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Witness: John Wolfram
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Sponsoring Party: Evergy Missouri West and Evergy
Missouri Metro
Case No.: ER-2022-0129 / 0130
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2022-0129 / 0130

SURREBUTTAL TESTIMONY

OF

JOHN WOLFRAM

ON BEHALF OF

**EVERGY MISSOURI METRO and
EVERGY MISSOURI WEST**

**Kansas City, Missouri
August 2022**

SURREBUTTAL TESTIMONY

OF

JOHN WOLFRAM

Case No. ER-2022-0129 / 0130

1

I. INTRODUCTION

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Q: Please state your name, position, and business address.

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A: My name is John Wolfram. I am the founder and Principal of Catalyst Consulting LLC, a rate and regulatory consulting firm. My business address is 3308 Haddon Road, Louisville, Kentucky, 40241.

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Q: Are you the same John Wolfram who submitted direct and rebuttal testimony in these dockets?

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A: Yes.

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Q: On whose behalf are you testifying?

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

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Q: What is the purpose of your surrebuttal testimony?

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A: The purpose of my surrebuttal testimony is to respond to the Rebuttal Testimony of Keith Majors on behalf of the Missouri Public Service Commission Staff (“Majors Rebuttal”) regarding the jurisdictional allocation of demand costs.

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1 **Q: How is your surrebuttal testimony structured?**

2 A: First, I will address the specific assertions stated by Mr. Majors in his
3 testimony. Then, I will provide a more broad, strategic assessment of the
4 overall framework and approach expressed in the Majors Rebuttal as it
5 relates to consideration of this issue.

6 **Q: On page 26 of the Majors Rebuttal, Mr. Majors states that Evergy Metro**
7 **did not justify why it applied an average of the 4CP and 12CP methods.**
8 **Do you agree?**

9 A: No. In my direct testimony, I justified why Evergy Metro proposed this
10 method, stating that Evergy Metro's goal is to secure approval by both this
11 Commission and the Kansas Corporation Commission of a single,
12 comprehensive determination of the jurisdictional demand allocators to be
13 consistently applied in both of the retail jurisdictions of Evergy Metro.

14 **Q: Mr. Majors states on page 26 that you "disregarded the results of the**
15 **FERC tests that suggested that a seasonal peak determination was**
16 **more appropriate than using a 12CP allocation method." Do you**
17 **agree?**

18 A: No. I did not disregard the results of the FERC tests; I acknowledged them,
19 and also noted that while the FERC Tests are a strong indicator for
20 appropriate development of the demand allocator, they are not the sole
21 criteria to use when making this decision -- as FERC itself recognizes. I
22 also took the results of the FERC Tests into consideration by developing a

1 method that yields allocators that are very similar to those of several
2 seasonal peak determination methods included in those tests.

3 **Q: On page 27 of the Majors Rebuttal, Mr. Majors states that “the**
4 **allocation methodology must result in the most appropriate allocation**
5 **factors” for jurisdictional cost allocation. Do you agree?**

6 A: No. The premise of this claim has two components: first, that there is a
7 “most appropriate” set of allocation factors, and second, that the
8 Commission must adopt the most appropriate method. The premise is
9 flawed on both counts.

10 **Q: Why is it not correct that there is a “most appropriate” set of allocation**
11 **factors?**

12 A: There is more than one allocation method that would result in appropriate
13 allocation of demand-related costs among Evergy Metro’s jurisdictions. No
14 one seasonal-based method is necessarily or automatically the most
15 appropriate. The FERC Tests only show that a seasonal peak
16 determination is more appropriate than using a 12CP allocation method;
17 they do not show that the 4CP method is the only appropriate approach.

18 **Q: Why is it not correct that the Commission must adopt the “most**
19 **appropriate” method?**

20 A: The Commission is not required to approve or even determine what is
21 “most” appropriate, but instead must approve rates that meet the just and
22 reasonable standard, even if other rates would also meet that standard.
23 See Section 393.130 RSMo.

1 **Q: Mr. Majors indicates that you disregarded the results of the FERC**
2 **tests, apparently because the proposed method includes 12CP values**
3 **as inputs to the calculated allocators. How do you respond?**

4 A: Mr. Majors implies equivalence between the Company proposal for (a)
5 averaging the 4 CP and 12 CP amounts and (b) the use of the 12 CP
6 approach. He implies that the use of 12 CP data in any way whatsoever
7 renders such calculations unreasonable. But this is not correct; the use of
8 12 CP data in the proposed averaging method does not invalidate the
9 Company proposal.

10 **Q: Why not?**

11 A: First, because there is more than one appropriate method to allocate
12 demand costs, as I mentioned before. The FERC Tests determine whether
13 or not 12CP is more appropriate than a seasonal-based approach, for any
14 combination of months where the total number of months is less than 12.
15 The FERC Tests do not compare the appropriateness of 4CP to 1CP, 4CP
16 to 3CP, 4CP to 6CP, or even 4CP to the average of 4CP and 12CP as
17 proposed in this case. I described the similarity of the values from the
18 proposed method to those of various other seasonal-based approaches in
19 my rebuttal testimony, which remains uncontroverted.

