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Expense Charges/
Rate Case Expense True-Up Direct
Witness/Type of Exhibit: Weathers/Surrebuttal
True-Up Direct
Sponsoring Party: Public Counsel
Case No.: ER-2022-0129 and ER-2022-0130

**SURREBUTTAL TESTIMONY
TRUE-UP DIRECT TESTIMONY**

OF

CASSIDY WEATHERS

Submitted on Behalf of the Office of the Public Counsel

**EVERGY METRO, INC. D/B/A
EVERGY MISSOURI METRO
AND
EVERGY MISSOURI WEST, INC. D/B/A
EVERGY MISSOURI WEST**

CASE NOS. ER-2022-0129 AND ER-2022-0130

** **
Denotes Confidential information that has been redacted

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EVERGY MISSOURI METRO
CASE NO. ER-2022-0129

EVERGY MISSOURI WEST
CASE NO. ER-2022-0130**

1 **I. INTRODUCTION**

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

3 A. Cassidy Weathers, PO Box 2230, Jefferson City, Missouri 65102.

4 **Q. Are you the same Cassidy Weathers who filed direct and rebuttal testimony in this case**
5 **on behalf of the Missouri Office of the Public Counsel (“OPC”)?**

6 A. Yes.

7 **Q. What is the purpose of this surrebuttal testimony?**

8 A. The purpose of this surrebuttal testimony is to respond to the rebuttal testimonies of Mr.
9 Steven Busser and Ms. Linda Nunn of Evergy Missouri Metro and Evergy Missouri West
10 (collectively “Evergy”) regarding rate case expense and management expense charges.

11 **Q. What is the purpose of this true-up direct testimony?**

12 A. The purpose of this true-up direct testimony is to give a true-up adjustment to rate case
13 expenses.

1 **II. RATE CASE EXPENSE**

2 **Q. Did you review Ms. Nunn’s rebuttal testimony on the rate case expense adjustment?**

3 A. Yes.

4 **Q. Please summarize Evergy’s position on rate case expense, explained on pages 11 and 12**
5 **of Ms. Nunn’s testimony.**

6 A. Evergy is requesting a full recovery of all costs incurred to process these rate case filings. Ms.
7 Nunn states:

8 As the Commission acknowledged in its Order in the investigatory docket on
9 rate case expense treatment (Case No. AW-2011-0330), the Commission’s
10 “current rules and practice” at that time were such that “regulated utilities
11 generally recover all costs they incur in presenting a rate case before the
12 Commission.” More precisely, regulated utilities have generally recovered in
13 rates reasonable and prudently incurred expenses that they incur in presenting
14 rate cases to the Commission for resolution.¹

15 **Q. Is your position different than Evergy’s position on rate case expense?**

16 A. Yes. Evergy’s recommended rate case expense recovery is in contrast to the Public Service
17 Commission Staff’s (“Staff”) and OPC’s recommendations to share rate case expense
18 between ratepayers and shareholders, as was ordered by the Commission in Kansas City

¹ ER-2022-0129 & ER-2022-0130, Linda Nunn’s Rebuttal Testimony, page 11, lines 14-20

1 Power and Light’s (now d/b/a Evergy Missouri Metro) 2014 rate case² (the “Metro 2014 rate
2 case”) and 2016 rate case,³ and Spire Missouri’s 2017 rate cases.⁴

3 **Q. Is it fair to ratepayers to endure the full costs associated with a rate case filing made by
4 a utility?**

5 A. No. Allocating all of a utility’s rate case expense to ratepayers allows the utility the
6 opportunity to be the only party in the rate case process that is not constrained to some extent
7 by budgetary and other financial restrictions. It is fair to charge ratepayers some of the rate
8 case costs because of the benefit received by ratepayers in the form of safe and reliable service,
9 and to support the financial condition of the utility. However, the shareholders also enjoy
10 benefits from rate cases in potential increases to profits, dividends, and stock price. The
11 recognition of the various benefits potentially received by rate case participants was one
12 reason, among many, the Commission cited to in its Order in the Metro 2014 rate case to
13 support its finding that assigning some rate case expense to the shareholders was appropriate.

