

Exhibit No.:

Issue(s): *Accounts Receivable Bank Fees, Advertising, Credit Card Processing Fees, Customer Advances, Customer Deposits, Dues & Donations, Economic Relief Program Costs, Income Eligible Weatherization Program, Injuries and Damages, Insurance, IT Software Maintenance, Maintenance Expense, Materials & Supplies, Plant in Service Accounting (PISA), Prepayments, Renewable Energy Standard Amortization (RES), Wolf Creek Nuclear Refueling Outage*

Witness: *Antonija Nieto*

Sponsoring Party: *MoPSC Staff*

Type of Exhibit: *Direct Testimony*

Case Nos.: *ER-2022-0129 and*

ER-2022-0130

Date Testimony Prepared: *June 8, 2022*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

ANTONIJA NIETO

**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
June 2022*

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3 **ANTONIJA NIETO**

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

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

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1 **DIRECT TESTIMONY**

2 **OF**

3 **ANTONIJA NIETO**

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. My name is Antonija Nieto. My business address is Fletcher Daniels State Office
10 building, Room 201, 615 East 13th Street, Kansas City, MO 64106.

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

12 A. I am a Senior Utility Regulatory Auditor with Missouri Public Service
13 Commission.

14 Q. Please describe your education.

15 A. I earned a Bachelor of Accounting from New Mexico State University in
16 December 2006 and a Master of Accounting with minor in Management in December 2007,
17 also from New Mexico State University.

18 Q. Have you previously testified in a proceeding before the Missouri Public Service
19 Commission?

20 A. Yes, I have testified and provided written testimony in the Evergy Metro and
21 Evergy West 2016 and 2018 rate cases, as well as for other Missouri utilities. Please refer to
22 attached “Credentials” Schedule AN-d1 for a full list of my prior cases participation.

23 **EXECUTIVE SUMMARY**

24 Q. What is the purpose of your direct testimony?

1 A. The purpose of my direct testimony is to provide an explanation for various
2 adjustments made to Evergy Metro's and Evergy West's test year and certain amounts included
3 in their rate base.

4 Q. Through this testimony, do you provide any recommendations for recommended
5 ratebase and expense levels to be reflected in the revenue requirement ordered in this case?

6 A. Yes. I provide a recommendation for several rate base items, including customer
7 advances, customer deposits, prepayments, and Income Eligible Weatherization Program. I also
8 provide recommendations on several expense items. Please see the below testimony for a more
9 detailed explanation of adjustments made.

10 Q. Through this testimony, do you describe the development of workproduct that
11 you provided to another Staff witness for the development of an issue?

12 A. Yes. I have collaborated with Contessa King on Economic Relief Pilot Program
13 and with Kory J. Boustead on Income Eligible Weatherization Program.

14 **ACCOUNTS RECEIVABLE BANK FEES**

15 Q. What are accounts receivable bank fees?

16 A. Evergy Missouri Metro ("Evergy Metro") sells its accounts receivable to Evergy
17 Missouri Metro Receivables Company, formerly known as Kansas City Power & Light
18 Receivables Company and Evergy Missouri West ("Evergy West") sells its accounts receivable
19 to Evergy Missouri West Receivables Company, formerly known as Greater Missouri
20 Operations Receivables Company, both of which are affiliated entities. The sale of accounts
21 receivable increases immediate cash flow to Evergy Metro and Evergy West and provides
22 access to funds through lines of credit. The impact of the sale of accounts receivable on Evergy
23 Metro's and Evergy West's cash working capital ("CWC") requirement is a reduction to the

1 collection lag component of the overall revenue lag. This is because Evergy Metro and Evergy
2 West receive money faster when accounts receivable are sold, shortening the revenue lag and
3 reducing Evergy Metro's and Evergy West's revenue requirement. It is the entity purchasing
4 the accounts receivable from Evergy Metro and Evergy West that has to wait for the customers
5 to pay amounts due within the normal time frame set out in the Commission's billing rules.
6 Evergy Metro and Evergy West pay The Toronto-Dominion Bank certain fees associated with
7 the selling of the accounts receivable. The amount of fees Evergy Metro and Evergy West pay
8 to accelerate cash recovery through the sale of its receivables is to be less than the reduction in
9 CWC, resulting from the shorter collection lag. In other words, there must be a customer net
10 benefit of selling the accounts receivables.

11 Q. Please explain Staff's adjustment related to Evergy Metro's and Evergy West's
12 sale of the accounts receivable.

13 A. The adjustment for bank fees relate to Evergy Metro's and Evergy West's cost
14 incurred in order to sell accounts receivable. For both Evergy Metro and Evergy West, Staff
15 annualized bank fees using the 12 months ending December 31, 2021, actual data. Staff's
16 recommended levels are reflected in Staff's Accounting Schedules for Evergy Metro and
17 Evergy West.

18 **CUSTOMER DEPOSITS**

19 Q. What are customer deposits?

20 A. Customer deposits are funds required to be provided by certain customers in
21 order to initiate service as security against potential losses from failure to pay the utility for
22 service provided. Since deposits are supplied by the customers a representative level is deducted

1 from Evergy Metro's and Evergy West's rate base to ensure that the utility does not earn a
2 return on the value of these deposits.

3 Q. Is Evergy Metro and Evergy West required to return the deposits to customers
4 after a period of time?

5 A. Yes. After satisfactory payment over a twelve month period, Evergy Metro and
6 Evergy West must return the deposit including accrued interest.

7 Q. Is customer deposit interest included in Evergy Metro's and Evergy West's cost
8 of service?

9 A. Yes. Since Evergy Metro and Evergy West are required to refund the deposits
10 including interest, an appropriate level of expense should be included in the utility's cost.