20 Second, as I noted in my rebuttal testimony, the results matter more
21 than the method, pursuant to the findings of the U.S. Supreme Court in
22 *Hope*. Under the statutory standard of just and reasonable, it is the result
23 reached, not the method employed, which is controlling. None of the

1 citations presented by Mr. Majors from the historical case records overrides
2 this finding.

3 **Q: On page 28 of the Majors Rebuttal, Mr. Majors mentions cost shifts**
4 **and that the proposed method “shifts disproportionate costs to**
5 **Missouri” and lessens the allocation to Kansas. How do you respond?**

6 A: Cost shifting is a relative function, not an absolute function. Relative to
7 using 4CP, the proposed method does allocate more demand costs to
8 Missouri and less to Kansas. Relative to 12CP, the opposite is true. (Mr.
9 Majors acknowledges this point on page 30 of the Majors Rebuttal.) This is
10 actually the entire point of the proposal, as I discuss later in my testimony.

11 I do not agree with the characterization of the costs allocated to
12 Missouri as “disproportionate” because that term is also relative, not
13 absolute. Mr. Majors’ underlying premise is that the 4CP method is the only
14 appropriate allocation method, and thus must be considered “proportionate”
15 such that other methods are then “disproportionate” by default. This
16 premise is flawed.

1 **Q: On page 30 of the Majors Rebuttal, Mr. Majors states that the**
2 **Commission decided the appropriate method of determining the**
3 **demand allocation factor in previous Evergy Metro rate cases. On**
4 **pages 28-36 Mr. Majors cites the positions of Evergy Metro personnel**
5 **and outside experts from several previous cases. How do you**
6 **respond?**

7 A: I do not disagree with the history of this issue as chronicled by Mr. Majors.
8 In fact, I noted some of the same historical information in my direct
9 testimony. Mr. Majors provides extensive quotations from proceedings,
10 dated from 2006, 2009, 2010, and 2012, largely in support of using 4CP
11 and not using 12CP. I take no issue with these positions, although I do
12 point out that they should be taken within the context of the record in the
13 dockets to which they pertain, all of which are more than ten years old. The
14 parties to this case are not bound to adopt the same positions that they did
15 in previous cases; each case must be considered on its own merits based
16 on the evidence in the record for that particular rate filing.

17 **Q: Mr. Majors states on page 39 of the Majors Rebuttal that Evergy Metro**
18 **“has failed to provide any justification or explanation that supports**
19 **the use of the Wolfram methodology in this current Missouri rate**
20 **case.” Do you agree?**

21 A: No. I provided support for the use of the proposed averaging method in my
22 direct testimony and in my rebuttal testimony. Much of this support remains
23 uncontested in the record in this case.

1 Evergy Metro's goal of achieving a consistent demand allocator
2 between the two jurisdictions is not directly opposed. More importantly, no
3 party introduced evidence into the record opposing the position that there
4 are other factors that the FERC Tests do not address that must be
5 considered, or that FERC itself recognized that the tests are not the sole
6 criteria to use. (Wolfram Direct p. 13). No party disputed the support
7 showing that the proposal is consistent with the traditional attributes of a
8 sound rate structure identified by Bonbright, namely that it is simple,
9 understandable, and feasible to apply, free from controversies as to proper
10 interpretation, or that it effectively yields the total revenue requirement,
11 provides revenue stability from year to year, yields rates that are stable with
12 minimal unexpected changes adverse to customers, helps the Company
13 apportion the total cost of service fairly among different consumers, and
14 avoids undue discrimination (Wolfram Direct pp. 15-16). No one disputed
15 that the method is objective, and not subjective, in that it relies upon a
16 formulaic approach without regard for what results the numeric values of
17 either method yield for either jurisdiction (Wolfram Direct p. 17). The results
18 of the FERC tests provided in Schedule JW-2 of my direct testimony show
19 that any of the CP approaches considered is more appropriate than the use
20 of the 12 CP approach on its own. The results also show that the values
21 across different CP approaches do not differ very much, and in fact the
22 proposed method allocators are very similar to the result of the 3 CP
23 analysis, the 6 CP analysis, and the 10 CP analysis (Wolfram Rebuttal p.

1 4). The results matter more than the method, and it is the result reached
2 and not the method employed which is controlling (Wolfram Rebuttal p. 5).
3 No party contested any of these points in the record.