14 **Q. On page 12, lines 16-20 of Ms. Nunn’s rebuttal testimony, she states that rate case
15 expenses are no different from other costs of service because while customers primarily
16 benefit from the Company’s continued provision of safe, adequate and reliable service,
17 shareholders also have an interest in the Company’s continued operation. Do you agree
18 with this statement?**

19 A. Yes and no. Rate case expense is similar to other costs of service in that a utility must incur
20 this cost to provide utility services to customers. Also, customers benefit from having just and
21 reasonable rates, so all else being equal, it is appropriate for customers to bear half of the

² Case No. ER-2014-0370

³ Case No. ER-2016-0285

⁴ Case Nos. GR-2017-0215 & GR-2017-0216

1 utility's cost of prosecuting a rate case. However, the Commission stated in the Metro 2014
2 rate case that rate case expense is different from most other types of utility operational
3 expenses. The Commission stated the following:

4 However, rate case expense is also different from most other types of utility
5 operational expenses, in that 1) the rate case process is adversarial in nature,
6 with the utility on one side and its customers on the other; 2) rate case expense
7 produces some direct benefits to shareholders that are not shared with
8 customers, such as seeking a higher return on equity; 3) requiring all rate case
9 expense to be paid by ratepayers provides the utility with an inequitable
10 financial advantage over other case participants; and 4) full reimbursement of
11 all rate case expense does nothing to encourage reasonable levels of cost
12 containment.⁵

13 I encourage the Commission to come to the same conclusion from the Metro 2014 rate case
14 about the benefits Evergy and its shareholders receive from a rate case and that a sharing
15 mechanism, or 50/50 split methodology, is beneficial to both ratepayers and shareholders.

16 **Q. On page 13 and 14 of Ms. Nunn's rebuttal testimony, Ms. Nunn claims that the sharing**
17 **mechanism, or 50/50 split methodology, does not create an incentive on the utility's part**
18 **to control rate case expense to reasonable levels. Do you agree with this argument?**

19 A. No. The policy of sharing between ratepayers and shareholders can create an incentive to
20 control rate case expenses similar to other discretionary expense incentives that utilities (like
21 Evergy) have to control. For instance, utilities keep charitable contributions at reasonable
22 levels because utilities are aware that those costs will not be reflected in rates. Absent some

⁵ ER-2014-0370, Commission's Report and Order, page 70

1 type of sharing mechanism, there is **no real incentive** on the utilities' part to contain rate case
2 expense.

3 **Q. Evergy claims that it already has an incentive to mitigate rate case expense. Do you**
4 **agree?**

5 A. No. On pages 14 and 15 of her rebuttal testimony, Ms. Nunn argues that Evergy has an
6 incentive to control the costs incurred during a rate case. Ms. Nunn states:

7 We strive to balance cost control measures with providing the best level of
8 service possible.⁶

9 The Company strives to be as efficient as possible in the presentation of its
10 case while attempting to clearly explain its position on the issues to the
11 Commission.⁷

12 The Company has an incentive to be efficient in the presentation of its rate
13 cases as well as with the purchase of other services necessary to provide safe
14 an adequate electric service to our customers.⁸

15 I disagree that this creates an incentive for Evergy to mitigate rate case expenses. Evergy may
16 **strive** to control the expenses it incurs during the rate case, but just because one strives to do
17 something does not mean that it will happen. The sharing mechanism proposed by the OPC
18 and Staff keeps Evergy accountable for its rate case expenses, assuring that the ratepayer is
19 benefiting from the rate case and is not burdened with the full amount Evergy decides to incur

⁶ ER-2022-0129 & ER-2022-0130, Linda Nunn's Rebuttal Testimony, page 14, lines 15-16

⁷ ER-2022-0129 & ER-2022-0130, Linda Nunn's Rebuttal Testimony, page 14, lines 18-20

⁸ ER-2022-0129 & ER-2022-0130, Linda Nunn's Rebuttal Testimony, page 14, line 22 and page 15, lines 1-2

1 for the rate case filings. This is why I am advocating for a sharing mechanism, or 50/50 split,
2 in this rate case.

3 **III. MANAGEMENT EXPENSE CHARGES**

4 **Q. Did you review Mr. Busser’s rebuttal testimony on management expense charges?**

5 A. Yes.

6 **Q. Please summarize Mr. Busser’s concerns discussed in his rebuttal testimony.**

7 A. Mr. Busser states that I am implying that Evergy’s management makes imprudent decisions.
8 He continues to state that these imprudent decisions are unfounded and untrue. Mr. Busser
9 also states that my recommendation that alcohol reimbursements are not a legitimate business
10 expense is unsupported. Mr. Busser also considers my proposal that the CEO obtain approval
11 of his or her expense reports from the Evergy Board of Directors to be “an unnecessary
12 administrative burden that would neither result in customer savings nor investor benefit.”
13 Finally, Mr. Busser discusses some of the disallowance examples I gave in my direct
14 testimony.

15 **Q. Do you agree with any of the concerns Mr. Busser discussed in his rebuttal testimony?**

16 A. Yes. I made a proposal about the CEO expenses being approved by the Evergy Board of
17 Directors (“BOD”) and, after reading Mr. Busser’s response on this matter, I revise my
18 recommendation as discussed below. I do not agree, however, with the remaining concerns
19 that Mr. Busser mentions in his rebuttal testimony. I will discuss my reasoning for each
20 concern below.