11 Q. How is interest expense determined?

12 A. Consistent with Evergy Metro's and Evergy West's tariff, Staff applied the most
13 current prime interest rate published in the Wall Street Journal (4.25%) plus 100 basis points,
14 for a total of 5.25% to its recommended customer deposit balance.¹

15 Q. Please explain Staff's recommended level of customer deposits included in rate
16 base and the corresponding adjustment for customer deposits.

17 A. The amounts Staff reflected for customer deposits on Accounting Schedule 2,
18 Rate Base, is the balance as of December 31, 2021, for both Evergy Metro and Evergy West.
19 The balance reflected on the Rate Base Accounting Schedule is the Missouri jurisdictional total
20 for customer deposits. The December 2021 balance was used because a downward trend in the
21 customer deposits during the test year and update period was noted for both Evergy Metro and
22 Evergy West. In addition to the amount deducted from rate base for customer deposits, an

¹ Evergy Metro and Evergy West Rules and Regulations, Deposit Deposits.

1 amount for interest on customer deposits has been included as an adjustment to the income
2 statement, Staff's Accounting Schedule.

3 **CUSTOMER ADVANCES**

4 Q. Please describe customer advances.

5 A. Customer advances are funds typically provided by construction developers to
6 Evergy Metro and Evergy West in order to ensure that Evergy Metro and Evergy West build
7 electric infrastructure in areas that have potential for future development. These advances are
8 also used by the utility to establish electric service for potential future customers without
9 investing a substantial amount of money at the risk of the utility and its other customers.
10 Unlike customer deposits, where Evergy Metro and Evergy West receive these payments from
11 prospective customers to obtain access to utility service, customer advances are provided to
12 Evergy Metro and Evergy West from certain customers that obligate Evergy Metro and Evergy
13 West to provide future electrical infrastructure and service for those affected customers.
14 Customer advances represent a recorded liability to recognize, in most instances, the obligation
15 to eventually return the funds advanced by customers to Evergy Metro and Evergy West.
16 The infrastructure constructed with these funds is not financed with debt or equity and, thus,
17 ratepayers should not be obligated to pay a return on these plant investments. Consequently,
18 customer advances are a reduction to Evergy Metro's and Evergy West's rate base.

19 Q. What is Staff's recommended treatment of Customer Advances?

20 A. Staff's recommended treatment of customer advances is to deduct from
21 Evergy Metro's and Evergy West's rate base a 13-month average of customer advances account
22 balances ending December 31, 2021. Staff utilized a 13-month average as the monthly balances
23 for Evergy Metro and Evergy West did not exhibit a discernable upward or downward trend.

1 Staff's recommended level of customer advances are included as a reduction to Evergy Metro's
2 and Evergy West's rate base on Accounting Schedule 2.

3 **ECONOMIC RELIEF PILOT PROGRAM ("ERPP") – ACCOUNTING TREATMENT**

4 Q. Are there other Staff members that address the ERPP program?

5 A. Yes. Contessa King will address the ERPP program in her rebuttal testimony in
6 this case. My testimony specifically addresses the accounting treatment for the ERPP.

7 Q. How long has the ERPP been active and what is the current programs' level
8 of funding?

9 A. Evergy Metro and Evergy West began collecting ERPP funds through rates in
10 Case Nos. ER-2012-0174 and ER-2012-0175, respectively. ERPP funding was also included in
11 rates resulting from Evergy Metro's and Evergy West's subsequent rate cases. The table below
12 lists the amounts of funding included in base rates:

13

Evergy Metro and Evergy West Historical ERPP Funding		
Case Number	Metro Funding	West Funding
ER-2012-0174, ER-2012-0175	\$630,000	\$630,000
ER-2014-0370	\$1,260,000	
ER-2016-0156		\$788,019
ER-2016-0285	\$1,260,000	
ER-2018-0145, ER-2018-0146	\$1,260,000	\$788,019
ER-2022-0129, ER-2022-0130 (Staff's recommendation)	\$1,260,000	\$788,019

14 *Note: shareholders and ratepayers each provide 50% of the ERPP funding shown above*

15 Q. What is Staff's recommended treatment of ERPP?

16 A. Staff adjusted Evergy Metro's and Evergy West's ERPP test year balance to
17 ensure recommended amount of ratepayer funding is included in rates. Staff recommends
18 that any unspent ERPP funding collected from ratepayers be made available for future
19 ERPP funding.

1 **INSURANCE EXPENSE**

2 Q. Please explain insurance expense as they relate to regulated utilities.

3 A. Insurance expense is the cost of protection obtained from third parties by utilities
4 against the risk of financial loss associated with unanticipated events. Utilities, like
5 non-regulated entities, routinely incur insurance expense in order to minimize their liability
6 associated with unanticipated losses for property assets and personal injury from accidents.
7 Certain forms of insurance reduce ratepayer's exposure to risk. Premiums for insurance are
8 normally paid in advance by utilities, such as the utility payment to the insurance vendor in
9 advance of the policy going into effect. These insurance payments are normally treated as
10 prepayments, with the amount of the premium being booked as an asset and amortized to
11 expense ratably over the life of the period the insurance is in force. The unamortized balance
12 of the prepaid insurance account (either the period-ending balance or a 13-month average
13 balance) is included in rate base, with an annualized level of insurance expense included
14 in rates. The rate base treatment for prepayments is discussed in the prepayments section of
15 this testimony.

