem unwilling to step up to the plate and address
12 KCP&L’s problem and my recommendation on its merits.

13 Mr. Grady says KCP&L should take the problem to Missouri and, depending
14 upon what the MPSC does, Staff might reconsider its position. I heard much the same
15 thing in Missouri.¹⁴

16 KCP&L has done precisely what Ms. Crane and Mr. Grady suggest. In 2006, as
17 noted earlier in my testimony, KCP&L proposed use of the unused energy allocator in
18 Missouri. However, the MPSC expressly denied use of the unused energy allocator
19 (Case No. ER-2006-0314). In 2006, the Company did precisely what Ms. Crane and Mr.
20 Grady suggest but was unsuccessful. Ms. Crane and Mr. Grady apparently believe that

¹³ Crane Direct Testimony, Page 114, Line 5.

¹⁴ “I suggest that KCPL stop agreeing to a method in Kansas that it knows full well is not acceptable to Missouri, the dominate jurisdiction...The real problem with what Mr. Loos and KCPL are proposing in this case is that it puts all the burden on the Missouri jurisdiction to fix the problems relating to the allocation of cost and revenues between states.” Missouri Public Service Commission, Case No. ER-2009-0089, Prepared Rebuttal Testimony of Cary G. Featherstone, Regulatory Auditor with the Missouri Public Service Commission, Page 32, Line 4 and Line 12.

1 the Company will have more success if the Company takes it to the MPSC a second time,
2 an exceedingly farfetched opinion.

3 Ms. Crane and Mr. Grady suggest that KCP&L again approach the MPSC with an
4 allocation approach that really doesn't make sense and would cost Missouri ratepayers
5 something on the order of \$5.65 million per year and Kansas customers nothing. I trust
6 that if the Commission denies the Company's proposal in this regard, Staff will be
7 available to discuss with the MPSC staff alternatives directed toward resolving KCP&L's
8 problem.

9 Due to the different allocation bases used in Kansas and Missouri, KCP&L is
10 crediting native load customers with \$5.6 million more than it realizes in off-system
11 margin. Adoption of the Company's proposal would reduce the amount credited to
12 Kansas customers by \$2.15 million and the amount credited to Missouri customers by
13 \$4.0 million.¹⁵

14 **Q: You appear reluctant to take a proposal to use an unused energy allocator to the**
15 **MPSC but have proposed in this case to change the unused energy allocator which**
16 **has been used in Kansas since 2008. Why propose a change in Kansas and not**
17 **Missouri?**

18 **A:** I am proposing a change in Missouri. I am proposing to discontinue an energy allocator
19 in favor of a capacity related allocator. There are several reasons why I am comfortable
20 proposing a capacity related allocation in both jurisdictions. These include:

¹⁵ Because of the use of the 12CP capacity allocator in Kansas and the 4CP capacity allocator in Missouri, KCP&L fails to recover about \$4 million in power supply and transmission cost. The reduction in off-system sales margin credited of \$6.15 million (\$4.0 Missouri plus \$2.15 million Kansas) exceeds the \$5.6 million due to the use of these different capacity allocators.

- 1 1) While the KCC approved a stipulation and agreement in 2007 which included use
2 of the unused energy allocator, I am unaware of any instance where the KCC
3 specifically approved use of an unused energy allocator on its merits.
- 4 2) I am unaware of any instance, other than KCP&L in Kansas, of a utility using
5 unused energy to allocate off-system sales margin.
- 6 3) The unused energy allocator does not make sense to allocate margin whereas a
7 capacity-based allocator does.
- 8 4) I am unaware of any instance where either the KCC or MPSC has rejected use of
9 a capacity-based allocation of off-system sales margin.
- 10 5) A capacity-based allocation produces an allocation result which approximates the
11 midpoint between an unused energy allocation and a sales allocation.

12 **Q: If the KCC and the MPSC adopt your recommendations in this case and the current**
13 **Missouri case, would KCP&L recover all of its costs?**

14 A: No, a difference in capacity allocation factor remains. In Schedule LWL2010-14, I show
15 that, based on the recommendations I am making in this case and in the current Missouri
16 case, the Company will fail to recover \$3.6 million due to differences in jurisdictional
17 capacity allocation factors.