1 **Q. Mr. Busser claims that you made an assertion that Evergy’s “management is imprudent**
2 **and therefore our employee base will be at liberty to be imprudent,” and goes on to**
3 **argue that this is “simply unfounded and untrue.”⁹ Do you agree with Mr. Busser?**

4 A. No. First, I did not present an argument regarding the prudence of Evergy’s management or
5 its employees. Instead, I was only arguing about the appropriateness of costs that Evergy seeks
6 to recover from ratepayers. Second, I continue to maintain that Evergy intentionally placed
7 expenses above-the-line that do not have proper documentation for recovery or does not
8 provide ratepayers reliable, safe energy. While Evergy has improved since 2016 in regards to
9 allowing and disallowing management expenses, it has still allowed at least some improper
10 charges to be booked above-the-line. I do not agree with how Evergy is allowing some
11 management expenses that require or should require proper documentation, such as itemized
12 receipts, when no proper documentation was given. I also explain my argument about
13 itemized receipts further in my testimony. So, when improper management expenses occur,
14 even after the substantial improvements to expense reporting and policies, there should be a
15 recommendation that Evergy should look into its behavior.

16 **Q. On page 5, lines 20-21, Mr. Busser states, “Ms. Weathers’ belief as to the propriety of**
17 **alcohol purchases appears to be her own and unsupported by any Company policy or**
18 **Commission precedent.” What is your belief as to the propriety of alcohol purchases?**

19 A. Evergy has not present any explanation for how alcohol consumption helps ratepayers receive
20 reliable and safe energy, even if it is being approved as part of “the performance of the
21 employee’s responsibilities that will require approval by the employee’s approver (in most
22 cases, the employee’s supervisor).” Ratepayers are not getting the benefit of consuming any
23 of the alcohol, so they should not be responsible for paying for the reimbursement. There are

⁹ ER-2022-0129 & ER-2022-0130, Steven Busser’s Rebuttal Testimony, page 4, lines 11-13

1 some meal charges that I found to be imprudent because the expense total in regards to the
2 amount of people associated with the charge was too high for beverages, an appetizer, and a
3 few entrées. I looked into the menu prices at the restaurants Evergy placed above-the-line and
4 got an average meal price per person (one appetizer, one entrée, a non-alcoholic beverage,
5 and even a dessert) and that average price for each person is below the total for each person
6 on these meal expense receipts. So, it has to be assumed that alcoholic drinks were purchased
7 and consumed outside of the legitimate business expense for alcohol to be approved.
8 Unfortunately, no itemized receipt was given to prove that no alcohol was purchased for these
9 above-the-line expenses. If Evergy wants to continue to approve alcohol purchases and
10 consumption, then shareholders should pay for the approved alcohol reimbursements, not
11 ratepayers.

12 **Q. Mr. Busser disagrees with your recommendation that CEO expenses be reviewed and**
13 **approved by the Evergy Board of Directors. Please elaborate on your recommendation.**

14 A. On page 9 lines 17-21 and 10 lines 1-3 of my direct testimony in this case, I explain that,
15 currently, CEO expenses must be approved by an officer according to the Reporting and
16 Approval of Expenses section of the reimbursement and supply chain management
17 procurement policies (“Evergy Expense Policy”).¹⁰ This concerned me because this policy
18 requires a subordinate to review and approve a superior’s expenses for prudence and
19 reasonableness. I found that this could give the CEO the ability to add pressure out of
20 superiority to get expenses approved without proper documentation. In response, I
21 recommended that CEO expenses be reviewed and approved by the Evergy Board of
22 Directors to help prevent ascendancy within the company in regards to CEO expense
23 approval.

¹⁰ ER-2022-0129 & ER-2022-0130, OPC DR 1203 Response

1 **Q. Why do you agree with Mr. Busser’s response about your proposal?**

2 A. Mr. Busser states, “The BOD is also apprised on the results of audits of officer, including the
3 CEO and employee expense reports conducted by internal audit annually and bi-annually,
4 respectively.” He also mentions that the BOD is aware of the reimbursement process and can
5 request to review the CEO expense reimbursements, if issues arise about the CEO expense
6 reimbursements. I was unaware of the BOD’s current involvement with the results of the
7 audits at the time of initial recommendation.

8 **Q. Do you propose an alternative recommendation after learning this information?**

9 Yes. I would recommend that the BOD be apprised of the results of these audits quarterly
10 rather than annually and bi-annually. This would allow the BOD to be more up-to-date on the
11 expense reports, and take action quicker if an issue is found.

12 **Q. With what disallowances listed in your direct testimony does Mr. Busser disagree?**

13 A. He did not agree with:

- 14 • My disallowance on ground transportation expenses incurred by Kirkland
15 Andrews.
- 16 • My disallowance about the lack of itemized receipts for meal expenses that
17 were incurred by Charles Caisley.
- 18 • My discovery and disallowance of expenses that lacked a receipt.