16 Q. What type of insurance policies do Evergy Metro and Evergy West carry?

17 A. During the audit, Staff reviewed Evergy Metro's and Evergy West's insurance
18 policies for the following forms of insurance:

- 19 • Commercial Crime
- 20 • Fiduciary Liability
- 21 • Directors and Officers (D&O) Liability
- 22 • General Liability/Umbrella
- 23 • Excess Directors & Officers
- 24 • Excess Liability
- 25 • Excess Fiduciary Liability

- 1 • Workers Compensation
- 2 • Excess Workers Compensation
- 3 • Property
- 4 • Cyber-Security Liability
- 5 • Labor Management Trust Fiduciary
- 6 • Auto Liability
- 7 • Bonds
- 8 • OCIP (Owner Controlled Insurance Program)
- 9 • Aviation

10 Q. What is Staff's recommended treatment for insurance expense?

11 A. Staff's recommended treatment of insurance expense is to include an annualized
12 level of insurance expense based on current insurance premiums and allocating an appropriate
13 portion of the expense to Evergy Metro's and Evergy West's cost of service. The annualized
14 levels for Evergy Metro's and Evergy West's portion of the insurance costs are reflected in
15 Staff's Accounting Schedule 9.

16 **MATERIALS AND SUPPLIES**

17 Q. Describe materials and supplies as they relate to Evergy Metro and Evergy West.

18 A. Materials and supplies includes the cost of materials that are purchased primarily
19 for use in the construction, operation, and maintenance of utility plant but are not directly
20 assignable to specific plant accounts. Materials and supplies represent an investment in
21 inventory for items such as spare parts, electric cables, poles, meters, and other miscellaneous
22 items used in daily operations, maintenance, and construction activities by Evergy Metro and
23 Evergy West to maintain and build their production facilities and electric system.

24 Q. How did Staff evaluate Evergy Metro's and Evergy West's materials and
25 supplies?

1 A. Staff examined each account individually to determine whether trends within an
2 individual account existed over time and to determine an appropriate level that most accurately
3 reflects the ongoing future investment costs of a particular account that should be included in
4 rate base.

5 Q. What is Staff's recommended treatment of Evergy Metro's and Evergy West's
6 materials and supplies?

7 A. Staff reviewed the monthly balances for materials and supplies accounts from
8 December 2020 to December 2021. If an upward or downward trend was detected, then Staff
9 used the ending balance for that account. If there was no discernible trend, then a 13-month
10 average was determined to be the most appropriate measure of the ongoing investment level for
11 that account. Staff's recommended level of materials and supplies for Evergy Metro and
12 Evergy West is reflected in Staff's Accounting Schedules (Accounting Schedule 2).

13 **ADVERTISING**

14 Q. What is Staff's approach to advertising expense?

15 A. In forming its recommendation on the allowable level of advertising expense,
16 Staff relied on the principles the Commission set forth in the 1985 Kansas City Power & Light
17 rate case, Case No. EO-85-185: *In Re: Kansas City Power and Light Company*, 28 MO P.S.C.
18 (N.S.) 228 (1986), in which the Commission adopted an approach that classifies advertisements
19 into five categories and provides separate rate treatment for each category.

20 Q. Please briefly describe the five advertisement categories.

21 A. The five categories of advertisements recognized by the Commission are:

- 22 1. General: advertising that is useful in the provision of adequate
23 service;
- 24 2. Safety: advertising which conveys the ways to safely use electricity
25 and to avoid accidents;

- 1 3. Promotional: advertising used to encourage or promote the use of
- 2 electricity;
- 3 4. Institutional: advertising used to improve the company's public
- 4 image; and
- 5 5. Political: advertising associated with political issues.

6 The Commission adopted these categories of advertisements because a utility's revenue
7 requirement should: 1) always include the reasonable and necessary cost of general and safety
8 advertisements; 2) never include the cost of institutional or political advertisements; and
9 3) include the cost of promotional advertisements only to the extent that the utility can provide
10 cost-justification for the advertisement (Report and Order in KCPL Case No. EO-85-185,
11 28 Mo.P.S.C. (N.S.) 228, 269-271 (April 23, 1986)).

12 Q. How did Staff develop its recommended level of advertising expense?

13 A. In response to Staff data requests issued in this case, Evergy Metro and Evergy
14 West provided supporting documentation for its advertising costs and copies of the actual
15 advertisements. Staff examined each advertisement and classified them into the individual
16 categories the Commission has used in prior cases to determine the advertisements that should
17 be either included or excluded from Evergy Metro's and Evergy West's cost of service.
18 The purpose of Staff's review of Evergy Metro's and Evergy West's advertising costs is to
19 ensure that only advertising costs for programs necessary for the provision of safe and adequate
20 utility service are included in Evergy Metro's and Evergy West's cost of service. For example,
21 all direct and indirect costs associated with safety advertising are included as well as other costs
22 necessary for Evergy Metro and Evergy West to communicate with its customers on utility
23 matters (i.e., general advertising).

1 Q. Did Staff identify advertisements that are not necessary for the provision of
2 safe and adequate utility service during its review of Evergy Metro's and Evergy West's
3 advertising costs?

4 A. Yes. Staff identified several advertisements that are institutional advertisements.
5 For example, there are advertisements that promote the Company's image.

6 Q. Are the institutional advertisements addressed above consistent with the
7 principles the Commission set forth in the 1985 Kansas City Power & Light rate case?

8 A. No. Advertisements that promote the public image are generally not included
9 in a utility's cost of service since there is no benefit to Missouri ratepayers.

10 Q. Was Staff able to identify the costs for the advertisements addressed above?

11 A. With the exception of one immaterial public image advertising cost, Staff was
12 not able to identify specific costs that relate to public image advertisements. These
13 advertisements are included in an advertising campaign. The costs of the public image
14 advertisements are not itemized in the invoices that Staff reviewed. Staff has requested
15 additional information regarding these costs. Staff will continue to evaluate these costs during
16 the course of this case.