18 **Q: If the Commission does not adopt the Company's recommended allocation of off-**
19 **system sales margin in this case, what are the implications?**

20 A: The Commission will force KCP&L shareholders to subsidize Kansas ratepayers by
21 about \$2.15 million, thus confiscating KCP&L share value.

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

23 A: Yes, it does.

Kansas City Power Light Company
Impact of Recommended Allocation Methods
2008 Adjusted

Line No.	[A] Functional Revenue Requirements - Schedule LWL-4	[B] Total Production and Transmission	[C] Total Transmission	[D] [D] [E] [F] Power Supply			
				Total Production	Fixed Cost	Variable Cost	Off System Sales
		\$	\$	\$	\$	\$	\$
1	Transmission	72,521,425	72,521,425				
2	Power Supply by Type of Generation						
3	Nuclear	227,931,745		227,931,745	194,427,647	33,504,098	
4	Steam	726,179,153		726,179,153	484,170,621	242,008,532	
5	Purchase Power	9,545,494		9,545,494	1,506,145	8,039,349	
6	Wind	13,933,911		13,933,911	28,839,383	(14,905,471)	
7	Subtotal	1,050,111,729	72,521,425	977,590,304	708,943,796	268,646,508	-
8	Other Generation (Peaking)	55,237,599		55,237,599	42,506,024	12,731,575	
9	Gross Revenue Requirements	1,105,349,328	72,521,425	1,032,827,903	751,449,820	281,378,083	-
10	Off-System Sales (Includes Miscella	(216,156,711)	(10,813,158)	(205,343,553)		(100,891,638)	(104,451,915)
11	Net Revenue Requirements	889,192,617	61,708,267	827,484,350	751,449,820	180,486,445	(104,451,915)

Allocation to Jurisdiction	Total Production and Transmission	Transmission Capacity	Power Supply				
			Total	Capacity	Energy	Off System Sales	
			\$	\$	\$	\$	
12	Allocation to Kansas						
13	Allocation Basis	LN 32		LN 32	LN 34	LN 32	
14	Allocation Factor	45.64%		45.64%	42.36%	45.64%	
15	Kansas Portion	399,905,693	28,162,812	371,742,881	342,951,453	76,461,858	(47,670,430)
16	Allocation to Missouri						
17	Allocation Basis	LN 30		LN 30	LN 34	LN 30	
18	Allocation Factor	53.18%		53.18%	57.01%	53.18%	
19	Missouri Portion	479,788,744	32,817,270	446,971,473	399,630,926	102,889,453	(55,548,906)
20	Allocation to FERC						
21	Allocation Basis	LN 32		LN 32	LN 34	LN 32	
22	Allocation Factor	0.68%		0.68%	0.63%	0.68%	
23	FERC Portion	5,935,629	417,987	5,517,641	5,090,024	1,135,134	(707,516)
24	Total Recovered	885,630,065	61,398,069	824,231,996	747,672,402	180,486,445	(103,926,852)
25	Total Unrecovered	3,562,552	310,198	3,252,354	3,777,417	-	(525,063)
26	Percent Unrecovered	0.40%	0.50%	0.39%	0.50%	0.00%	-0.50%

Allocation Bases		Total	Kansas	Missouri	FERC
27	Coincident Peak Demand				
28	Single CP - MW	3,703	1,707	1,970	26
29	Capacity Responsibility	100.00%	46.10%	53.20%	0.70%
30	Four CP - Average MW	3,474	1,604	1,847	22
31	Capacity Responsibility	100.00%	46.18%	53.18%	0.64%
32	Twelve CP - Average MW	2,739	1,250	1,471	19
33	Capacity Responsibility	100.00%	45.64%	53.68%	0.68%
34	Annual Deliveries - MWH	16,120,868	6,829,497	9,189,983	101,389
35	Energy Responsibility	100.00%	42.36%	57.01%	0.63%
36	Unused Energy - MWH	25,664,638	12,240,839	13,242,150	181,649
37	Unused Energy Allocator	100.00%	47.70%	51.60%	0.71%