19 **Q. Can you please explain why Mr. Busser disagrees with your disallowance about Mr.
20 Andrews’ ground transportation expenses?**

21 A. Yes. Mr. Busser explains that several factors such as availability, weather, and number of trips
22 can determine the amount of an expense; which I completely understand. He mentions that

1 Mr. Andrews' transportation service invoices are for several trips on a single invoice.
2 However, I saw ground transportation trips from **_____**
3 _____ ** with no reference or information in the invoices
4 or management expense report¹¹ that mention multiple trips being charged to one invoice.
5 Therefore I concluded that these invoices are for one trip only. This is especially true when
6 compared to Uber charges of **_____** from the same pick-up and
7 drop-off destinations.

8 It states in the Evergy Expense Policy that ground transportation expenses are not
9 reimbursable for limousine or car service that cost more than the average mode of
10 transportation. Due to no definition of "average mode of transportation" being provided in the
11 Evergy Expense Policy, it would be my understanding that Uber is an average mode of
12 transportation for ground transportation expenses. Mr. Busser cited to no information to
13 support his statement about multiple transportation expenses being charged to a single
14 invoice. Therefore I will not be adjusting my management expense workpaper. The
15 Commission should disallow these ground transportation charges from **_____**
16 _____ ** totaling **_____**.

17 **Q. Can you please explain why Mr. Busser disagrees with your disallowance about Mr.**
18 **Caisley's meal expenses?**

19 A. Yes. Mr. Busser mentions that the Evergy Expense Policy does not require itemized receipts
20 for meals and they are only required for airline and lodging expenses. I recognize my error in
21 categorizing these expenses as incompliant with the Evergy Expense Policy in my direct
22 testimony, but these meals from **_____**
23 _____ ** and only 2 people were seated for each charge. That means that an average amount

¹¹ ER-2022-0129 & ER-2022-0130, OPC DR 1200 Response

1 per person for each meal is **_____** Without an itemized
2 receipt there is no context for why these charges are this expensive when there were only 2
3 people seated for each charge.

4 I recommend the Commission order a policy update on meal expenses that itemized receipts
5 must be provided to allow for reimbursement approval. If alcoholic beverage purchases must
6 comply with Evergy's Code of Ethics, as stated in the Evergy Expense Policy, then I do not
7 understand why Evergy would not require itemized receipts for meal expenses. With an
8 itemized receipt, Evergy could know if employees are complying with the Company Code of
9 Ethics. If itemized receipts have to be supplied for meal expenses, then ratepayers will not
10 unknowingly pay for potential alcohol purchases that go against Evergy's Code of Ethics.

11 **Q. Can you please explain why Mr. Busser disagrees with your disallowances for the lack**
12 **of receipts submitted for Harvard Business Review, Kansas City Business Journal, and**
13 **Gates BBQ?**

14 A. Yes. Mr. Busser claims to have verified that all three charges were properly submitted and
15 properly accounted for as legitimate business expenses. However, with the information I
16 received from OPC DR 1200, I found the receipts given for Gates BBQ and the Harvard
17 Business Review did not match the transaction dates or the amount provided in the
18 management expense report. The Gates BBQ and Harvard Business Review receipts were
19 accounted for a prior expense and I was given duplicate receipts from the prior expense. So,
20 I disallowed Gates BBQ in the amount of **_____** and Harvard Business Review in the
21 amount of **_____**.

22 I was provided information in the management expense report to locate the receipts/invoices
23 for the expenses, using this information I could not locate a receipt for Kansas City Business
24 Journal in the amount of **_____**. I looked in other appropriate locations and could still

1 not locate a receipt for this expense. So, I disallowed this Kansas City Business Journal
2 expense due to the lack of receipt given.

3 **Q. Does this conclude your surrebuttal testimony?**

4 A. Yes.

5 **IV. RATE CASE EXPENSE TRUE-UP DIRECT**

6 **Q. Did you look at Evergy's rate case expenses incurred during the true-up period?**

7 A. Yes.

8 **Q. What is your updated normalized amount per year for Evergy Missouri Metro**
9 **("Metro") and Evergy Missouri West ("West")?**

10 A. Metro has an updated ****_____**** normalized amount per year and West has an
11 updated ****_____**** normalized amount per year. These amounts are broken down
12 in my workpaper, CW-S-1.

13 **Q. How did you get your updated normalized amounts per year for Metro and West?**

14 A. I used the same accounting methods mentioned in my rebuttal testimony¹² and added the
15 true-up expenses to the totals I got in my workpaper, CW-R-1.

16 **Q. Does this conclude your true-up direct testimony?**

17 A. Yes.

¹² ER-2022-0129 & ER-2022-0130, Cassidy Weathers' Rebuttal Testimony, page 2, lines 1-20