17 Q. Did Evergy Metro and Evergy West make any advertising adjustments?

18 A. Yes, Evergy Metro and Evergy West adjusted test year expense for advertising
19 costs associated with Evergy Kansas Central, formerly known as Westar.

20 Q. Did Staff reflect those adjustments?

21 A. Yes. In addition, Staff excluded the immaterial public image advertising cost
22 from the test year that is addressed above.

1 Q. Does Staff have additional concerns with the level of advertising expense
2 incurred by Evergy Metro and Evergy West?

3 A. Yes. Evergy Metro's and Evergy West's advertising expense has significantly
4 increased in 2020 and 2021 when compared to previous years. Evergy Metro's and Evergy
5 West's advertising expense for the period of 2018-2021 is identified in the table below.

6

Evergy Metro and Evergy West Historical Advertising Expense		
Year	Evergy Metro	Evergy West
2018	39,162	15,071
2019	47,221	20,245
2020	1,243,522	582,715
2021	2,140,334	881,737

7 Q. What is Staff's recommendation regarding advertising expense for Evergy
8 Metro and Evergy West?

9 A. Staff reflected the adjustments Evergy Metro and Evergy West excluded from
10 the test year. However, in this case, Staff was unable to identify all the public image advertising
11 costs. Since Staff could not identify these costs, Staff has requested additional data from the
12 Company and will continue to evaluate it through the course of this case. To the extent Staff
13 determines that these costs should not be included in the Company's cost of service, Staff will
14 make an adjustment in the true-up. Staff adjustments are identified on Schedule 10 of Staff's
15 Evergy Metro and Evergy West Accounting Schedules.

16 **IT SOFTWARE MAINTENANCE**

17 Q. Describe Evergy Metro's and Evergy West's IT software maintenance costs.

18 A. Evergy Metro and Evergy West incur costs associated with contracts to maintain
19 their information technology ("IT") hardware and software that include, but are not limited to

1 Microsoft, PowerPlan, and Oracle. Evergy Metro and Evergy West prepay the software
2 maintenance vendors and amortize the balance of the costs over the life of the contract.

3 Q. How did Staff review Evergy Metro's and Evergy West's IT software
4 maintenance costs?

5 A. Staff reviewed Evergy Metro's and Evergy West's prepaid IT software
6 maintenance through December 31, 2021, the update period in this case. Staff obtained total
7 monthly IT maintenance costs recorded in Evergy Metro's and Evergy West's general ledger
8 through December 31, 2021. The total amounts were compared to the test year IT maintenance
9 expense and adjustment was made to reflect the appropriate amount of IT Maintenance cost
10 going forward for both Evergy Metro and Evergy West.

11 Staff adjustment is identified on Schedule 10 of Staff's Accounting Schedules.

12 **MAINTENANCE EXPENSE**

13 Q. What is maintenance expense and what costs are included in it?

14 A. Maintenance expense is the cost of maintenance chargeable to the various
15 operating expenses and clearing accounts. It includes labor, materials, overheads, and any other
16 expense incurred in maintaining the Company's assets – including power plants, the
17 transmission and distribution network of the electric system, and the generation plant. Specific
18 types of maintenance work tied to specific classes of plant are listed in functional maintenance
19 expense accounts in the FERC Uniform System of Accounts ("USOA") for the various types
20 of utilities. Maintenance expense normally consists of costs of the following activities:

- 21 ▪ Direct field supervision of maintenance;
- 22 ▪ Inspecting, testing, and reporting on condition of plant, specifically to
23 determine the need for repairs and replacements;
- 24 ▪ Work performed with the intent to prevent failure, restore serviceability
25 or maintain the expected life of the plant;

- 1 ▪ Testing for, locating, and clearing trouble;
- 2 ▪ Installing, maintaining, and removing temporary facilities to prevent
- 3 interruptions;
- 4 ▪ Replacing or adding minor items of plant, which do not constitute a
- 5 retirement unit.

6 Q. Are labor costs included in maintenance adjustments?

7 A. No. Because Evergy Metro, Evergy West, and Staff separately include payroll
8 (labor) costs in their respective revenue requirement models, maintenance is analyzed on a
9 non-labor basis. Staff witness Jared Giacone addresses Evergy Metro's and Evergy West's
10 payroll in his direct testimony in this case.

11 Q. How did Staff approach maintenance expense adjustments?

12 A. Staff analyzed non-labor maintenance costs from January 1999 through
13 December 31, 2021, for Evergy Metro and from January 2001 through December 31, 2021, for
14 Evergy West, by functional area for production, transmission, distribution, and general plant by
15 FERC account. Several steps were taken to analyze the maintenance data including examining
16 the non-labor maintenance amounts to identify any fluctuations or trends from one period to
17 another. Staff also compared functional averages for each category of maintenance, which
18 included calculating two-year to seven-year averages to determine if there were fluctuations
19 within each functional area. Each of the costs by year and averages for maintenance were also
20 compared to results for the test year, the 12-month period ended June 30, 2021, and the update
21 period ended December 31, 2021. Staff's review of Evergy Metro's and Evergy West's
22 maintenance data was to establish a maintenance level that is anticipated to result in a
23 reasonable annualized and normalized level of Evergy Metro's and Evergy West's maintenance
24 costs to include in rates.