Evergy

Electric Rate Comparison - Total Retail Rates

Source-Edison Electric Institute’s Typical Bills and Average Rates Report publication for Total Retail Average Rates:

MISSOURI RETAIL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Missouri	10.73	10.97	11.16	10.42	9.34	8.89	8.78	8.23	8.01	7.69	6.88	6.51	6.14	5.66	5.65
GMO - MPS	9.52	9.64	9.61	9.60	9.93	9.56	9.51	9.48	9.31	9.09	8.36	7.79	7.33	6.85	6.45
GMO-L&P	*	*	*	9.13	9.35	9.14	9.10	8.49	7.34	6.75	6.34	5.93	5.63	5.30	5.20
Ameren Missouri	8.44	8.91	8.85	8.62	8.53	8.02	8.12	7.36	7.16	6.48	5.95	5.43	5.46	5.43	5.49
Empire- Missouri	**	12.15	11.70	11.27	11.09	11.00	10.65	10.35	10.07	8.96	8.45	8.18	8.03	7.33	7.09
Missouri Average	9.02	9.38	9.55	9.23	9.01	8.56	8.58	7.96	7.72	7.11	6.55	6.04	5.93	5.74	5.71

KANSAS RETAIL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL- Kansas	11.54	11.99	11.83	11.60	10.99	10.40	10.42	9.87	9.43	8.57	8.06	7.46	6.73	6.35	6.32
Empire - Kansas	**	10.39	10.46	10.21	10.76	10.39	10.15	10.48	10.11	9.25	8.41	8.69	8.61	8.06	6.54
Westar Energy - KGE	9.07	9.36	9.92	9.92	9.43	9.54	8.87	8.42	7.90	7.46	7.13	6.32	5.73	6.04	6.03
Westar Energy - KPL	10.90	10.32	10.73	10.63	10.06	10.17	9.42	8.99	8.28	8.15	7.82	6.92	6.06	6.25	5.58
Kansas Average	10.37	10.38	10.69	10.60	10.06	9.99	9.46	9.00	8.43	8.00	7.62	6.84	6.12	6.35	6.14

REGIONAL RETAIL AVERAGE RATES—CENTS PER KWH

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
West North Central	9.44	9.54	9.55	9.23	8.95	8.7	8.56	8.06	7.82	7.53	7.14	6.81	6.51	6.38	6.17
United States Average	10.70	10.79	10.85	10.61	10.71	10.73	10.37	10.09	10.09	9.97	9.83	9.77	9.2	8.89	8.22

Source: EEI Winter 2010 Report, page 180 provided Data Request 380- ER-2010-0355

EEI Winter 2012 Report, page 180 provided Data Request 241- ER-2012-0174

EEI Winter 2014 Report, page 179; EEI Winter 2015 Report, page 178;

EEI Winter 2016 Report, page 178

EEI Winter 2018 Report, page 174

EEI Winter 2019 Report, page 175

EEI Winter 2020 Report, page 169 (averages for 2018 do not include Empire)

* GMO - L&P Rates are consolidated with GMO - MPS

** Empire was not listed in 2019 report

Evergy

Electric Rate Comparison - Residential Rates

Source-Edison Electric Institute's Typical Bills and Average Rates Report Winter 2018 publication for Total Retail Average Rates:

MISSOURI RESIDENTIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Missouri	13.20	13.47	13.78	12.85	11.63	10.99	10.82	10.30	9.90	9.53	8.51	8.14	7.61	6.90	6.88
GMO - MPS	11.14	11.17	11.25	11.34	11.78	11.20	11.17	11.21	10.81	10.52	9.67	9.10	8.64	8.08	7.45
GMO-L&P	*	*	*	10.94	11.23	10.80	10.81	10.24	8.64	7.97	7.43	7.03	6.78	6.31	5.97
Ameren Missouri	9.95	10.45	10.73	10.30	10.89	9.97	10.11	9.30	8.80	7.82	7.03	6.53	6.60	6.60	6.52
Empire- Missouri	**	14.05	13.92	13.19	12.65	12.27	11.90	11.74	11.22	9.95	9.75	9.19	9.10	8.35	7.98
Missouri Average	10.60	10.98	11.44	10.99	11.25	10.47	10.50	9.89	9.39	8.54	7.77	7.27	7.18	6.96	6.77