4 **Q: More broadly, do you have concerns with the Majors Rebuttal and the**
5 **overall framework embraced by Mr. Majors that are more strategic in**
6 **nature?**

7 A: Yes. The fundamental issue I have with the Majors Rebuttal on a broad
8 scale is that it considers the matter of jurisdictional cost allocation very
9 narrowly. Mr. Majors focuses on how this topic has been dealt with in the
10 past by Every Metro and other parties in rate filings, in a way that would
11 constrain creativity, limit consideration, and bind not only the Company but
12 also the Commission to positions taken in previous rate cases (some of
13 which are decades old). The underlying view seems constricted to the
14 notion that nothing but what has been adopted before should be considered.
15 This restricted view is inappropriate in this instance.

16 Every Metro is in a unique situation where it is unlikely to recover
17 all of its demand-related costs across two jurisdictions, and is compelled to
18 do something to address that challenge. I was retained to help develop a
19 solution to this problem that could enable an equitable, consistent allocation
20 of the Company's demand costs between the Missouri and Kansas retail
21 jurisdictions.

22 Every Metro recognizes the historical case precedent on this issue
23 in both Missouri and Kansas. Both jurisdictions are relatively entrenched in

1 their approaches to allocating demand costs, as evidenced by the fact that
2 neither has changed its approved method since 1983 even when given ten
3 or more opportunities to do so. But limiting the current thinking in both
4 jurisdictions to the historical conventions does not address the difficult
5 situation Evergy Metro faces.

6 Evergy Metro acknowledges that the proposed method is not typical,
7 nor does it strictly adhere to the positions taken in previous years. Mr.
8 Majors characterizes the method as “contrived” but I characterize it as
9 novel, simple, and straightforward, while acknowledging it is not traditional.
10 The support I offered in my direct and rebuttal testimony for this approach
11 does not disregard or invalidate the FERC Test results, or the prior
12 Company positions, or whether using 4CP is reasonable, or the findings of
13 the Commission in various cases over the last two decades. Instead, it
14 builds on those points. The support is intended to reinforce the position that
15 circumstances can change, and the historic approach to the jurisdictional
16 demand allocator should not be immutable, binding, or absolute. It is
17 intended to bridge the current gap between the jurisdictional history of the
18 two retail jurisdictions.

19 The proposal also reinforces the view that there is more than one
20 way to achieve a just and reasonable allocation of demand costs between
21 the jurisdictions. The fact that the actual calculations for 3CP, 6CP and
22 even 10CP are similar supports the point that several approaches yield
23 reasonable results. The values for the average approach proposed are

1 almost identical to those of the 6CP approach and are very close to those
2 of the 3CP approach. Unfortunately, none of these other methods offers
3 Evergy Metro the realistic possibility of resolving the challenge it faces on
4 under-recovering total demand costs. On the other hand, the proposed
5 4CP-12CP averaging method provides that opportunity in a transparent
6 manner while also meeting traditionally-accepted criteria for a sound rate
7 design pursuant to the just and reasonable standard.

8 The 4CP approach is not the only method that provides a reasonable
9 allocation of demand costs between Missouri and Kansas. The failure to
10 recognize this point, and the implication that the parties are all bound to
11 adhere to a method that was used in previous cases, and the dismissal of
12 a new alternative without thorough examination of the actual results
13 associated with that alternative are all flaws that stem from a confined,
14 narrow perspective. The unwillingness or inability to see beyond historical
15 limits and genuinely consider another method that produces reasonable
16 results and demonstrates the traditional attributes of a sound rate design is
17 a noteworthy strategic shortcoming.

18 It is entirely reasonable for Evergy Metro to suggest and support a
19 new, different method for jurisdictional cost allocation -- a reasonable
20 method that differs from the historically-adopted 4CP approach. The
21 Commission should not adopt a closely constrained view on this issue and
22 instead should thoroughly consider Every Metro's proposed allocation
23 approach based on what it is, rather than what it is not.

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

2 **A:** Yes, it does.

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

In the Matter of Evergy Metro, Inc. d/b/a Evergy) Missouri Metro's Request for Authority to) Implement A General Rate Increase for Electric) Service)	Case No. ER-2022-0129
In the Matter of Evergy Missouri West, Inc. d/b/a) Evergy Missouri West's Request for Authority to) Implement A General Rate Increase for Electric) Service)	Case No. ER-2022-0130

AFFIDAVIT OF JOHN WOLFRAM

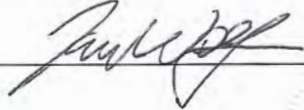
STATE OF KENTUCKY)
) **ss**
COUNTY OF JEFFERSON)

Joh Wolfram, being first duly sworn on her oath, states:

1. My name is John Wolfram. I work in Louisville, Kentucky, and I am founder and Principal of Catalyst Consulting LLC.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy Metro West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West") consisting of eleven (11) pages, having been prepared in written form for introduction into evidence in the above-captioned dockets.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

John Wolfram 

Subscribed and sworn before me this 15 day of August 2022.

Notary Public 

My commission expires: 06-09-2023

GEOFFREY LEASE Notary Public - State at Large Kentucky My Commission Expires June 09, 2023 Notary ID 623546
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