1 Q. What is Staff's recommended approach for each of the mentioned maintenance
2 categories?

3 A. Staff's recommended approach for each category of maintenance expense is
4 depicted in the table below:

5

Maintenance expense category	Recommended treatment Evergy Metro	Recommended treatment Evergy West
Steam production maintenance	3-year average 2019-2021	3-year average 2019-2021
Nuclear production maintenance	3-year average 2019-2021	
Other production maintenance	Update 12 months ending December 31, 2021	3-year average 2019-2021
Transmission maintenance	2-year average 2020-2021	12 months test year ending June 30, 2021
Distribution maintenance	4-year average 2018-2021	3-year average 2019-2021
General maintenance	12 months test year ending June 30, 2021	12 months test year ending June 30, 2021

6
7 As presented in the table above, for Evergy Metro Staff used a 3-year average to
8 represent future maintenance costs for Steam Production and Nuclear Production.
9 Staff recommends the 12-month update period ending December 31, 2021, for Other
10 Production and a 2-year average for Transmission maintenance. For Distribution maintenance,
11 Staff recommends a 4-year average and the 12-month test year ending June 30, 2021, for
12 General maintenance for purposes of its direct case filing for Evergy Metro.

13 For Evergy West, Staff is recommending a 3-year average for Steam Production and
14 Other Production and for the Distribution maintenance. For both Transmission and General
15 maintenance, Staff recommends the test year ending June 30, 2021.

1 Q. Noticeably, there is no recommendation for nuclear maintenance for Evergy
2 West; please explain.

3 A. Wolf Creek is an Evergy Metro generating facility with no maintenance costs
4 allocated to Evergy West. For Wolf Creek there are two types of O&M costs – O&M for general
5 plant (“nuclear production maintenance”), and O&M relating to the refueling outages that occur
6 every 18 months. Staff performed separate analysis for each. A discussion of the O&M
7 expenses related to the Wolf Creek refueling is located under the heading *Wolf Creek Nuclear*
8 *Refueling Outage* in this testimony.

9 **INCOME ELIGIBLE WEATHERIZATION (IEW) PROGRAM – ACCOUNTING**
10 **TREATMENT**

11 Q. Please provide a brief background of the IEW program.

12 A. Per *Non-Unanimous Partial Stipulation and Agreement* in Case Nos.
13 ER-2018-0145 and ER-2018-0146, the annual budget for IEW program was set at \$573,888
14 and \$500,000 for Evergy Metro and Evergy West, respectively. Evergy Metro and Evergy West
15 committed to secure contracts with Community Action Program agencies to spend the unspent
16 amounts with any unspent funds to be recorded as regular liability accruing interest at AFUDC
17 rate and carried over for use in future program years. The Company also agreed to not recover
18 through-put disincentive in its programs and to amortize the unspent funds over a 4 year period.

19 Q. How did Staff evaluate the IEW programs?

20 A. Staff compared the total funding Evergy Metro and Evergy West have collected
21 from customers through rates for IEW through December 31, 2021, and compared the total
22 funding to the actual IEW costs over the same period. At December 31, 2021, the unspent funds
23 in the IEW program amounted to \$274,018 and \$914,524 for Evergy Metro and Evergy West,
24 respectively. Staff included the IEW program liability at December 31, 2021, as a deduction to

1 Evergy Metro's and Evergy West's rate base. Additionally, an adjustment was made to reflect
2 the amortization of any unspent funds at December 31, 2021, over a four-year period.

3 Staff also adjusted Evergy Metro's and Evergy West's test year expense to match the
4 agreed level of IEW program funding.

5 **DUES AND DONATIONS**

6 Q. What are Dues and Donations expenses?

7 A. Dues and donations are expenditures made by utility to different organizations,
8 charitable funds, clubs, economic development programs, and other groups. Dues are usually
9 defined as amounts utility pays to organizations to allow the utility or its employees to
10 participate in and benefit from the organization's activities. Donations, on the other hand, are
11 discretionary amounts paid to individuals or organizations for charitable purposes, with no
12 direct benefit to the utility's business nor its ratepayers.

13 Q. Please explain Staff's analysis of Evergy Metro's and Evergy West's dues and
14 donations expenditures.

15 A. Staff reviewed the list of membership dues paid and donations made to various
16 organizations that Evergy Metro and Evergy West charged to their utility accounts during the
17 test year. In the current case, Staff applied the same four criteria used in KCPL's 1985 general
18 rate case, Case Nos. EO-85-185 and ER-2016-0285, to establish when dues and donations
19 expenses should not be included in customer rates. The criteria for not including mentioned
20 expenses are:

- 21 (1) The expenses are involuntary ratepayer contributions of a charitable
22 nature;
23 (2) The expenses are supportive of activities that are duplicative of those
24 performed by other organizations to which the Company belongs or pays
25 dues;

- 1 (3) The expenses are associated with active lobbying activities which have
2 not been demonstrated to provide any direct benefit to the ratepayers; or,
3 (4) The expenses represent costs of other activities that provide no benefit or
4 increased service quality to the ratepayer.

5 In regard to the first criteria listed above, Evergy Metro and Evergy West accounted for
6 all donations made to charitable organizations as a “below-the-line” expense amount, thus Staff
7 did not need to make an adjustment. Items “above-the-line” include expenses incurred in
8 utility’s operation that are in the revenue requirement and are recovered through the utility’s
9 rates. Items included “below-the-line” typically represent non-operating income and expenses
10 that are not recovered in rates and consequently are not included in the determination of utility’s
11 revenue requirement.

12 While Staff recognizes the importance of charitable contributions to the communities
13 served by utilities, donations that do not provide any direct benefit to ratepayers and are not
14 necessary for the provision of safe and adequate service should be excluded from
15 Evergy Metro’s and Evergy West’s revenue requirement. In addition, recovery in rates of
16 donations made by regulated utilities would constitute an involuntary contribution on behalf of
17 the rate-paying customer, and thus, those donations were excluded from the Companies’
18 revenue requirements.