KANSAS RESIDENTIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL- Kansas	13.08	13.49	13.38	13.14	12.30	11.58	11.57	11.09	10.58	9.67	9.07	8.43	7.43	6.92	6.88
Empire - Kansas	**	10.90	11.18	10.81	11.40	10.94	10.72	11.03	10.53	9.65	8.97	9.26	9.20	8.69	7.11
Westar Energy - KGE	11.75	12.37	13.28	13.00	12.04	12.04	11.16	10.68	9.92	9.46	8.84	7.84	7.29	7.72	7.74
Westar Energy - KPL	13.31	12.73	13.36	13.08	12.11	12.08	11.18	10.70	9.93	9.55	9.17	8.07	7.16	7.36	6.69
Kansas Average	12.73	12.85	13.32	13.04	12.13	11.90	11.29	10.81	10.12	9.56	9.03	8.12	7.31	7.51	7.27

REGIONAL RESIDENTIAL AVERAGE RATES—CENTS PER KWH

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
West North Central	11.87	12.06	12.24	11.85	11.54	11.01	10.82	10.35	9.91	9.40	8.79	8.37	8.13	7.99	7.70
United States Average	13.04	13.11	13.28	12.93	12.95	12.71	12.43	12.20	12.07	12.01	11.72	11.53	10.95	10.62	9.60

Source: EEI Winter 2010 Report, page 212 provided Data Request 380- ER-2010-0355

EEI Winter 2012 Report, page 212 provided Data Request 241- ER-2012-0174

EEI Winter 2014 Report, page 212; EEI Winter 2015 Report, page 212

EEI Winter 2016 Report, page 212

EEI Winter 2018 Report, page 207

EEI Winter 2019 Report, page 208

EEI Winter 2020 Report, page 201 (averages for 2018 do not include Empire)

* GMO - L&P Rates are consolidated with GMO - MPS

** Empire was not listed in 2019 report

Evergy

Electric Rate Comparison - Commercial Rates

Source-Edison Electric Institute's Typical Bills and Average Rates Report Winter 2018 publication for Total Retail Average Rates:

MISSOURI COMMERCIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Missouri	10.28	10.46	10.72	10.06	8.96	8.51	8.37	7.79	7.62	7.31	6.56	6.22	5.92	5.49	5.48
GMO - MPS	8.77	9.00	9.06	8.68	8.94	8.63	8.57	8.49	8.45	8.25	7.62	7.08	6.59	6.16	5.94
GMO-L&P	*	*	*	9.18	9.39	9.21	9.12	8.46	7.36	6.69	6.26	5.86	5.51	5.26	5.37
Ameren Missouri	7.62	8.08	7.88	7.82	8.12	7.72	7.81	7.02	6.92	6.29	5.71	5.34	5.34	5.32	5.29
Empire- Missouri	**	11.78	11.32	10.93	10.91	10.93	10.58	10.25	9.94	8.82	8.60	8.13	7.96	7.32	7.08
Missouri Average	8.32	8.68	8.77	8.55	8.57	8.21	8.20	7.55	7.40	6.85	6.26	5.87	5.74	5.56	5.50

KANSAS COMMERCIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL- Kansas	10.37	10.77	10.66	10.34	9.91	9.40	9.44	8.93	8.38	7.57	7.20	6.62	6.13	5.90	5.87
Empire - Kansas	**	11.55	11.69	11.27	11.84	11.44	11.18	11.59	11.21	10.27	9.48	9.62	9.61	9.19	7.64
Westar Energy - KGE	9.19	9.23	9.90	9.82	9.51	9.73	8.95	8.46	7.97	7.57	7.31	6.66	6.03	6.38	6.29
Westar Energy - KPL	10.28	9.48	9.91	9.83	9.49	9.64	8.90	8.45	7.99	7.64	7.33	6.54	5.68	5.89	5.22
Kansas Average	9.98	9.81	10.14	9.99	9.63	9.60	9.08	8.61	8.12	7.61	7.30	6.61	5.93	6.24	5.96

