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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2022-0130

DIRECT TESTIMONY

OF

JIM FLUCKE

ON BEHALF OF

EVERGY MISSOURI WEST

**Kansas City, Missouri
July 2022**

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Case No. ER-2022-0130

1 **I. INTRODUCTION**

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

3 A: My name is Jim Flucke. My business address is 1200 Main, Kansas City, Missouri 64105.

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

5 A: I am employed by Evergy Metro, Inc. and serve as Manager Federal Regulatory Affairs for
6 Evergy Metro, Inc. d/b/a as Evergy Missouri Metro (“Evergy Missouri Metro”), Evergy
7 Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West”), Evergy Metro,
8 Inc. d/b/a Evergy Kansas Metro (“Evergy Kansas Metro”), and Evergy Kansas Central,
9 Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central (“Evergy Kansas
10 Central”) the operating utilities of Evergy, Inc.

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

12 A: I am testifying on behalf of Evergy Missouri West.

13 **Q: Please state your educational background and describe your professional training
14 and experience.**

15 A: In 1993, I received a Bachelor of Science Degree in Electrical Engineering from the
16 University of Illinois at Urbana-Champaign. I received my Master of Business
17 Administration Degree from the University of Missouri – Kansas City in 1996. In 2000, I
18 joined Aquila, Inc. (“Aquila”) holding various positions within the merchant and non-
19 merchant organizations with responsibilities in the areas of power marketing, asset
20 management and resource planning. As a result of the acquisition of Aquila by Great Plains

1 Energy Incorporated (“GPE”), I began my employment with KCP&L as Manager,
2 Corporate Facilities in July 2008. In May 2011, I transitioned back into power marketing
3 activities with KCP&L’s power marketing division. In April 2019, I joined Evergy’s
4 Regulatory Affairs department as Manager, Federal Regulatory Affairs with
5 responsibilities for generation and transmission formula rates in addition to Southwest
6 Power Pool regional market responsibilities.

7 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
8 **Commission (“Commission” or “MPSC”) or before any other utility regulatory**
9 **agency?**

10 A: No.

11 **Q: What is the purpose of your testimony?**

12 A: The purpose of my testimony is to provide support on accounting adjustments R-80 and
13 CS-108.

14 II. R-80 TRANSMISSION REVENUE – ROE

15 **Q: Please explain adjustment R-80.**

16 A: This adjustment provides for the Company’s retail customers to bear responsibility for the
17 return on transmission rate base at the MPSC-authorized level. Essentially, the adjustment
18 reduces the amount of transmission revenue that is credited against the gross transmission
19 revenue requirement so that the adjusted revenue credit is consistent with the Company’s
20 allowed ROE rather than the ROE allowed by the Federal Energy Regulatory Commission
21 (“FERC”).

1 **Q: Please describe the calculation of this adjustment.**

2 A: The Company has a transmission formula rate (“Formula Rate”) on file with the FERC that
3 is updated each year to determine the revenue requirement and rate level for transmission
4 service provided through the Southwest Power Pool, Inc. (“SPP”) Open Access
5 Transmission Tariff (“OATT”). The ROE allowed by the FERC in the Formula Rate is
6 11.1 percent. However, the ROE requested by the Company in this case is 10.0 percent.
7 The first step in calculating the adjustment is to determine the difference between the
8 annual revenue requirement in the Formula Rate when the ROE is set at 11.1 percent and
9 the annual revenue requirement when the ROE is set at 10.0 percent. This difference is
10 divided by the annual revenue requirement at 11.1 percent to derive an adjustment
11 percentage. This should be adjusted for the final ROE determined by the Commission in
12 this case.

13 **Q: Please continue with the further steps required.**

14 A: The next step is to determine the amount of transmission revenue received by Evergy
15 Missouri West that is derived through application of the Formula Rate in charging
16 wholesale customers for transmission service. The preponderance of this revenue is
17 collected as a result of service provided under the SPP OATT. A further calculation is made
18 to exclude the portion of the revenue attributable to service that Evergy Missouri West paid
19 for as a transmission customer. Because those service charges are included in the retail
20 cost-of-service not only as revenue credits but also as expenses under Account 565, those
21 amounts are removed from the revenue adjustment so that the costs borne by retail
22 customers reflect the overall ROE level of 10.0 percent. The remaining revenue, after the
23 above-described adjustments, essentially represents the portion based on the Formula Rate

1 that is derived from sources other than Evergy Missouri West. This revenue is then
2 multiplied by the ROE adjustment percentage described above to arrive at the final
3 adjustment amount. This adjustment applies transmission revenues related to both the
4 Company's Base Plan projects, which were built under the direction of SPP, and to the
5 Company's legacy zonal projects, which were built under the Company's own initiative.
6 The result is a reduction in the revenue credits for Evergy Missouri West.

7 **Q: Please explain why this adjustment R-80 is necessary.**

8 A: Absent this adjustment, the effective ROE included in retail rates for transmission assets
9 would be less than that authorized by the MPSC. This effect is exacerbated as the spread
10 widens between the FERC-authorized ROE of 11.1% and the MPSC-authorized ROE.

11 III. CS-108 TRANSOURCE CWIP/FERC INCENTIVES

12 **Q: Please explain why Evergy Missouri West is making this adjustment.**

13 A: Evergy Missouri West is making this adjustment to comply with conditions of the MPSC
14 Report and Order in Case No. EA-2013-0098. The Commission Order stated in Appendix
15 4: Consent Order, page 28:

16 With respect to transmission facilities located in EMW [Evergy Missouri
17 West] certificated territory that are constructed by Transource Missouri that
18 are part of the Iatan-Nashua and Sibley-Nebraska City Projects, EMW
19 agrees that for ratemaking purposes in Missouri the costs allocated to EMW
20 by SPP will be adjusted by an amount equal to the difference between: (a)
21 the SPP load ratio share of the annual revenue requirement for such facilities
22 that would have resulted if EMW's authorized ROE and capital structure
23 had been applied and there had been no CWIP (if applicable) or other FERC
24 Transmission Rate Incentives, including but not limited to Abandoned Plant
25 Recovery, recovery on a current basis instead of capitalizing pre-
26 commercial operations expenses and accelerated depreciation, applied to
27 such facilities; and (b) the SPP load ratio share of the annual FERC-
28 authorized revenue requirement for such facilities. EMW will make this
29 adjustment in all rate cases so long as these transmission facilities are in
30 service.
31

1 **Q: Please explain adjustment CS-108.**

2 A: Adjustment CS-108 reflects a change to Account 565 -Transmission of Electricity by
3 Others that represents the difference between Evergy Missouri West's SPP load ratio share
4 allocation of Transource Missouri's annual transmission revenue requirement ("ATRR")
5 for the Iatan-Nashua and Sibley-Nebraska City Projects and Evergy Missouri West's SPP
6 load ratio share allocation of the ATRR for the Iatan-Nashua and Sibley-Nebraska City
7 Projects if it had been calculated utilizing Evergy Missouri West's MPSC-authorized ROE
8 and capital structure and did not include the FERC-authorized rate treatments and
9 incentives listed above.

10 **Q: Is adjustment CS-108 still necessary?**

11 A: When the agreement was reached, this adjustment reduced retail revenue requirement.
12 Now, adjustment CS-108 provides an immaterial increase to the revenue requirement and
13 is not worth the effort to prepare and review for each rate case going forward. This is
14 demonstrated in the adjustment this year for Evergy Missouri West being only \$120,641.
15 The adjustment will continue to decline in the future as the projects depreciate in value.
16 Evergy Missouri West would suggest that this adjustment be eliminated.

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

18 A: Yes, it does.