19 **Edison Electric Institute (“EEI”) Dues**

20 Q. What is Edison Electric Institute and what services do they provide to
21 the utilities?

22 A. According to information obtained from the EEI website (www.eei.org), EEI is
23 an association of investor-owned electric utilities and industrial affiliates. Based upon its
24 review of EEI information, Staff determined that the primary function of EEI is to represent the

1 interests of the electric utility industry in the legislative and regulatory arenas. This role
2 includes EEI's engagement in lobbying activities.

3 Q. Did Commission make any rulings in prior cases regarding EEI?

4 A. Yes. In Case No. ER-82-66, the Commission stated the following:

5 ...until the Company (KCPL) can better quantify the benefit and
6 the activities that were the causal factor of the benefit, the
7 Commission must disallow EEI dues as an expense.²

8 This position has been re-affirmed by the Commission in subsequent rate proceedings.³

9 Q. How did Evergy Metro and Evergy West treat EEI dues?

10 A. Evergy Metro and Evergy West included most of the EEI expenses
11 above-the-line; however, Evergy Metro and Evergy West did not identify nor quantify any
12 benefit to ratepayers from participation in EEI.

13 Q. What is Staff's recommendation regarding EEI dues?

14 A. Staff removed that amount of EEI dues included "above-the-line" in the test year
15 expense from Evergy Metro's and Evergy West's cost of service, consistent with prior
16 Commission Report and Orders.

17 **Missouri Energy Development Association ("MEDA")**

18 Q. What is MEDA?

19 A. MEDA is the association of Missouri's Investor-Owned Utilities and their
20 strategic partners with their mission being: "...to work closely with Missouri Investor-Owned
21 Utilities and their strategic partners, representing their interests and advocating balanced
22 policies in legislative and regulatory arenas."⁴

² See *Re: Kansas City Power & Light Co.*, 25 Mo. P.S.C. (N.S.) 229, 245 (1982).

³ See *In the Matter of Kansas City Power & Light Co.*, 28 MO P.S.C. (N.S.) 228, 259 (1986).

⁴ <http://www.missourienergy.org/meda/>.

1 Q. What is Staff's recommendation regarding MEDA dues?

2 A. Staff removed these contributions because MEDA is an organization that
3 primarily lobbies on behalf of investor-owned utilities in Missouri. It has been a long-standing
4 practice in Missouri that costs associated with lobbying are not included in customer rates.

5 **PREPAYMENTS**

6 Q. Please describe Prepayments.

7 A. Prepayments are expenses that the Company pays in advance of the associated
8 good or service purchased. Since there are investment costs incurred by the utility when it
9 prepays expenses, the company is allowed to earn a return on these amounts through inclusion
10 in rate base. For example, Evergy Metro or Evergy West prepay for a property insurance to
11 protect their assets in advance of the coverage period. Accordingly, the cost of that insurance
12 policy is considered to be a prepaid asset and included in rate base to allow a return to the
13 unused portion of the prepaid asset. As the prepayments are consumed, an amount is charged
14 to an expense account in the income statement.

15 Q. What is Staff's recommended treatment for prepayments?

16 A. Staff's recommended treatment of prepayments is to examine each prepayment
17 account individually in order to determine an appropriate measure that most accurately predicts
18 the ongoing future investment costs of a particular prepayment account, and then to include
19 the appropriate level of prepayments in Evergy Metro's and Evergy West's rate base. Staff
20 included amounts in its rate base for all prepayments required for Evergy Metro and Evergy
21 West to provide electric utility service to their customers. Staff examined all of Evergy Metro's
22 and Evergy West's prepayment account balances from December 2020 to December 2021 on a
23 month-by-month basis.

1 Q. How did Staff determine the levels of prepayments levels to be included in
2 Evergy Metro's and Evergy West's rate base?

3 A. For accounts where there was no discernible upward or downward trend in the
4 monthly balances, Staff calculated an average based on balances for the 13-months ending
5 December 31, 2021. For accounts where a noticeable upward or downward trend was present,
6 Staff used the most recent account balances (December 31, 2021). Staff removed the Missouri
7 Public Service Commission ("MPSC") Assessment fees, Kansas Corporation Commission
8 ("KCC") Assessment fees, and Edison Electric Institute ("EEI") dues booked to account
9 165008 – Prepayments Other.

10 Q. Please explain why Staff made an adjustment to exclude these dues.

11 A. Staff removed the EEI dues from Evergy Metro's and Evergy West's
12 prepayments consistent with Staff's treatment of EEI dues addressed in the Dues and Donations
13 section of this testimony. Staff eliminated the KCC Assessment fees because there is no benefit
14 to the Missouri ratepayers. Staff eliminated the MPSC Assessment fees from prepayments and
15 included them in Staff's Cash Working Capital ("CWC") schedule. Staff witness Jared Giaccone
16 discusses CWC in his direct testimony.

17 **RENEWABLE ENERGY STANDARDS (RES) – ACCOUNTING TREATMENT-**
18 **EVERGY METRO ONLY**

19 Q. Please provide a brief overview of RES costs.

20 A. Pursuant to 4 CSR 240-20.100 (6)(D), the RES rule provides a recovery option
21 for compliance costs. The rule provides that Missouri Metro may:

22 ...recover RES compliance costs without the use of a RESRAM
23 through rates established in a general rate proceeding. In the interval
24 between general rate proceedings, the electric utility may defer costs in
25 a regulatory asset account and monthly calculate a carrying charge on
26 the balance in that regulatory asset account equal to its short-term cost

1 of borrowing. All questions pertaining to rate recovery of the RES
2 compliance costs in a subsequent general rate case proceeding will be
3 reserved to that proceeding, including the prudence of the costs for which
4 rate recovery is sought and the period of time over which any costs
5 allowed rate recovery will be amortized.