REGIONAL COMMERCIAL AVERAGE RATES—CENTS PER KWH

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
West North Central	9.47	9.54	9.59	9.29	9.01	8.80	8.60	8.07	7.83	7.50	7.01	6.75	6.51	6.38	6.17
United States Average	10.66	10.74	10.82	10.60	10.87	10.94	10.52	10.19	10.20	10.21	10.03	10.05	9.53	9.33	8.54

Source: EEI Winter 2010 Report, page 246 provided Data Request 380- ER-2010-0355

EEI Winter 2012 Report, page 244 provided Data Request 241- ER-2012-0174

EEI Winter 2014 Report, page 245; EEI Winter 2015 Report, page 244

EEI Winter 2016 Report, page 244

EEI Winter 2018 Report, page 239

EEI Winter 2019 Report, page 240

EEI Winter 2020 Report, page 232 (averages for 2018 do not include Empire)

* GMO - L&P Rates are consolidated with GMO - MPS

** Empire was not listed in 2019 report

Evergy

Electric Rate Comparison - Industrial Rates

Source-Edison Electric Institute's Typical Bills and Average Rates Report Winter 2018 publication for Total Retail Average Rates:

MISSOURI INDUSTRIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL-Missouri	7.64	7.78	8.08	7.40	6.75	6.44	6.46	5.99	5.83	5.57	5.13	4.77	4.47	4.21	4.23
GMO - MPS	6.75	6.77	6.71	6.28	6.61	6.47	6.40	6.27	6.28	6.26	5.82	5.34	4.89	4.58	4.49
GMO-L&P	*	*	*	6.90	7.11	6.98	6.96	6.47	5.61	5.16	4.96	4.60	4.26	3.98	3.97
Ameren Missouri	6.21	6.56	6.48	6.24	5.48	5.34	5.45	4.85	4.87	4.46	4.30	3.87	3.89	3.96	4.05
Empire- Missouri	**	8.89	8.37	8.19	8.27	8.33	8.07	7.72	7.72	6.89	6.60	6.19	6.08	5.51	5.41
Missouri Average	6.61	6.84	7.02	6.70	5.99	5.83	5.88	5.35	5.30	4.90	4.73	4.26	4.18	4.14	4.61

KANSAS INDUSTRIAL AVERAGE RATES—CENTS PER KWH

Utility Company	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
KCPL- Kansas	9.77	10.05	9.88	9.65	9.29	8.79	8.16	6.65	7.95	7.06	6.73	6.15	5.50	5.15	5.15
Empire - Kansas	**	8.32	8.28	7.99	8.49	8.20	7.92	8.25	8.26	7.42	7.01	6.97	6.94	6.32	5.02
Westar Energy - KGE	6.60	6.60	7.09	7.17	6.95	7.04	6.63	6.30	5.89	5.47	5.34	4.78	4.17	4.36	4.32
Westar Energy - KPL	8.31	7.72	8.08	8.11	7.84	8.02	7.45	7.14	6.84	6.50	6.31	5.62	4.83	5.01	4.40
Kansas Average	7.37	7.17	7.57	7.63	7.40	7.49	7.00	6.62	6.34	5.91	5.75	5.15	4.49	4.77	4.65

REGIONAL INDUSTRIAL AVERAGE RATES—CENTS PER KWH

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
West North Central	6.89	6.85	6.96	6.71	6.30	6.20	6.10	5.68	5.62	5.48	5.38	5.21	4.83	4.76	4.52
United States Average	6.75	6.98	7.00	6.80	6.97	7.21	6.91	6.60	6.64	6.71	6.63	6.66	6.15	6.00	5.62

Source: EEI Winter 2010 Report, page 278 provided Data Request 380- ER-2010-0355

EEI Winter 2012 Report, page 276 provided Data Request 241- ER-2012-0174

EEI Winter 2014 Report, page 278; EEI Winter 2015 Report, page 276

EEI Winter 2016 Report, page 276

EEI Winter 2018 Report, page 271

EEI Winter 2019 Report, page 272

EEI Winter 2020 Report, page 262 (averages for 2018 do not include Empire)

* GMO - L&P Rates are consolidated with GMO - MPS

** Empire was not listed in 2019 report