6 On April 19, 2012, the Commission authorized Missouri Metro's use of an accounting
7 order in Case No. EU-2012-0131 to⁵:

8 (a) record all incremental operating expenses associated with the cost of
9 solar rebates, the cost to purchase renewable energy credits, the cost of
10 standard offer and other related costs incurred as a result of compliance
11 with Missouri's Renewable Energy Standard Law in USOA Account 182;

12
13 (b) include carrying costs based on the Company's short term debt rate on
14 the balances in those regulatory assets; and

15
16 (c) defer such amounts in a separate regulatory asset with the disposition
17 to be determined in the Company's next general rate cases.

18 Since 2012, Evergy Metro amortized RES compliance costs with various amortization
19 periods. All Vintages have been fully amortized by March 2021.

20 Q. What is Staff's recommendation regarding RES costs in this case?

21 A. Since all Vintages were fully amortized by March 2021, Staff is recommending
22 removing all test year expenses from the cost of service and setting amortization amounts to
23 zero. Staff does not recommend including RES in prospective tracking. Instead, Staff
24 recommends that the monthly amortization collected from customers after March 2021 is used
25 to offset the current vintage of RES compliance costs.

26 **INJURIES AND DAMAGES**

27 Q. Please briefly describe injuries and damages expense.

⁵ *In the Matter of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company's Notice of Intent to File a Joint Application for an Accounting Authority Order Related to its Electrical Operations, Case No. EU-2012-0131, (Order Approving and Incorporating Stipulation and Agreement), at page 2.*

1 A. Injuries and damages expense is related to insurance claims and represent the
2 portion of legal claims against a utility that is not subject to reimbursement under the utility's
3 insurance policies. Injuries and damages claims usually consist of claims associated with
4 general liability, worker's compensation, and auto liability.

5 Q. What is Staff's recommended treatment for injuries and damages?

6 A. Staff's recommended treatment of injuries and damages is to normalize Evergy
7 Metro's and Evergy West's costs associated with injuries and damages by using a four-year
8 average of actual cash payments made by Evergy Metro and Evergy West to entities that had
9 an injury and/or claim against Evergy Metro and Evergy West.

10 **CREDIT CARD PROCESSING FEES**

11 Q. Please provide a brief background regarding credit card processing fees.

12 A. In February 2007, Evergy Metro implemented a Credit/Debit Card payment
13 program designed to offer utility ratepayers a simplified, quick, convenient way to pay their
14 bills and to manage their accounts electronically. Evergy West implemented similar program
15 in September 2009. Evergy Metro and Evergy West implemented the program through two
16 service agreements. The first agreement is with Paymentech, LLC ("Paymentech"), a subsidiary
17 of JPMorgan Chase Bank, N.A., and is for credit and debit card payments. The second
18 agreement is with Speedpay, Inc. ("Speedpay"), a subsidiary of E Commerce Group Products,
19 Inc. (a subsidiary of The Western Union Company), and is for ATM and debit card payment
20 made over the telephone. Paymentech and Speedpay act as third-party facilitators for the
21 processing of payments to Evergy Metro and Evergy West. In 2019, ACI purchased the
22 Speedpay platform from Western Union. Payment options available to customers through the
23 program include the Interactive Voice Response System, and/or registering on Evergy's

1 website. Payment through the website offers either one-time payments or what the Company
2 defines as “recurring card payment option.” The cost for providing this service is absorbed by
3 Evergy Metro and Evergy West and is later built into rates; therefore, customers who use this
4 payment option are not charged any direct transaction fees.

5 Q. What is Staff’s recommended treatment for credit card processing fees?

6 A. For this filing, Staff has included the credit card processing fees at the test year
7 level.

8 **WOLF CREEK NUCLEAR REFUELING OUTAGE (MISSOURI METRO ONLY)**

9 Q. Why is the nuclear refueling outage adjustment necessary?

10 A. Every 18 months an extended outage of the Wolf Creek Nuclear facility
11 is necessary in order to allow for nuclear refueling of the plant. Costs associated with the
12 refueling are deferred by Evergy Metro and amortized over 18 months when the next refueling
13 is expected.

14 Q. What is Staff’s recommended accounting treatment of this cost?

15 A. Staff included an annualized level of refueling cost for refueling outage #24 for
16 which the amortization began during the test year.

17 **PLANT IN SERVICE ACCOUNTING (PISA)**

18 Q. Please provide some background on plant in service accounting.

19 A. On June 1, 2018, Senate Bill 564 was signed into law, which allowed
20 investor-owned electric utilities in the State of Missouri the option of deferring 85% of all
21 depreciation expense and return associated with qualifying electric plant that was recorded to
22 plant-in-service as a regulatory asset on or after the date the utility elects the PISA option.
23 Qualifying plant for the purposes of the PISA deferral is all rate base additions that are not new

1 nuclear, coal, or gas-fired generation or rate-base additions that increase revenues by allowing
2 service to new customer premises. During a general rate case after the PISA election, the
3 regulatory asset must be amortized over twenty years and the unamortized balance is included
4 in rate base and allowed a return. Any utility that elects the PISA deferral must file an annual
5 five-year capital investment plan with the Commission with specific capital investment detailed
6 within the plan, following the election of PISA. Additionally, in the years after filing the first
7 capital investment plan the utility must submit a report detailing the actual capital investment
8 from the prior year. At least 25% of the capital investment included in the plan must be for grid
9 modernization projects and additionally, during the first five years, smart meter investment is
10 limited to 6%.

11 Q. Are there any time limitations affecting this accounting treatment?

12 A. Yes. PISA remains in effect until December 31, 2023; however, electric utilities
13 may request the Commission approve a five-year continuation prior to the cutoff date. The PISA
14 provision expires on December 31, 2028, but the amortization of the regulatory asset balances
15 under that section must continue to be reflected in the electrical corporation's rates and
16 remaining regulatory asset balances shall be included in the electrical corporation's rate case,
17 consistent with that section. Any existing balances that remain after the expiration of the PISA
18 option would continue to be amortized and recovered through base rates by the electric utility.

19 Q. Did Evergy Metro and Evergy West elect PISA?

20 A. Yes. Evergy Metro and Evergy West elected to participate in PISA on
21 January 1, 2019⁶. Evergy has established a regulatory asset account on its books and has
22 recorded all return and depreciation on eligible plant additions.

⁶ Evergy Metro and Evergy West filed annual capital investment plans since electing PISA.

1 Q. What is Staff's recommendation for the recovery of Evergy Metro's and Evergy
2 West's PISA investment?

3 A. As part of this rate case, Staff examined the amounts included in Evergy Metro's
4 and Evergy West's deferred regulatory asset account through December 31, 2021, the update
5 period in this case, to determine if these amounts comply with the new law. Staff included an
6 appropriate expense amount in Staff's cost of service calculation as part of a twenty-year
7 amortization. Staff also included the unamortized balance of this regulatory asset in rate base
8 consistent with the new law. Additionally, Staff reviewed the PISA balances to ensure that
9 there is no double recovery of the costs for RESRAM eligible projects. Eligible PISA amounts
10 incurred subsequent to May 31, 2022 (the Commission established true-up date in this case),
11 will again be deferred in a new regulatory asset account until the true-up cutoff established by
12 the Commission in Evergy Missouri's next rate proceeding for inclusion in base rates
13 established in that future rate case.

14 Q. Does this conclude your direct testimony?

15 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 ANTONIJA NIETO

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW ANTONIJA NIETO and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Antonija Nieto*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

A Nieto
ANTONIJA NIETO

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 on this 6th day of June 2022.

M. Ridenhour
Notary Public



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

Antonija Nieto

Educational and Employment Background and Credentials

I am currently employed as a Senior Utility Regulatory Auditor for the Missouri Public Service Commission (“Commission”). Previously I was employed by Lauterbach, Borschow and Company, P. C. in El Paso, TX as an auditor specializing in financial institutions audits from January 2008 to November 2009. I earned a Bachelor of Accounting from New Mexico State University in December 2006 and a Master of Accounting with minor in Management, also from New Mexico State University in December 2007. I have been employed by the Commission since October 2016.

As a Senior Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings for consideration by the Commission. In addition, I review all exhibits and testimony on assigned issues, develop accounting adjustments and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums.

Cases in which I have participated and the scope of my contributions are listed below:

Case/Tracking Number	Company Name- Type of Case; Issues
ER-2022-0129 ER-2022-0130	Evergy Missouri Metro and Evergy Missouri West Advertising, Customer Advances, Customer Deposits, Dues and Donations (EEI), EMS Run, Material and Supplies, Prepayments, Lobbying, Accounts Receivable Bank Fees, Debit/Credit Card Processing Fees, Economic Relief Pilot Program, Renewable Energy Standard Amortization, Regulatory Asset Amortizations, Injuries and Damages, Insurance, IT Software Maintenance, Maintenance, Wolf Creek Nuclear Refueling Outage, Plant in Service Accounting (PISA)
GO-2022-0171	Spire Inc. Infrastructure System Replacement Surcharge (ISRS)

cont'd Antonija Nieto

Case/Tracking Number	Company Name- Type of Case; Issues
GR-2021-0108	Spire, Inc. Advertising, Board of Directors, Cash Working Capital, Communication Equipment Lease, Credit Card Processing Fees, Energy Efficiency and Low Income Programs/Weatherization, Energy Efficiency Program Balances, Fuel Expense Equipment and Vehicles, Insurance, Line Locating, Rents and Leases, Severance, Uncollectible Expense
SA-2021-0017	Missouri-American Water Company Certificate of Convenience and Necessity
WR-2020-0264	Raytown Water Company Leased equipment, Outside Services, Purchased Water Bills, Education Expense, Lab Fees, Office Supplies, Primacy Fees, Printing and Postage Expense, Uniform Expense
WA-2019-0364	Missouri-American Water Company Certificate of Convenience and Necessity
GO-2019-0356	Spire Inc. Infrastructure System Replacement Surcharge (ISRS)
WO-2019-0184	Missouri American Water Company Infrastructure System Replacement Surcharge (ISRS) Work Order review, Reconciliation
SA-2019-0161	United Services, Inc. Certificate of Convenience and Necessity Plant buildout, Direct Expenses
ER-2018-0145	Kansas City Power & Light Company and Greater Missouri Energy Company Advertising, Bad Debt Expense, Revenues, Customer Advances, Customer Deposits, Customer Growth, Dues and Donations, Material and Supplies, Other Revenues, Prepayments, Forfeited Discounts annualization, Greater Missouri Energy Company EMS Run, Payroll expenses, Payroll Taxes, Employee Benefits
GR-2017-0215 GR-2017-0216	Laclede Gas and Missouri Gas Energy Payroll, Payroll Taxes, Employee Benefits, Non-Labor Maintenance, A&G and O&M Cost Analysis

cont'd Antonija Nieto

Case/Tracking Number	Company Name- Type of Case; Issues
WR-2017-0139	Stockton Hills Water Company Payroll, Other Expenses
ER-2016-0285	Kansas City Power & Light Company EMS Run, Insurance expense, Amortization, PSC Assessment, Lease expense